Chippewa Hills School District
Remus, Michigan

Financial Statements
With Supplementary Information
June 30, 2024

RPC
Roslund Prestage & Company
Certified Public Accountants

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Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

To the Members of the Board
Chippewa Hills School District
Remus, Michigan

Report on the Audit of the Financial Statements

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2024, and the respective changes in financial position 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

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

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

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

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

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

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

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

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, 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 additional supplementary information 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 31, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

October 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Chippewa Hills School District's (the district's) annual financial report presents discussion and analysis of the Chippewa Hills School District's financial performance during the year ended June 30, 2024. Please read this section in conjunction with the financial statements that immediately follow this section.

Highlights From the 2023-2024 Fiscal Year

1. The Sinking Fund Roof renovation project at the Secondary Complex, and the accompanying Façade Refinishing Project on the High School metal fascia, has been completed.
2. Ongoing infrastructure reinvestments and equipment procurement continue to help ensure facilities are kept in good condition and ready to provide years of seamless service:
    - Replacement lift station and remote monitoring alarms for the Secondary complex
    - Replacement well pump system for the Middle School
    - Upgrade and repairs performed on the C-Cure Badge Access System to improve reliability and update software.
3. Design-Build Construction of a new Secured Entrance to the Middle School began and is substantively complete by 6-30-24.
    - New secured entrance is scheduled to be ready for use when students return to classes in Fall 24.
    - Central Office will relocate to the former Middle School offices and the former main entrance will be secured and primarily used for student arrival and egress/emergency exit.
    - Counseling Services will occupy the offices formerly occupied by Central Office.
4. Food Service executed a substantial reinvestment project for 23-24.
    - Provided a complete renovation to the Middle School Service concourse.
    - Replacements for end-of-life equipment across the district.
    - Replacement tables for the High School Cafeteria
    - This reinvestment project had the added benefit of correcting the ongoing finding of excess fund balance in our food service operation.
5. CHSD Food Service team once again participated in the wildly popular rural non-congregate summer food program. Designed to help provide kids in our community a healthy breakfast and lunch – seven days a week! This allowed CHSD to provide 7 days' worth of breakfast and lunch to a child with the need for only one visit to and from the school instead of the two trips each day at set intervals on only five days of the week.
6. The District is evaluating our current 2019 Construction Bonds and Sinking Fund to identify ways to more effectively leverage the remaining funds available and minimize our Arbitrage liability stemming from robust returns on the investment instruments used to deposit these funds until projects are completed or expenses incurred.
7. CHSD continues to work with the MSBO Bus Purchase Program to continually reinvest into our Bus Fleet. Accordingly, we added two (2) new buses to our fleet. The oldest bus in regular service is a 2015 model year bus.

Using This Annual Report

In this annual financial report, the district's basic financial statements are presented in four main sections:

1. District-wide Financial Statements, which provide an overview of the totality of the district's finances and the long-term outlook.
2. Fund Financial Statements, which give a more detailed view of each of the district's significant funds.
3. Fiduciary Fund Statements, which report on the district's fiduciary accounts.

4. Notes to the financial statements, which provide details pertaining to specific aspects of the statements.

District-Wide Financial Statements

District-Wide financial statements are designed to answer the question - As a whole, what is the financial condition of the district as a result of this year's activities? These statements are similar to private-sector company statements. They use the accrual basis of accounting which records all revenues and expenses throughout the year regardless of whether or not cash has yet been exchanged. The statements encompass all the district's activities and services including instruction, supporting services, food service, athletics and community services. Property taxes, State Aid and State/Federal grants provide most of the financing for these activities. *The Statement of Net Position* – shows the difference between assets and liabilities and is one way to measure the district's financial health. *The Statement of Activities* – shows how the district's net position changed during the most recent fiscal year. By using both statements, you can gauge whether the district's financial health is improving or deteriorating.

Fund Financial Statements

The Fund Financial Statements are reported on a modified accrual basis. They report on assets that are currently available and liabilities that are currently due. This provides a good short-term view of the district's finances.

Fiduciary Fund Statements

The Fiduciary Fund Statements provide information on the district's fiduciary activities. Fiduciary funds are funds held for the benefit of others outside of direct district operations. These funds are not included in the district-Wide Financial Statements but are accounted for similarly.

Notes to the Financial Statements

The notes to the financial statements give additional information that is important to understanding information provided in District-Wide and Fund Financial Statements.

Statement of Net Position:

The following table is a summary of the district's net position as of June 30, 2023 and June 30, 2024:

	Governmental Activities 2023	**Governmental Activities 2024**
Assets		
Current and Other Assets	$ 16,595,039	$ 20,917,598
Capital Assets – Net of Accumulated Depreciation	35,225,436	36,331,645
Total Assets	51,820,475	57,249,243
Deferred Outflows of Resources	18,169,044	14,805,386

Liabilities			
	Current Liabilities	5,364,564	6,120,785
	Long Term Liabilities	67,250,101	55,937,010
	Total Liabilities	72,614,655	62,057,795
	Deferred Inflows of Resources	8,033,811	12,543,576
Net Position			
	Invested in Capital Assets – Net of Related Debt	21,537,587	23,485,476
	Restricted	1,306,136	2,767,942
	Unrestricted	(33,502,680)	(28,800,160)
	Total Net Position	$(10,658,957)	$(2,546,742)

Analysis of Financial Position

Overall, the District's net position increased by approximately 8.1 million dollars from 2023 to 2024. There are several contributing factors to this year-over-year change; most notably a $5M+ increase in Current Assets and a $10M+ decrease in Long Term Liabilities. Working with engaged committees and trusted partners, the District continues to use data-driven decisions to best leverage our available resources for facility reinvestment and to reduce liabilities.

Statement of Activities:

The results of this year's operations for the district are summarized in the following statement of activities, summarizing the change in net position between the 22-23 and 23-24 fiscal years:

	Governmental Activities 2022-2023	Governmental Activities 2023-2024
Revenues		
Program Revenue	11,618,713	12,253,614
General Revenue		
Property Taxes	10,208,196	11,422,714
State Foundation Allowance	9,660,163	9,873,360
Other	491,888	700,704
Total Revenue	31,978,960	34,250,392
Function/Program Expenses		
Instruction	14,815,515	13,016,134
Support Services (including Athletics)	9,703,376	10,136,646
Food Services	1,326,805	1,571,823
Community Activities	237,773	282,445
Student Activities	573,715	591,748
Interest on Long-Term Debt	510,371	537,044
Other Expenses	0.00	0.00
Unallocated Depreciation	14,221	2,519
Total Expenses	$27,181,777	$26,138,358

Increase/(Decrease) in Net Position	4,797,183	8,112,034

Governmental Fund Operating Results

During the year ending June 30, 2024, the District's net position increased by $ 8,112,034. A few significant factors that affected the net position are:

1. The district received almost $5.9 million dollars more in operating grants in 22-23 over the previous year.
2. The state aid foundation allowance was increased 5%; from $9,150 in 22-23 to $9,608 in 23-24.
3. Total Expenses were down $988K from the previous year without necessitating any substantive reductions in instructional offerings, workforce, services, or benefits.
4. The district's property tax collections yielded a $1.2M increase in collections.

Capital Assets

As of June 30, 2024, the district had $35,619,503.64 invested in a broad range of capital assets including land, buildings and improvements, vehicles, equipment and building projects in progress. This amounts to a net increase of $2,930,854 compared to the previous year.

CAPITAL ASSETS	**2023**	**2024**
Land	$105,000	$105,000
Buildings & Improvements	48,853,566	51,671,203
Equipment	3,459,348	3,919,023
Construction In Progress	2,137,845	571,788
Vehicles	2,538,505	2,574,496
Total Capital Assets	57,094,264	58,841,510
Less Accumulated Depreciation	21,868,828	23,222,007
Net Capital Assets	**35,225,436**	**35,619,503**

Building & Improvements continue to increase as does Equipment as the district continues to leverage the available resources of the Sinking Fund, Bonds, and Grant funding to improve the infrastructure and central plant services to provide a safe and comfortable environment for stakeholders. Equipment, vehicles, and depreciation have remained steady as the district works to provide consistency in our reinvestment strategy regarding vehicles (specifically school buses) and key operational equipment.

Debt

At the end of the 2023-2024 fiscal year, the district had $17,270,380 in bonds outstanding compared to $18,713,977 in the previous year. The energy bonds will reach final maturity in 2025 at which time the obligation will be paid in full.

	2023	**2024**
Energy Bonds	258,540	129,270
2015 Bond Issue, Series I	5,015,000	4,680,000
2015 Bond Issue, 2019-Series II	11,950,000	10,975,000
Total Long-Term Bonds	**17,223,540**	**15,784,270**

Other obligations, which include employees' compensated absences, are presented with the long-term obligations in "Note 8 – Debt" of the financial statements.

Economic Factors and Next Year's Budget

Chippewa Hills continues to leverage the available resources in a manner which will maximize the short- and long-term benefits to our students and shareholders The district continues efforts to effectively recruit and retain exceptional teachers, provide our team the tools and resources to address learning loss in our younger students, make data driven decisions to right-size our lower elementary class sizes, plan to address changes in student census, and provided extra interventions to help all students be successful.

While the federal grants are greatly beneficial for short term solutions, the last of the ARC-ESSER Funding ended on 9-30-24. Thankfully, purposeful leadership and planning helped Chippewa Hills budget the available ESSERS funding in a manner that provided long term relief in terms of facilities improvement, balances instructional spending with long term staffing needs to avoid any reduction in force at the conclusion of the ESSER grants, and now allows the district to focus on budgeting to care for our staff and students with a focus maintaining the high standards Chippewa Hills stakeholders expect and deserve. The State Legislature has again committed more long-term funding for education though the continued increases to the foundation allowance with the 23-24 and 24-25 foundation allowance set at $9,608 per pupil. These increases will help support operations in budget cycles beyond the end of ESSER funding and offset revenue decline in the event of future declines in enrollment.

Contacting Chippewa Hills School District's Financial Management

This financial report is designed to provide citizens and taxpayers of Chippewa Hills with an overview of the district's finances and demonstrate the district's accountability for the money it receives. If you have questions about this report or would like additional information, write to the Chippewa Hills School District, Attn: Director of Finance, 3226 Arthur Road, Remus MI 49340.

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Chippewa Hills School District
Statement of Net Position
June 30, 2024

Assets	
Cash and investments	$ 14,797,915
Accounts receivable	19,905
Due from other governmental units	6,008,908
Inventory	43,905
Prepaids	46,965
Non-current assets	
Net other post-employment benefits asset	687,249
Capital assets not being depreciated	676,788
Capital assets being depreciated, net	34,967,608
Total assets	57,249,243
Deferred Outflows of Resources	
Related to pension	12,063,541
Related to other post-employment benefits	2,741,845
Total deferred outflows of resources	14,805,386
Liabilities	
Accounts payable	218,941
Accrued payroll and benefits	1,730,913
Accrued interest	88,439
Unearned revenue	2,333,213
Arbitrage payable	65,000
General obligation bonds, due within one year	1,325,000
Direct borrowings, due within one year	159,343
Compensated absences, due within one year	199,936
Non-current liabilities	
Premium on bonds sold, net of amortization	552,312
General obligation bonds, due beyond one year	14,330,000
Direct borrowings, due beyond one year	74,340
Compensated absences, due beyond one year	409,209
Net pension liability	40,571,149
Total liabilities	62,057,795
Deferred Inflows of Resources	
Related to pension	4,456,945
Related to other post-employment benefits	5,709,959
Related to 147c allocation	2,376,672
Total deferred inflows of resources	12,543,576
Net position	
Net investment in capital assets	23,485,476
Restricted for debt service	2,080,693
Restricted for net other post-employment benefits asset	687,249
Unrestricted	(28,800,160)
Total net position	$ (2,546,742)

Chippewa Hills School District
Statement of Activities
For The Year Ended June 30, 2024

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	$ 13,016,134	$ 692,434	$ 8,954,835	$ (3,368,865)
Support services	10,136,646	79,768	-	(10,056,878)
Community activities	282,445	183,779	-	(98,666)
Food service	1,571,823	41,211	1,694,258	163,646
Student / school activities	591,748	607,329	-	15,581
Interest, fees and other on long-term debt	537,044	-	-	(537,044)
Loss on disposal	2,519	-	-	(2,519)
Total governmental activities	$ 26,138,358	$ 1,604,521	$ 10,649,093	(13,884,744)
General revenues:				
Property taxes				11,422,714
State aid not restricted to specific purposes				9,873,360
Interest and investment earnings - unrestricted				221,576
Interest and investment earnings - restricted				377,983
Other revenues				101,145
Total general revenues				21,996,778
Change in net position				8,112,034
Net position - beginning				(10,658,957)
Prior period adjustment				181
Net position - ending				$ (2,546,742)

FUND FINANCIAL STATEMENTS

Chippewa Hills School District
Balance Sheet
Governmental Funds
June 30, 2024

	Major Funds		Total	Total
	General	2019 Capital Projects	Non-major Funds	Governmental Funds
Assets				
Cash and investments	$ 6,409,921	$ 4,375,509	$ 4,012,485	$ 14,797,915
Accounts receivable	19,905	-	-	19,905
Due from other funds	33,006	-	1,270,146	1,303,152
Due from other governmental units	5,939,030	-	69,878	6,008,908
Inventory	24,711	-	19,194	43,905
Prepaids	45,032	-	1,933	46,965
Total assets	$ 12,471,605	$ 4,375,509	$ 5,373,636	$ 22,220,750
Liabilities				
Accounts payable	$ 203,884	$ -	$ 15,057	$ 218,941
Accrued payroll and benefits	1,692,454	-	38,459	1,730,913
Due to other funds	1,262,884	28,434	11,834	1,303,152
Unearned revenue	2,305,706	-	27,507	2,333,213
Arbitrage payable	-	65,000	-	65,000
Total liabilities	5,464,928	93,434	92,857	5,651,219
Deferred Inflows of Resources				
Related to unavailable revenues	175,396	-	-	175,396
Total deferred inflows of resources	175,396	-	-	175,396
Fund balances				
Nonspendable				
Inventory and prepaids	69,743	-	21,127	90,870
Restricted	-	4,227,075	5,259,652	9,486,727
Assigned				
Energy bond payment	129,270	-	-	129,270
MSBO school bus purchase prog.	286,536	-	-	286,536
Future obligation under arbitrage	-	55,000	-	55,000
Unassigned	6,345,732	-	-	6,345,732
Total fund balances	6,831,281	4,282,075	5,280,779	16,394,135
Total liabilities, deferred inflows of resources, and fund balances	$ 12,471,605	$ 4,375,509	$ 5,373,636	$ 22,220,750

Chippewa Hills School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2024

Total fund balance - governmental funds		$ 16,394,135
The amount reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Add:	Cost of capital assets	58,926,145
Deduct:	Accumulated depreciation	(23,281,749)
Governmental funds do not report revenues unless collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.		
Add:	Deferred inflows related to unavailable revenues	175,396
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:		
Deduct:	Direct borrowing - 2010 energy	(129,270)
Deduct:	Bonds payable - 2015 construction	(4,680,000)
Deduct:	Bonds payable - 2019 construction	(10,975,000)
Deduct:	Direct borrowing - 29 copiers	(26,613)
Deduct:	Direct borrowing - Tractor	(77,800)
Deduct:	Premium on bonds sold - 2010 energy (net of amortization)	(37,392)
Deduct:	Premium on bonds sold - 2015 construction (net of amortization)	(220,096)
Deduct:	Premium on bonds sold - 2019 construction (net of amortization)	(294,824)
Other amounts reported in the statement of activities that do not require current financial resources consist of:		
Add:	Deferred outflow - related to pension	12,063,541
Add:	Deferred outflow - related to other post-employment benefits	2,741,845
Deduct:	Net pension liability	(40,571,149)
Add:	Net other post-employment benefits asset	687,249
Deduct:	Deferred inflow - related to pension	(4,456,945)
Deduct:	Deferred inflow - related to other post-employment benefits	(5,709,959)
Deduct:	Deferred inflow - 147c allocation	(2,376,672)
Deduct:	Accrued interest on long-term liabilities	(88,439)
Deduct:	Compensated absences payable	(609,145)
Net position of governmental activities		$ (2,546,742)

Chippewa Hills School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2024

	Major Funds		Total	Total
	General	2019 Capital Projects	Non-major Funds	Governmental Funds
Revenues				
Local sources	$ 7,752,153	$ 184,893	$ 5,067,105	$ 13,004,151
State sources	15,306,281	-	105,156	15,411,437
Federal sources	5,874,487	-	1,598,890	7,473,377
Other sources	714,001	-	-	714,001
Total revenues	29,646,922	184,893	6,771,151	36,602,966
Expenditures				
Instruction				
Basic program	10,707,636	-	-	10,707,636
Added needs	4,142,021	-	-	4,142,021
Total instruction	14,849,657	-	-	14,849,657
Support services				
Pupil	886,271	-	-	886,271
Instructional support	155,231	-	-	155,231
General administration	880,666	-	-	880,666
School administration	1,868,013	-	-	1,868,013
Business services	631,962	-	-	631,962
Operation and maintenance	2,474,774	-	-	2,474,774
Pupil transportation	1,681,221	-	-	1,681,221
Central	626,606	-	-	626,606
Athletics	533,674	-	-	533,674
Total support services	9,738,418	-	-	9,738,418
Food service	-	-	1,854,401	1,854,401
Student / school activities	-	-	591,748	591,748
Community activities	16,666	-	255,982	272,648
Facilities and improvement	805,067	56,868	534,683	1,396,618
Debt service				
Principal payments	163,459	-	1,310,000	1,473,459
Interest, fees and other	1,715	65,000	556,435	623,150
Total expenditures	25,574,982	121,868	5,103,249	30,800,099
Revenues over (under) expenditures	4,071,940	63,025	1,667,902	5,802,867
Other financing sources (uses)				
Proceeds from sale of assets	9,500	-	-	9,500
Proceeds from borrowing	91,761	-	-	91,761
Transfers in	35,000	-	26,090	61,090
Transfers out	(26,090)	-	(35,000)	(61,090)
Net change in fund balances	4,182,111	63,025	1,658,992	5,904,128
Fund balances - beginning of year	2,649,170	4,219,050	3,621,606	10,489,826
Prior period adjustment	-	-	181	181
Fund balances - end of year	$ 6,831,281	$ 4,282,075	$ 5,280,779	$ 16,394,135

Chippewa Hills School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2024

Net change in fund balances - total governmental funds		$ 5,904,128
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 those assets is allocated over their estimated useful lives as depreciation expense.		
Add:	Capital outlay	2,085,743
Deduct:	Depreciation expense	(1,654,764)
Deduct:	Proceeds from sale of assets	(9,500)
Deduct:	Loss on disposal of assets	(2,519)
Governmental funds do not report revenues unless collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.		
Add:	Recognize revenues reported as unavailable on the governmental fund statements.	175,396
Deduct:	Remove revenue recognized in governmental fund that was reported as unavailable in the prior year	(2,362,697)
Long-term debt proceeds are reported as other financing sources in the governmental funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Add:	Direct borrowing - 2010 energy principal payment	129,270
Add:	Bonds payable - 2015 construction principal payment	335,000
Add:	Bonds payable - 2019 construction principal payment	975,000
Add:	Direct borrowing - 29 copiers principal payment	20,227
Add:	Direct borrowing - Tractor principal payment	13,961
Deduct:	Proceeds from borrowing - Tractor	(91,761)
Add:	Premium on bonds sold - 2010 energy amortization	37,397
Add:	Premium on bonds sold - 2015 construction amortization	20,008
Add:	Premium on bonds sold - 2019 construction amortization	26,802
Revenue in support of pension contributions made subsequent to the measurement date.		
Deduct:	Change in deferred inflow - 147c allocation	(165,272)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.		
Deduct:	Change in deferred outflow - related to pension	(2,116,242)
Deduct:	Change in deferred outflow - related to other post-employment benefits	(1,247,416)
Add:	Change in net pension liability	7,082,163
Add:	Change in net other post-employment benefits asset	3,427,427
Deduct:	Change in deferred inflow - related to pension	(4,241,605)
Deduct:	Change in deferred inflow - related to other post-employment benefits	(102,888)
Deduct:	Change in accrual for compensated absences	(127,723)
Add:	Change in accrued interest on long-term debt	1,899
Change in net position of governmental activities		$ 8,112,034

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

Chippewa Hills School District
Statement of Fiduciary Net Position
June 30, 2024

	Private Purpose Trust Fund
Assets	
Cash and cash equivalents	$ 164,675
Fiduciary net position	
Restricted	$ 164,675

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

Chippewa Hills School District
Statement of Changes in Fiduciary Net Position
For The Year Ended June 30, 2024

		Private Purpose Trust Fund
Revenues		
Interest	$	3,498
Expenses		
Scholarship		2,200
Change in fiduciary net position		1,298
Fiduciary net position - beginning		163,377
Fiduciary net position - ending	$	164,675

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The accounting policies of Chippewa Hills School District (the District) conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District. All amounts shown are in dollars.

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

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

Basis of Presentation - Government-wide Financial Statements
While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following major governmental funds:

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

- The *capital projects funds* account for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects. The District accounts for its 2019 capital project activity in a capital projects fund. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete and a subsequent year audit is expected.

The District reports the following non-major governmental funds:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activity, student activities, and Little Warriors (childcare) activity in the special revenue funds.

- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for its 2015 construction bond activity and 2019 bond activity in debt service funds.

- The *capital projects sinking fund* accounts the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. For this fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

The District reports the following fiduciary funds:

- The private purpose trust fund accounts for funds entrusted to the District for scholarship awards and both the principal and interest may be spent. These funds are not reported in the District's government-wide financial statements.

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

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

Measurement Focus and Basis of Accounting

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

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

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

The private-purpose trust fund is reported using the *economic resources measurement focus* and *the accrual basis of accounting*.

Budgetary

<u>Budgetary Basis of Accounting</u>

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

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

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

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

- Public hearings are conducted to obtain taxpayer comments.

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

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

- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. Although the district does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

<u>Excess of Expenditures Over Appropriations</u>
For the year ended June 30th, expenditures exceeded appropriations in the general fund as follows:

Function	Original Budget	Final Budget	Actual	Variance
General administration	504,362	825,750	880,666	(54,916)
Athletics	527,115	500,230	533,674	(33,444)
Facilities and improvement	-	-	805,067	(805,067)
Debt service	151,214	151,215	165,174	(13,959)

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

<u>Cash and Cash Equivalents</u>
The District's cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

<u>Investments</u>
In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

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

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

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

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

- Bankers' acceptances of United States banks.

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

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

Accounts Receivable/Payable
Accounts receivable/payable in all funds report amounts that have arisen in the ordinary course of business. Accounts receivable are stated net of allowances for uncollectible amounts, if any.

Due from/Due to Other Governmental Units
Due from/due to other governmental units consist primarily of amounts due from/to grantors and the State of Michigan.

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

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

Capital Assets
Capital assets, as detailed in the table below, are reported in the government-wide financial statements. Capital assets are tangible and intangible assets defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use lease assets, the measurement of which is discussed in the leases policy below). Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible capital assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not increase the asset's capacity or efficiency or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. The other tangible and intangible property, plant, equipment, and the right to use assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and additions	5 – 50
Furniture and equipment	3 – 25
Vehicles	6 – 8
Right to use – leased equipment	5

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

Accrued Payroll and Benefits
Accrued payroll and benefits relate to salaries and wages earned prior to year-end but not paid until after year-end.

Unearned Revenue
Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and Government-wide financial statements, and revenue is recognized.

Arbitrage Liability
Arbitrage liability arises when excess interest is earned on unspent tax-exempt bond proceeds. When this happens, the excess interest earned is required to be paid back to the Internal Revenue Service.

Compensated Absences
The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

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

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

Deferred Inflows of Resources
In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and other postemployment benefit related changes. These amounts are recognized in the plan year in which they apply.

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

related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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

<u>Leases as a Lessee</u>
The District is a lessee for a noncancelable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

<u>Net Position</u>
For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- *Nonspendable* fund balance represents amounts that are either not in spendable form or are either legally or contractually required to be maintained intact.

- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

- *Committed* fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Education prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board of Education adopts another ordinance to remove or revise the limitation.

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

- *Unassigned* fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

Revenues

Program Revenues

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

Property Tax Revenue

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

The District levied the following amounts per $1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 3.875 mills on all property in the District for the purpose of debt service.

State Aid Revenue

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

The state portion of the Foundation is provided primarily by a state education property tax millage of 6.00 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District, and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield.

As of year-end, the District had deposits and investments subject to the following risks:

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of year-end, $5,271,471 of the District’s bank balance of $5,850,716 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

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

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

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

Investment Type	Amortized Cost	Weighted Average Maturity
MILAF External Investment pool-MICMC	1,298	N/A
MILAF External Investment pool-MIMAX	9,218,747	N/A
Total	9,220,045	
One day maturity equals 0.0027, one year equals 1		

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

Investment Type	Amortized Cost	Rating	Rating Agency
MILAF External Investment pool-MICMC	1,298	AAAm	Standard & Poor's
MILAF External Investment pool-MIMAX	9,218,747	AAAm	Standard & Poor's
Total	9,220,045		

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

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

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

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

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

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

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

Investment Type	Amortized Cost
MILAF External Investment pool-MICMC	1,298
MILAF External Investment pool-MIMAX	9,218,747
Total	9,220,045

The following summarizes the categorization of these amounts as of year-end:

Description	Amount
Cash and cash equivalents	5,577,870
Investments	9,220,045
Total	14,797,915

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES
The detail of interfund balances as of June 30th, are as follows:

Description	Due from Other Funds	Due to Other Funds
General Fund	33,006	1,262,884
2019 Capital Projects Fund	-	28,434
Food Service Fund	346,764	-
Student Activities Fund	-	4,572
Little Warriors Fund	111,008	-
2015 Construction Bond Fund	7,270	-
2019 Bond Fund	19	7,262
Sinking Fund	805,085	-
Total	1,303,152	1,303,152

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

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS
As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
State aid	3,221,410
Federal grants and other pass-through agencies	2,710,853
Other	76,645
Total	6,008,908

NOTE 5 - CAPITAL ASSETS
A summary of changes in the District's capital assets follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depr/amort					
Land	105,000	-	-	-	105,000
Construction in process	2,137,845	497,489	-	(2,063,546)	571,788
Total capital assets not being depr/amort	2,242,845	497,489	-	(2,063,546)	676,788
Capital assets being depr/amort					
Buildings and additions	48,853,566	754,091	-	2,063,546	51,671,203
Furniture and equipment	3,374,713	544,310	-	-	3,919,023
Vehicles	2,538,505	289,853	(253,862)	-	2,574,496
Right to use – leased equipment	84,635	-	-	-	84,635
Total capital assets being depr/amort	54,851,419	1,588,254	(253,862)	2,063,546	58,249,357
Accumulated depr/amort					
Buildings and additions	(18,287,281)	(1,078,093)	-	-	(19,365,374)
Furniture and equipment	(1,997,732)	(267,706)	-	-	(2,265,438)
Vehicles	(1,543,987)	(289,051)	241,843	-	(1,591,195)
Right to use – leased equipment	(39,828)	(19,914)	-	-	(59,742)
Total accumulated depr/amort	(21,868,828)	(1,654,764)	241,843	-	(23,281,749)
Net capital assets being depr/amort	32,982,591	(66,510)	(12,019)	2,063,546	34,967,608
Net capital assets	35,225,436	430,979	(12,019)	-	35,644,396

Depreciation/amortization expense for the year ended June 30th was charged to the functions of the District's activities as follows:

Governmental Activities	Amount
Instruction	346,637
Support services	1,276,759
Food services	31,368
Total depreciation	1,654,764

NOTE 6 - ACCRUED PAYROLL AND BENEFITS
Accrued payroll and benefits as of year-end include amounts due for accrued wages, retirement, FICA, employee benefit insurances, and termination benefits (if any). Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

NOTE 7 – UNEARNED REVENUE
As of June 30th, unearned revenue is comprised of the following amounts:

Description	Amount
State aid	2,333,213
Total	2,333,213

NOTE 8 - DEBT

Premiums and Discounts

Debt may be issued at par value, with a premium (applicable to debt issued in excess of par value) or at a discount (applicable to debt issued at amounts less than the par value). Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

The changes in premium and discounts during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance
Premium on 2010 energy bonds	74,789	-	(37,397)	37,392
Premium on 2015 construction bonds	240,104	-	(20,008)	220,096
Premium on 2019 construction bonds	321,626	-	(26,802)	294,824
Total premium and discounts	636,519	-	(84,207)	552,312

Long-term debt

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
General obligations				
2015 Building and Site Bonds	6,940,000	3.5%-4.0%	2035	4,680,000
2019 Building and Site Bonds	15,850,000	3.0%	2035	10,975,000
Total general obligation bonds				15,655,000
Direct borrowings				
2010 Energy Bonds	2,500,000	0.0%	2025	129,270
2022 Equipment Lease	84,635	4.6%	2026	26,613
2024 Tractor Loan	91,761	6.5%	2026	77,800
Total direct borrowings				233,683

The District's outstanding notes from direct borrowings related to governmental activities contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

Summary of Long-Term Debt

The changes in long-term debt during the fiscal year are as follows:

Description	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Compensated absences	481,422	199,936	(72,213)	609,145	199,936
General obligation bonds	16,965,000	-	(1,310,000)	15,655,000	1,325,000
Direct borrowings	305,380	91,761	(163,458)	233,683	159,343
Total	17,751,802	291,697	(1,545,671)	16,497,828	1,684,279

The requirements to pay principal and interest on the long-term debt outstanding as of year-end are shown below:

	General Obligation Bonds		Direct Borrowings		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2025	1,325,000	511,426	159,343	5,832	1,484,343	517,258
2026	1,360,000	468,174	14,928	4,519	1,374,928	472,693
2027	1,375,000	423,776	10,100	3,862	1,385,100	427,638
2028	1,390,000	378,774	10,757	3,205	1,400,757	381,979
2029	1,405,000	333,176	38,555	2,506	1,443,555	335,682
2030-2034	7,290,000	958,674	-	-	7,290,000	958,674
2035-2039	1,510,000	47,850	-	-	1,510,000	47,850
Total long-term debt	15,655,000	3,121,850	233,683	19,924	15,888,683	3,141,774

NOTE 9 - RETIREMENT BENEFITS

Plan Description

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System's financial statements are available on the ORS website at Michigan.gov/ORSSchools.

Benefits Provided

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

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

Contributions

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

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

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

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

Required contributions to the pension plan from the District were $4,517,785 for the year ended September 30, 2023.

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

At September 30, 2023, the District reported a liability of $40,571,149 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The Districts' proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the Districts' proportion was .1254 percent, which was a decrease of .0013 percent from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the District recognized pension expense of $5,341,406. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	5,497,575	3,169,777
Net difference between projected and actual earnings on pension plan investments	-	830,217
Differences between actual and expected experience	1,280,707	62,149
Changes in proportion and differences between employer contributions and proportionate share of contributions	519,132	394,802
Employer contributions subsequent to the measurement date	4,466,127	-
Total	12,063,541	4,456,945

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

Deferred (Inflow) and Deferred Outflow of Resources by Plan Year (To Be Recognized in Future Pension Expenses)	
2024	1,142,386
2025	836,605
2026	1,791,399
2027	(629,921)

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

Notes:
- *Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4406*
- *Recognition period for assets in years: 5.0000*
- *Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.*

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short-Term Investment Pools	2.0%	0.3%
Total	100.0%	
*Long-term rates of return are net of administrative expenses and 2.7% inflation.		

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

Discount Rate
A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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, 6.0% 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 higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
54,811,503	40,571,149	28,715,539

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS ACFR, available on the ORS website at Michigan.gov/ORSSchools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
The District reported payables to the defined benefit pension plan in the amount of $693,289 as of June 30, 2024.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE)

Plan Description

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

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

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

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

Benefits Provided

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

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending Sept. 3, 2012 or were on an approved professional services or military leave of absence on Sept. 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after 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 contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the Sept. 30, 2022 valuation will be amortized over a 16-year period beginning Oct. 1, 2022 and ending Sept. 30, 2038.

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

OPEB Contribution Rates		
Benefit Structure	**Member**	**Employer**
Premium Subsidy	3.00%	8.07%
Personal Healthcare Fund (PHF)	0.00%	7.21%

Required contributions to the OPEB plan from the District were $946,377 for the year ended September 30, 2023.

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

At September 30, 2023, the District reported an asset of $687,249 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of Sept. 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. 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. At Sept. 30, 2023, the District's proportion was 0.1215 percent, which was a decrease of 0.0079 percent from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the District recognized OPEB expense of $(1,156,468). At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	1,529,937	184,233
Net difference between projected and actual earnings on OPEB plan investments	2,095	-
Differences between actual and expected experience	-	5,193,209
Changes in proportion and differences between employer contributions and proportionate share of contributions	338,925	332,517
Employer contributions subsequent to the measurement date	870,888	-
Total	2,741,845	5,709,959

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

Deferred (Inflow) and Deferred Outflow of Resources by Plan Year (To Be Recognized in Future OPEB Expenses)	
2024	(1,228,526)
2025	(1,147,036)
2026	(443,516)
2027	(436,180)
2028	(382,174)
Thereafter	(201,570)

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:	Sept. 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality (Retirees):	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Mortality (Active):	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for morality improvements using projection scale MP-2021 from 2010.
Other Assumptions (Opt-Out Assumption):	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Other Assumptions (Survivor Coverage):	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Other Assumptions (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 valuations beginning with the Sept. 30, 2023 valuation. The total OPEB liability as of Sept. 30, 2023, is based on the results of an actuarial valuation date of Sept. 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.5099*
- *Recognition period for assets in years: 5.0000*
- *Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.*

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short-Term Investment Pools	2.0%	0.3%
Total	100.0%	
*Long-term rates of return are net of administrative expenses and 2.7% inflation.		

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

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

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

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
712,471	(687,249)	(1,890,172)

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
(1,893,171)	(687,249)	617,953

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

The District reported payables to the defined benefit OPEB plan in the amount of $82,055 as of June 30, 2024.

NOTE 11 - NET INVESTMENT IN CAPITAL ASSETS

As of June 30th, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	676,788
Capital assets being depreciated, net	34,967,608
General obligation bonds related to capital assets	(15,655,000)
Direct borrowings related to capital assets	(233,683)
Unamortized premium on bond refunding	(552,312)
Unspent bond proceeds held in the capital projects fund	4,282,075
Net investment in capital assets	23,485,476

NOTE 12 - RISK MANAGEMENT

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

NOTE 13 - TRANSFERS
During the year the following transfers were made between funds:

- The transfer of $25,000 from the general fund to the Little Warriors fund was for support for the new program.
- The transfer of $1,090 from the general fund to the food service fund was for the required At-Risk transfer.
- The transfer of $35,000 from the food service fund to the general fund was for the purpose of recovering indirect costs incurred in operating the food service program.

NOTE 14 – CONTINGENT LIABILITIES
Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability for the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 15 – ECONOMIC DEPENDENCE
The District receives over 50% of its General Fund revenues from the Michigan Department of Education. Due to the significance of this revenue source, the District is considered to be economically dependent.

NOTE 16 – CONSTRUCTION COMMITMENTS
The District has active construction projects as of June 30th. The projects include a comprehensive roof replacement for the entire secondary complex (High School and Middle School), a restorative refinishing of the High School roofline facia and soffit metalworks, preliminary site work for evaluative bids on a parking lot replacement project for Mecosta and Weidman, and the Sinking Fund Committee is exploring a secured vestibule concept for a new Middle School main entrance. At June 30th, the District's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Roof replacement project – secondary complex	2,632,294	28,470
Middle school secured vestibule	497,489	62,773

NOTE 17 - TAX ABATEMENTS
The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2024, the District did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements made by the District.

NOTE 18 – FUND BALANCE – NON SPENDABLE, RESTRICTED, COMMITTED, AND ASSIGNED
Non-spendable fund balance for the General Fund and Food Service Fund is for inventory and prepaid expenditures. Fund balance in the Food Service Fund, the Student Activities Fund and the Little Warriors Fund is restricted for food service activities, student activities, and Little Warriors activities, respectively. Fund balance for the Debt Service Funds is restricted for debt service. Fund balance in the capital projects funds is restricted for capital improvements.

Fund balance in the General Fund has been assigned by the District for the following items at June 30th:

Description	Amount
Energy bond payment	129,270
MSBO school bus purchase program	286,536
Total	415,806

Fund balance in the 2019 Capital Projects Fund has been assigned by the District for the following item at June 30th:

Description	Amount
Future obligation under arbitrage	55,000
Total	55,000

NOTE 19 - PRIOR PERIOD ADJUSTMENT
The prior period adjustment in these financial statements consists of the following items:

Description	Amount
Prior year checks voided in current year	181

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENTS
GASB Statement No. 101*, Compensated Absences*, was issued by the GASB in June 2022 and will be effective for fiscal year June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

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

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued by the GASB in April of 2024 and will be effective for fiscal year 2026. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

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

REQUIRED SUPPLEMENTARY INFORMATION

Chippewa Hills School District
Budgetary Comparison Schedule for the General Fund
For The Year Ended June 30, 2024

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final
Revenues				
Local sources	$ 7,059,598	$ 7,746,933	$ 7,752,153	$ 5,220
State sources	14,672,165	17,456,357	15,306,281	(2,150,076)
Federal sources	2,896,323	4,840,788	5,874,487	1,033,699
Other sources	864,693	838,672	714,001	(124,671)
Total revenues	25,492,779	30,882,750	29,646,922	(1,235,828)
Expenditures				
Instruction				
Basic programs	10,984,457	10,844,104	10,707,636	136,468
Added needs	4,284,291	4,315,865	4,142,021	173,844
Total instruction	15,268,748	15,159,969	14,849,657	310,312
Support services				
Pupil	964,670	1,564,337	886,271	678,066
Instructional support	162,902	1,410,617	155,231	1,255,386
General administration	504,362	825,750	880,666	(54,916)
School administration	1,663,231	1,885,068	1,868,013	17,055
Business services	667,852	652,798	631,962	20,836
Operation and maintenance	2,274,450	2,977,458	2,474,774	502,684
Pupil transportation	1,768,962	1,686,071	1,681,221	4,850
Central service	560,794	642,107	626,606	15,501
Athletics	527,115	500,230	533,674	(33,444)
Total support services	9,094,338	12,144,436	9,738,418	2,406,018
Community activities	12,558	17,973	16,666	1,307
Facilities and improvement	-	-	805,067	(805,067)
Debt service	151,214	151,215	165,174	(13,959)
Total expenditures	24,526,858	27,473,593	25,574,982	2,703,678
Revenues over (under) expenditures	965,921	3,409,157	4,071,940	662,783
Other financing sources (uses)				
Proceeds from sale of assets	-	-	9,500	9,500
Proceeds from borrowing	-	-	91,761	91,761
Transfers in	-	-	35,000	35,000
Transfers out	(27,000)	(27,000)	(26,090)	910
Net change in fund balance	938,921	3,382,157	4,182,111	799,954
Fund balances - beginning of year	2,649,170	2,649,170	2,649,170	-
Fund balances - end of year	$ 3,588,091	$ 6,031,327	$ 6,831,281	$ 799,954

Chippewa Hills School District
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information

Schedule of the District's Proportionate Share of the Net Pension Liability

Description	Plan year Sept. 30, 2014	Plan year Sept. 30, 2015	Plan year Sept. 30, 2016	Plan year Sept. 30, 2017	Plan year Sept. 30, 2018
District's proportion of net pension liability (%)	0.1243%	0.1265%	0.1216%	0.1194%	0.1207%
District's proportionate share of net pension liability	$ 27,381,029	$ 30,896,709	$ 30,327,831	$ 30,934,036	$ 36,293,152
District's covered employee payroll	$ 10,681,958	$ 10,191,604	$ 10,058,273	$ 10,067,684	$ 10,302,431
District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	256.33%	303.20%	301.52%	307.26%	352.28%
Plan fiduciary net position as a percentage of total pension liability	66.20%	62.92%	63.01%	63.27%	62.36%

Note: Amounts were determined as of 9/30 for each fiscal year.

Schedule of the District's Pension Contributions

Description	Fiscal year June 30, 2015	Fiscal year June 30, 2016	Fiscal year June 30, 2017	Fiscal year June 30, 2018	Fiscal year June 30, 2019
Statutorily required contributions	$ 1,930,600	$ 2,440,274	$ 2,844,074	$ 2,172,002	$ 1,928,013
Contributions in relation to statutorily required contributions	1,930,600	2,440,274	2,844,074	2,172,002	1,928,013
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 10,766,802	$ 10,152,320	$ 10,120,016	$ 10,330,642	$ 10,542,644
Contributions as a percentage of covered-employee payroll	17.93%	28.20%	28.10%	21.02%	18.29%

Note: Amounts were determined as of 6/30 for each fiscal year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes to benefit terms

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

Schedule of the District's Proportionate Share of the Net Pension Liability

Description	Plan year Sept. 30, 2019	Plan year Sept. 30, 2020	Plan year Sept. 30, 2021	Plan year Sept. 30, 2022	Plan year Sept. 30, 2023
District's proportion of net pension liability (%)	0.1208%	0.1215%	0.1221%	0.1267%	0.1254%
District's proportionate share of net pension liability	$ 40,005,031	$ 41,740,563	$ 28,913,100	$ 47,653,312	$ 40,571,149
District's covered employee payroll	$ 10,538,923	$ 10,737,836	$ 11,014,887	$ 12,544,419	$ 12,232,444
District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	379.59%	388.72%	262.49%	379.88%	331.67%
Plan fiduciary net position as a percentage of total pension liability	60.31%	59.72%	72.60%	60.77%	65.91%

Note: Amounts were determined as of 9/30 for each fiscal year.

Schedule of the District's Pension Contributions

Description	Fiscal year June 30, 2020	Fiscal year June 30, 2021	Fiscal year June 30, 2022	Fiscal year June 30, 2023	Fiscal year June 30, 2024
Statutorily required contributions	$ 2,032,781	$ 2,136,547	$ 2,332,914	$ 4,603,045	$ 4,750,574
Contributions in relation to statutorily required contributions	2,032,781	2,136,547	2,332,914	4,603,045	4,750,574
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 10,876,428	$ 10,619,270	$ 12,007,593	$ 12,333,134	$ 12,245,258
Contributions as a percentage of covered-employee payroll	18.69%	20.12%	19.43%	37.32%	38.80%

Note: Amounts were determined as of 6/30 for each fiscal year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes to benefit terms

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

Schedule of the District's Proportionate Share of the OPEB (Asset)/Liability

Description	Plan year Sept. 30, 2017	Plan year Sept. 30, 2018	Plan year Sept. 30, 2019	Plan year Sept. 30, 2020	Plan year Sept. 30, 2021
District's proportion of OPEB (asset)/liability (%)	0.1194%	0.1209%	0.1209%	0.1216%	0.1227%
District's proportionate share of OPEB (asset)/liability	$ 10,577,075	$ 9,608,896	$ 8,675,603	$ 6,514,912	$ 1,872,359
District's covered employee payroll	$ 10,067,684	$ 10,302,431	$ 10,538,923	$ 10,737,836	$ 11,014,887
District's proportionate share of net OPEB (asset)/liability as a percentage of its covered employee payroll (%)	105.06%	93.27%	82.32%	60.67%	17.00%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%	42.95%	48.46%	59.44%	87.33%

Note: Amounts were determined as of 9/30 for each fiscal year.

Schedule of the District's OPEB Contributions

Description	Fiscal year June 30, 2018	Fiscal year June 30, 2019	Fiscal year June 30, 2020	Fiscal year June 30, 2021	Fiscal year June 30, 2022
Statutorily required contributions	$ 320,333	$ 284,050	$ 332,299	$ 267,584	$ 184,388
Contributions in relation to statutorily required contributions	320,333	284,050	332,299	267,584	184,388
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 10,330,642	$ 10,542,644	$ 10,876,428	$ 10,619,270	$ 12,007,593
Contributions as a percentage of covered-employee payroll	3.10%	2.69%	3.06%	2.52%	1.54%

Note: Amounts were determined as of 6/30 for each fiscal year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes to benefit terms

Changes of assumptions: The Healthcare cost trend rate pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen. The Healthcare cost trend rate post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen. Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

Schedule of the District's Proportionate Share of the OPEB (Asset)/Liability

Description	Plan year Sept. 30, 2022	Plan year Sept. 30, 2023
District's proportion of OPEB (asset)/liability (%)	0.1294%	0.1215%
District's proportionate share of OPEB (asset)/liability	$ 2,740,178	$ (687,249)
District's covered employee payroll	$ 12,544,419	$ 12,232,444
District's proportionate share of net OPEB (asset)/liability as a percentage of its covered employee payroll (%)	21.84%	-5.62%
Plan fiduciary net position as a percentage of total OPEB liability	83.09%	105.04%

Note: Amounts were determined as of 9/30 for each fiscal year.

Schedule of the District's OPEB Contributions

Description	Fiscal year June 30, 2023	Fiscal year June 30, 2024
Statutorily required contributions	$ 1,059,710	$ 977,976
Contributions in relation to statutorily required contributions	1,059,710	977,976
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 12,333,134	$ 12,245,258
Contributions as a percentage of covered-employee payroll	8.59%	7.99%

Note: Amounts were determined as of 6/30 for each fiscal year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes to benefit terms

Changes of assumptions: The Healthcare cost trend rate pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen. The Healthcare cost trend rate post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen. Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

OTHER SUPPLEMENTARY INFORMATION

Chippewa Hills School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds			Debt Service Funds		Capital Projects Fund	Total
	Food Service Fund	Student Activities Fund	Little Warriors Fund	2015 Construction Bond Fund	2019 Bond Fund	Sinking Fund	Non-major Funds
Assets							
Cash and investments	$ 87,297	$ 543,729	$ 5,124	$ 966,649	$ 1,114,017	$ 1,295,669	$ 4,012,485
Due from other governmental units	69,878	-	-	-	-	-	69,878
Due from other funds	346,764	-	111,008	7,270	19	805,085	1,270,146
Inventory	19,194	-	-	-	-	-	19,194
Prepaids	1,933	-	-	-	-	-	1,933
Total assets	$ 525,066	$ 543,729	$ 116,132	$ 973,919	$ 1,114,036	$ 2,100,754	$ 5,373,636
Liabilities							
Accounts payable	$ 15,057	$ -	$ -	$ -	$ -	$ -	$ 15,057
Accrued payroll and benefits	13,710	-	24,749	-	-	-	38,459
Due to other funds	-	4,572	-	-	7,262	-	11,834
Unearned revenue	27,507	-	-	-	-	-	27,507
Total liabilities	56,274	4,572	24,749	-	7,262	-	92,857
Fund Balance							
Nonspendable:							
Inventory	19,194	-	-	-	-	-	19,194
Prepaids	1,933	-	-	-	-	-	1,933
Restricted:							
Food service	447,665	-	-	-	-	-	447,665
Debt service	-	-	-	973,919	1,106,774	-	2,080,693
Student activities	-	539,157	-	-	-	-	539,157
Little Warriors	-	-	91,383	-	-	-	91,383
Sinking funds	-	-	-	-	-	2,100,754	2,100,754
Total fund balance	468,792	539,157	91,383	973,919	1,106,774	2,100,754	5,280,779
Total liabilities and fund balance	$ 525,066	$ 543,729	$ 116,132	$ 973,919	$ 1,114,036	$ 2,100,754	$ 5,373,636

Chippewa Hills School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended June 30, 2024

	Special Revenue Funds			Debt Service Funds		Capital Projects Fund	Total
	Food Service Fund	Student Activities Fund	Little Warriors Fund	2015 Construction Bond Fund	2019 Bond Fund	Sinking Fund	Non-major Funds
Revenues							
Local sources	$ 65,534	$ 607,329	$ 183,814	$ 737,677	$ 1,893,527	$ 1,579,224	$ 5,067,105
State sources	95,368	-	-	2,741	7,047	-	105,156
Federal sources	1,567,960	-	30,930	-	-	-	1,598,890
Total revenues	1,728,862	607,329	214,744	740,418	1,900,574	1,579,224	6,771,151
Expenditures							
Food service activities	1,854,401	-	-	-	-	-	1,854,401
Student / school activities	-	591,748	-	-	-	-	591,748
Community activities	-	-	255,982	-	-	-	255,982
Facilities and improvement	-	-	-	-	-	534,683	534,683
Debt service:							
Principal payments	-	-	-	335,000	975,000	-	1,310,000
Interest, fees and other	-	-	-	196,813	359,622	-	556,435
Total expenditures	1,854,401	591,748	255,982	531,813	1,334,622	534,683	5,103,249
Revenues over (under) expenditures	(125,539)	15,581	(41,238)	208,605	565,952	1,044,541	1,667,902
Other financing sources (uses)							
Transfers in	1,090	-	25,000	-	-	-	26,090
Transfers out	(35,000)	-	-	-	-	-	(35,000)
Total other financing sources (uses)	(33,910)	-	25,000	-	-		(8,910)
Net change in fund balances	(159,449)	15,581	(16,238)	208,605	565,952	1,044,541	1,658,992
Fund balance, beginning of year	628,241	523,395	107,621	765,314	540,822	1,056,213	3,621,606
Prior period adjustment	-	181	-	-	-	-	181
Fund balance, end of year	$ 468,792	$ 539,157	$ 91,383	$ 973,919	$ 1,106,774	$ 2,100,754	$ 5,280,779

Communication with Those Charged with Governance at the Conclusion of the Audit

To the Members of the Board
Chippewa Hills School District
Remus, Michigan

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

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2024. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.
>
> Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimated incremental borrowing rate used to discount future payments under GASB 87 is based on the entity's current borrowing rate. We evaluated the key factors and assumptions used to develop the estimated intrinsic borrowing rate in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> The assumptions used in the actuarial valuations of the pension and other postemployment benefit plans are based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the information used in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements were detected as a result of audit procedures: state revenue was overstated, and unearned revenue was understated by $220,533. A journal entry was subsequently posted by management to reduce state revenue and increase unearned revenue.

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

Required Supplementary Information

We applied certain limited procedures to the management’s discussion and analysis, the budgetary comparison schedule and the prospective 10-year trend information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Supplementary Information

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

Other

During the audit, it was noted that although documented policies and procedures governing 1) the information technology processes 2) review of systems and endpoints for vulnerability or 3) the handling, distribution and retention of data are currently in place, there are many opportunities for improvement to these policies which is consistent with internal gaps identified by the District’s information technology team. While a formal process exists for disabling access for users that are terminated, this process could be more robust. We encourage the District to review these areas and expand current policies and procedures to strengthen information technology vulnerabilities.

We recommend that the District continue to provide the necessary training to ensure that the business manager obtains the necessary skills, knowledge and experience that is needed to meet the demands of this position. In addition to training, we further recommend the continued assistance of internal District resources, in addition to an outside consultant, to provide oversight over all areas of the accounting processes until the business manager can sufficiently assume those responsibilities. As of the date of the opinion, the business manager has yet to assume these responsibilities and therefore we recommend continued assistance from resources outside the business office.

<u>Restriction on Use</u>
This information is intended solely for the information and use of the Board of Education and management of Chippewa Hills School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants