

Benzie County Central School District

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2024

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	6
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION.....	13
STATEMENT OF ACTIVITIES.....	14
BALANCE SHEET - GOVERNMENTAL FUNDS.....	15
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS.....	16
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES.....	17
NOTES TO FINANCIAL STATEMENTS.....	18
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND	46
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY.....	47
SCHEDULE OF SCHOOL DISTRICT'S DEFINED BENEFIT PENSION CONTRIBUTIONS.....	47
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB (ASSET) LIABILITY.....	48
SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS.....	48
COMBINING FINANCIAL STATEMENTS OF NON-MAJOR GOVERNMENTAL FUNDS	
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS.....	50
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS.....	51
FEDERAL PROGRAMS	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	53
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	56
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	62

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Benzie County Central School District

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 **Benzie County Central School District** (the "School District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School 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 School 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 School 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 School 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 on pages 6 - 11, budgetary comparison information on page 46, pension schedules on page 47, and OPEB schedules on page 48 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 Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying combining non-major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Education
Benzie County Central School District

Other Reporting Required by *Government Auditing Standards*

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

December 9, 2024



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MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Benzie County Central School’s annual financial report presents a discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2024. It is meant to be read in conjunction with the District’s financial statements immediately following.

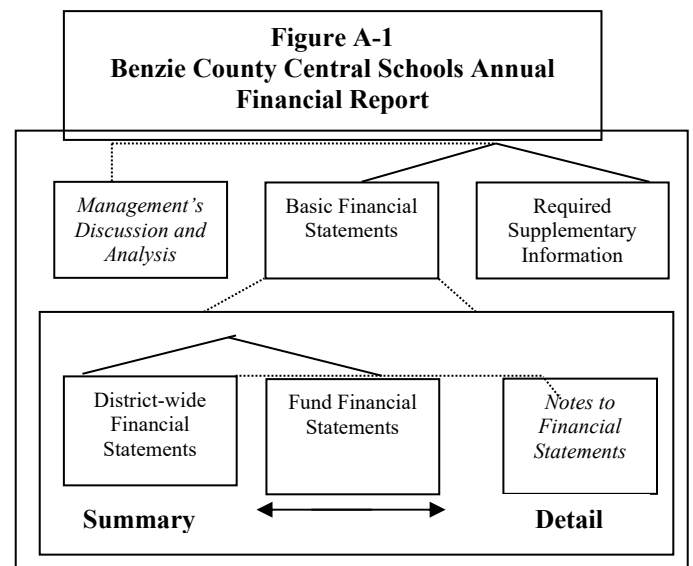
FINANCIAL HIGHLIGHTS

- The District continued to be challenged by declining enrollment.
- The foundation grant increased from prior year to \$9,608/pupil. Blended enrollment decreased by 52.73 FTEs compared to June 2023 (6/30/2023 = 1,267.40; 6/30/2024 = 1,214.67).
- The District’s contribution rate for employee retirement increased to 48.23%.
- The District passed a sinking fund levy of 0.9 mills for a period of 10 years, 2017 to 2026, for the purchase of real estate for sites for, and the construction or repair of, school buildings, for school security improvements, and for the acquisition or upgrading of technology.
- The BCCEA (Teachers) and BCCESP (Secretarial) contracts are settled through June 30, 2027. The BCCESP (Transportation) contract is settled through June 30, 2026. BCCESP (Paraprofessionals) and BCCESP (Custodial) contracts are settled through June 30, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 on the previous page shows how the various parts of this annual report are arranged and related to one another.

<p>Figure A-2</p> <p>Major Features of District-Wide and Fund Financial Statements</p>		
	District-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as general education and building maintenance.
Required financial statements	<ul style="list-style-type: none"> * Statement of net position * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarized the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include *all* of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District’s *net position* and how it has changed. Net position – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration must be given to additional nonfinancial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (repayment of long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has only one type of fund, governmental funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

Table A-3		
BCCS's Net Position		
	2023	2024
Current and other assets	\$ 27,248,053	\$ 15,867,911
Capital assets	34,818,140	45,592,796
Net OPEB asset	-	417,392
Deferred outflows of resources	8,051,887	6,593,006
Total assets and deferred outflows of resources	70,118,080	68,471,105
Net pension liability	27,594,898	23,718,374
Net OPEB liability	1,543,334	-
Long-term debt outstanding	36,306,666	35,781,692
Other liabilities	5,586,447	4,229,089
Total liabilities	71,031,345	63,729,155
Deferred inflows of resources	4,008,168	6,118,823
Net position		
Net investment in capital assets	10,048,403	10,344,079
Restricted	3,619,285	6,561,256
Unrestricted (Deficit)	(18,589,121)	(18,282,208)
Total net position	\$ (4,921,433)	\$ (1,376,873)

Change in Net Position - The District's financial position is the product of several independent factors. Overall, revenues decreased while expenses increased when compared to last year's data, with a resulting increase in net position. The change in net position for 23/24 is \$3,940,312 compared to \$4,111,125 for 22/23. A breakout of this \$3,940,312 can be found on page 16 of the audit. Revenues in most cases can't be controlled by the District, but the District continues to hold the line and increase expenditures as compared to last year.

Table A-4		
Changes in BCCS's Net Position		
Revenues	2023	2024
Property Taxes		
Levied for general purposes	\$ 8,758,757	\$ 9,630,095
Levied for debt service	1,977,631	2,160,865
Levied for sinking fund	862,807	941,633
State School Aid - unrestricted	2,952,279	2,673,465
Grants & contributions not restricted	419,340	141,791
Charges for services	361,632	429,773
Operating grants and contributions	7,883,027	7,501,576
Special Item - gain on disposal of assets	8,627	21,979
Investment and other	886,730	579,878
Total revenues	24,110,830	24,081,055
Expenses		
Instruction	9,493,123	9,261,527
Support services	7,171,907	6,982,902
Food service	866,256	898,121
Early Childhood	250,032	358,472
Student activities	122,604	130,456
Athletics	400,685	387,260
Other	93,440	28,311
Interest on long-term debt	956,408	964,319
Depreciation	645,250	1,129,375
Total expenses	19,999,705	20,140,743
Change in net position	\$ 4,111,125	\$ 3,940,312
Net position, beginning of the year, <i>as previously reported</i>	(9,032,558)	(4,921,433)
Correction of an error	-	(395,752)
Net position, beginning of the year, <i>as restated</i>	(9,032,558)	(5,317,185)
Net position, end of the year	\$ (4,921,433)	\$ (1,376,873)

During the year ended June 30, 2024, The School District discovered that requests for Federal expenditure reimbursements related to the fiscal year ending June 30, 2023 were not made and the corresponding receipts were not received. Therefore, intergovernmental receivables and Federal revenue were overstated by \$395,752 for the year ended June 30, 2023. Beginning of the year net position was adjusted to correct this error.

District Governmental Activities

The District continued to maintain its sound financial planning and personnel management for the 2023 - 2024 School Year.

- Teachers retiring or resigning from the District are replaced only if enrollments dictate the need for increased instruction.
- The District attempts to replace all resigning or retiring teachers at lower or entry level salary steps than the departing incumbent. However, the District is also seeing a shortage of qualified teachers and will recognize teaching years for the best qualified candidate.
- Grant funded programs are totally dependent upon dollars received. If dollars coming in from the grant decrease, expenses are decreased accordingly.
- The District continues to assess enrollment and has established the baseline classroom size should not be less than 15 students. Enrollment is reviewed constantly throughout the year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its general fund reported a fund balance of \$6,316,617. The non-spendable inventory and prepaid expenditures of \$22,928 and \$22,382, respectively, and assigned employee sick time of \$132,672 totaling \$177,982 compared to \$256,309 last year.

General Fund Budgetary Highlights

Over the course of the year, the District revises the annual operating budget periodically. The District begins the school year the last week of August, before the State's fiscal year begins in October. Therefore, budget assumptions made by the District earlier in the year may not materialize when the State implements the education budget.

Changes are made to final student enrollment counts, staffing assignments and changes in grant funding since the original budget was adopted.

Revenue was overbudget by \$1.4 million and expenditures were overbudget by \$1.4 million resulting in a net positive variance of approximately \$43,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Depreciable assets for the 2023 - 2024 school year totaled \$59,454,476 or \$35,630,438 more than 2022 - 2023. Sinking fund and bond projects encompassed the majority of the addition to capital assets which totaled \$11,909,810 for the 2023 – 2024 school year. For more details, see Note F of the audit.

	2023	2024
Building and improvements	\$ 19,334,570	\$ 54,333,796
Furniture and fixtures	2,477,846	2,744,017
Vehicles	2,011,622	2,376,663
Total depreciable assets	23,824,038	59,454,476
Less accumulated depreciation	(13,564,392)	(13,915,121)
Construction-in-process	24,505,053	-
Land	53,441	53,441
Net governmental capital assets	\$ 34,818,140	\$ 45,592,796

Long-term Debt

At year-end the District had \$37,292,439 in long-term debt. (More detailed information about the District's long-term liabilities is presented in Note G of the audit.)

Table A-6 BCCS's Outstanding Long-Term Debt		
	2023	2024
General obligation bonds	\$ 30,670,000	\$ 31,040,000
Energy Conservation Bond	66,490	66,490
Unamortized Premium	6,347,534	6,053,277
Accumulated Sick & Vacation Leave	163,389	132,672
Total	\$ 37,247,413	\$ 37,292,439

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment continues to be a primary issue impacting Benzie Central School's financial position. The District continues to work on building a superior early childhood education program to retain and enroll young students in the District. With a new elementary that opened at the beginning of 2023/24, the District hopes new excitement of the new building will bring new students into the District to increase enrollment. Affordable housing continues to be a current challenge within the community, as younger families, including new staff are struggling to acquire homes.
- The 2023/24 foundation allowance was \$9,608, a \$458 per pupil increase over the previous year. The blended pupil count for the 2023/24 school year was 1,214.67 which is a reduction of 52.73 students from 2022/23, and 93.78 less than the 22/23 school year. At the 2023/24 foundation rate of \$9,608 per pupil, the 52.73 student decrease represents an approximate loss of \$506,000 in funding to the District. The official audited student count occurs in the Fall of 2024, any adjustments will be made to the District in future state aid payments.
- The District's retirement contribution rate for 2023/24 increased to 48.23%, an increase of 3.35%.
- The sinking fund millage passed in 2016/17 generated \$941,633 in revenue and interest for the District in 2023/24. The mileage is expected to levy approximately \$1,016,000 for the 2024/25 school year.
- The stakeholders of Benzie Central Schools passed a Bond in November of 2020. The approximate \$37M bond continues to help the District with numerous projects impacting all buildings in the District. Additions at Benzie High School and Lake Ann Elementary are nearly complete. Renovations at all sites, with the exception of Crystal Lake are ongoing. Homestead Hill Elementary, which replaced Crystal Lake, was completed and open for the 2023/2024 school year.
- The District moved to a Community Eligibility Provision (CEP) meal funding option with the National School Lunch Program to continue to provide students in our community with free meals beginning in the 2022/23 school year, continuing for a four-year cycle. The District will continue this option, unless the State approves universal breakfast and lunch, which then the District will move forward with the state program.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Additional financial data can be found on the District's website <http://www.benzieschools.net>. If you have questions about this report or need additional information, contact the Central Business Office, Benzie County Central Schools, 9300 Homestead Rd, Benzonia MI 49616.

Benzie County Central School District

STATEMENT OF NET POSITION

June 30, 2024

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current assets	
Cash and cash equivalents	\$ 13,149,222
Due from other governments	2,605,597
Prepaid expenses	22,928
Other receivables	51,394
Inventory	<u>38,770</u>
Total current assets	15,867,911
Capital assets, net of accumulated depreciation	45,592,796
Net OPEB asset	<u>417,392</u>
Total assets	<u>61,878,099</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension liability	5,181,207
OPEB asset	<u>1,411,799</u>
Total deferred outflows of resources	<u>6,593,006</u>
Total assets and deferred outflows of resources	<u><u>\$ 68,471,105</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 1,040,755
Salaries payable and related liabilities	1,455,639
Unearned revenue	13,605
Accrued interest	208,343
Current portion of long-term liabilities	<u>1,510,747</u>
Total current liabilities	4,229,089
Non-current portion of long-term liabilities	35,781,692
Net pension liability	<u>23,718,374</u>
Total liabilities	<u>63,729,155</u>
DEFERRED INFLOWS OF RESOURCES	
Pension liability	2,685,560
OPEB asset	<u>3,433,263</u>
Total deferred inflows of resources	<u>6,118,823</u>
NET POSITION	
Net investment in capital assets	10,344,079
Restricted for	
Debt service	990,346
Capital projects	5,256,853
Food service	314,057
Unrestricted (deficit)	<u>(18,282,208)</u>
Total net position	<u>(1,376,873)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 68,471,105</u></u>

The accompanying notes are an integral part of these financial statements.

Benzie County Central School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

Functions/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Instruction	\$ 9,261,527	\$ -	\$ 6,408,499	\$ (2,853,028)
Supporting services	6,982,902	-	-	(6,982,902)
Food service	898,121	79,604	915,416	96,899
Early childhood	358,472	304,911	40,028	(13,533)
Student activities	130,456	-	137,633	7,177
Athletics	387,260	45,258	-	(342,002)
Other	28,311	-	-	(28,311)
Interest on long-term debt	964,319	-	-	(964,319)
Depreciation - unallocated	1,129,375	-	-	(1,129,375)
Total governmental activities	<u>\$ 20,140,743</u>	<u>\$ 429,773</u>	<u>\$ 7,501,576</u>	<u>(12,209,394)</u>
General purpose revenues				
Property taxes				
Levied for general purposes				9,630,095
Levied for debt service				2,160,865
Levied for sinking fund				941,633
State school aid - unrestricted				2,673,465
Grants and contributions not restricted to specific program				141,791
Investment and other				<u>579,878</u>
Total general purpose revenues				16,127,727
Special item - gain on disposal of assets				<u>21,979</u>
Change in net position				<u>3,940,312</u>
Net position, beginning of year, <i>as previously reported</i>				(4,921,433)
Correction of an error				<u>(395,752)</u>
Net position, beginning of year, <i>as restated</i>				<u>(5,317,185)</u>
Net position, end of year				<u>\$ (1,376,873)</u>

-14- The accompanying notes are an integral part of these financial statements.

Benzie County Central School District

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2024

	General Fund	2021 School Building & Site Fund	2017 Sinking Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,584,127	\$ 1,866,832	\$ 2,629,271	\$ 3,068,992	\$ 13,149,222
Prepaid expenditures	22,928	-	-	-	22,928
Other receivables	50,679	-	-	715	51,394
Intergovernmental receivable	2,494,808	-	-	110,789	2,605,597
Due from other funds	814,153	134,704	1,092,142	391,968	2,432,967
Inventory	22,382	-	-	16,388	38,770
Total assets	<u>\$ 8,989,077</u>	<u>\$ 2,001,536</u>	<u>\$ 3,721,413</u>	<u>\$ 3,588,852</u>	<u>\$ 18,300,878</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 172,399	\$ 817,948	\$ -	\$ 50,408	\$ 1,040,755
Salaries payable and related liabilities	1,396,868	-	-	58,771	1,455,639
Unearned revenue	5,562	-	-	8,043	13,605
Due to other funds	1,097,631	236,883	375,610	722,843	2,432,967
Total liabilities	<u>2,672,460</u>	<u>1,054,831</u>	<u>375,610</u>	<u>840,065</u>	<u>4,942,966</u>
FUND BALANCES					
Nonspendable - inventory and prepaid expenditures	45,310	-	-	16,388	61,698
Restricted					
Debt service	-	-	-	1,198,689	1,198,689
Capital projects	-	946,705	3,345,803	964,345	5,256,853
Food service	-	-	-	297,669	297,669
Committed - student activities	-	-	-	157,467	157,467
Assigned - employee sick time	132,672	-	-	-	132,672
Assigned - early childhood	-	-	-	114,229	114,229
Unassigned	6,138,635	-	-	-	6,138,635
Total fund balances	<u>6,316,617</u>	<u>946,705</u>	<u>3,345,803</u>	<u>2,748,787</u>	<u>13,357,912</u>
Total liabilities and fund balances	<u>\$ 8,989,077</u>	<u>\$ 2,001,536</u>	<u>\$ 3,721,413</u>	<u>\$ 3,588,852</u>	

Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$59,507,917 and the accumulated depreciation is \$(13,915,121). 45,592,796

Deferred outflows of resources for pension and OPEB are not a financial resource and, therefore, are not reported as assets in governmental funds. 6,593,006

Long-term assets and liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as assets or liabilities in the funds. Long-term assets and liabilities consist of:

Bonds and loans payable	\$ 31,106,490	
Accrued interest on bonds	208,343	
Unamortized bond premium	6,053,277	
Accumulated leave liability	132,672	
Net pension liability	23,718,374	
Net OPEB asset	<u>(417,392)</u>	(60,801,764)

Deferred inflows of resources for pension and OPEB are not a financial resource and, therefore, are not reported as liabilities in governmental funds. (6,118,823)

Total net position - governmental activities \$ (1,376,873)

Benzie County Central School District

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

Year Ended June 30, 2024

	General Fund	2021 School Building & Site Fund	Formerly Non-major Fund 2017 Sinking Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 9,630,095	\$ -	\$ 941,633	\$ 2,160,865	\$ 12,732,593
Interest	74,089	387,270	60,785	36,343	558,487
State revenues	7,318,037	-	-	186,686	7,504,723
Federal revenues	1,358,847	-	-	768,759	2,127,606
Other	619,887	-	-	543,538	1,163,425
Total revenues	19,000,955	387,270	1,002,418	3,696,191	24,086,834
Expenditures					
Instruction	10,853,380	-	-	-	10,853,380
Supporting services	6,817,050	-	-	-	6,817,050
Food service	-	-	-	898,121	898,121
Early childhood	-	-	-	358,472	358,472
Student activities	-	-	-	130,456	130,456
Athletics	387,260	-	-	-	387,260
Other	11,251	736	162	15,788	27,937
Debt service					
Principal	-	-	-	690,000	690,000
Interest	1,349	-	-	1,253,581	1,254,930
Other	-	-	-	374	374
Capital outlay	591,066	11,754,116	36,049	401,009	12,782,240
Total expenditures	18,661,356	11,754,852	36,211	3,747,801	34,200,220
REVENUES OVER (UNDER) EXPENDITURES	339,599	(11,367,582)	966,207	(51,610)	(10,113,386)
Other financing sources					
Proceeds from bond issuance	-	-	-	1,060,000	1,060,000
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	339,599	(11,367,582)	966,207	1,008,390	(9,053,386)
Fund balance, beginning of year, <i>as previously reported</i>	6,372,770	12,314,287	-	4,119,993	22,807,050
Change within financial reporting entity (non-major to major fund)	-	-	2,379,596	(2,379,596)	-
Correction of an error	(395,752)	-	-	-	(395,752)
Fund balance, beginning of year, <i>as currently presented and restated</i>	5,977,018	12,314,287	2,379,596	1,740,397	22,411,298
Fund balance, end of year	\$ 6,316,617	\$ 946,705	\$ 3,345,803	\$ 2,748,787	\$ 13,357,912

The accompanying notes are an integral part of these financial statements.

Benzie County Central School District

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

Total Net Change in Fund Balances - Governmental Funds \$ (9,053,386)

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	\$ 11,909,810	
Depreciation expense	<u>(1,129,375)</u>	10,780,435

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold. (5,779)

Change in deferred outflows of resources for:

Pension liability	\$ (947,460)	
OPEB asset	<u>(511,421)</u>	(1,458,881)

In the statement of activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, sick time paid was greater than the amounts earned by \$30,717. 30,717

Repayment of bond principal is an expenditure or other financing use in the governmental funds, but reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 690,000

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, proceeds were received from bonds issued of \$1,060,000. (1,060,000)

Amortization of bond premium. 294,257

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the statement of activities is different by the change in accrued interest on bonds payable. (3,646)

Change in net pension liability 3,876,524

Change in net OPEB asset 1,960,726

Change in deferred inflows of resources for:

Pension liability	\$ (2,086,242)	
OPEB asset	<u>(24,413)</u>	<u>(2,110,655)</u>

Changes in Net Position of Governmental Activities \$ 3,940,312

Benzie County Central School District

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Benzie County Central School District (the "School District") is a Michigan public school district consisting of three child cares, four elementary schools, a middle school and a high school. The School District primarily serves the Benzonia, Lake Ann, Honor and Crystal Lake communities. As of June 30, 2024, the School District employs 84 professional staff and 78 non-professional staff, and has 1,215 students enrolled within its School District.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The School District is considered to be a local government unit.

The accounting and reporting framework and the more significant accounting principles and practices of the School District are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2024.

The Financial Reporting Entity

Benzie County Central School District's Board is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. The financial reporting entity of Benzie County Central School District includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature of significance of their relationship with the School District, must be included to prevent the School District's financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole. Individual funds are not displayed.

NOTES TO FINANCIAL STATEMENTS - Continued

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the School District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School District's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School District are prepared in accordance with generally accepted accounting principles ("GAAP"). The School District's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

The government-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. 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 in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

NOTES TO FINANCIAL STATEMENTS - Continued

Fund Types and Major Funds

Activities in Major Funds

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

The 2021 School Building and Site Fund includes capital project activities funded with bonds. For these capital projects, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete and a subsequent year audit is expected.

The 2017 Sinking fund records capital project activities funded with Sinking Fund millage. For this fund, the school district has complied with the applicable provisions of Section 1212 of the Revised School Code.

Other Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes. The Special Revenue Funds maintained by the School District are the Food Service Fund, Early Childhood Fund and Student Activity Fund.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, bond principal, interest and related costs.

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

Cash and Cash Equivalents

The School District reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Prepays

Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepays are similarly reported in government-wide and fund financial statements.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used.

NOTES TO FINANCIAL STATEMENTS - Continued

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 5 to 50 years. The School District generally capitalizes assets with costs of \$5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land or construction-in-process. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	50	years
Improvements, other than buildings	15 - 25	years
Buses and vehicles	10	years
Furniture and equipment	5 - 10	years

Long-Term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as a liability. Bond discounts or premiums are deferred and amortized over the terms of the respective bonds using a method that approximates the interest method. Bond issuance costs are expensed as incurred.

The governmental fund financial statements recognize the proceeds of debt and premiums (discounts) as other financing sources and uses of the current period. Issuance costs are reported as expenditures.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of financial position includes separate elements for deferred outflows of resources and deferred inflows of resources. The separate financial statement elements, deferred outflows and inflows of resources, represent a consumption/addition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or inflows of resources (revenue) until then. The School District's items that qualify for reporting in this category are items related to the pension liability and Other Post Employment Benefits ("OPEB") asset. See Note J for details of deferred outflows and inflows related to the pension liability, and Note K for the OPEB asset.

Fund Balance

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the School District Board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the School District Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts non-spendable, restricted, committed or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the School District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the School District's general revenues.

The School District's most significant program revenues are Title I, At-Risk, School Lunch Program, and Elementary and Secondary School Emergency Relief (ESSER) funds which are reported as operating grants and contributions.

Encumbrance Accounting

The School District formally records encumbrances in the accounting records during the year as a normal practice. In accordance with generally accepted accounting principles, outstanding encumbrances at year-end for which goods or services are received are reclassified as expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either canceled or are included as reappropriations of fund balance for the subsequent year.

Allocation of Expenses

The School District reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The School District has elected to not allocate indirect expenses.

NOTES TO FINANCIAL STATEMENTS - Continued

Pension Plan

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

Post-Employment Benefits Other than Pensions

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

Use of Estimates in the Preparation of Financial Statements

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

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NOTE B - ACCOUNTING CHANGES

The School District adopted the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* for the year ended June 30, 2024. This statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements. Accounting changes include changes in accounting principles, changes in accounting estimates and changes to or within the financial reporting entity. A change to or within the financial reporting entity includes changes in major and non-major funds. Changes to and within the financial reporting entity are reported by adjusting beginning balances of the current period.

Changes within the financial reporting entity

The 2017 Sinking Fund changed from a non-major fund in the year ended June 30, 2023 to a major fund for the year ended June 30, 2024.

Correction of an Error in Previously Issued Financial Statements

During the year ended June 30, 2024, The School District discovered that requests for Federal expenditure reimbursements related to the fiscal year ending June 30, 2023 were not made and the corresponding receipts were not received. Therefore, intergovernmental receivables and Federal revenue were overstated by \$395,752 for the year ended June 30, 2023.

Adjustments to and Restatements of Beginning Balances

Changes within the financial reporting entity and an error correction resulted in adjustments to and restatements of beginning net position and fund balance as follows for the year ended June 30, 2024:

	Government- Wide Governmental Activities	Major Funds		Non-Major Funds 2017 Sinking Fund
		General Fund	2017 Sinking Fund	
June 30, 2023, as previously reported	\$ (4,921,433)	\$ 6,372,770	\$ -	\$ 2,379,596
Change within the reporting entity (non-major to major fund)	-	-	2,379,596	(2,379,596)
Correction of an error - overstated Federal revenue	<u>(395,752)</u>	<u>(395,752)</u>	<u>-</u>	<u>-</u>
June 30, 2023, as currently presented and restated	<u>\$ (5,317,185)</u>	<u>\$ 5,977,018</u>	<u>\$ 2,379,596</u>	<u>\$ -</u>

NOTE C - BUDGETARY POLICY AND PRACTICE

The School District has adopted these procedures in establishing the budgets as reflected in the financial statements.

1. As early as possible in the preceding fiscal year (generally in the spring), the Superintendent formulates preliminary budgets for the coming year, which she submits to the Board of Education for their review.
2. A public hearing is held prior to June 30 on the proposed budgets to obtain taxpayer comments.
3. The Board of Education reviews the proposed budget and then in June adopts a formal resolution approving the needed appropriations for the coming operating year.
4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Board of Education.
5. It is the Superintendent's responsibility to supervise and monitor the budget process. She does this by reviewing the monthly financial data and reporting and recommending any needed amendments to the Board of Education.
6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.
8. All annual appropriations lapse at fiscal year-end.

Excess of Expenditures Over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2024, the School District was not in compliance with that provision as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Instruction			
Basic Instruction	\$ 7,183,924	\$ 7,589,770	\$ (405,846)
Additional Needs	2,741,038	3,270,195	(529,157)
Supporting Services			
Pupil and Instruction Staff	831,628	882,440	(50,812)
School Administration	1,068,446	1,104,895	(36,449)
Business Office	448,428	465,180	(16,752)
Operations and Maintenance	1,914,609	2,225,490	(310,881)
Transportation Services	1,608,971	1,656,004	(47,033)
Athletics	370,214	406,895	(36,681)
Other Financing Uses	43,088	48,829	(5,741)

NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2024, the School District's cash, cash equivalents and investments include the following:

	<u>Cash and Cash Equivalents</u>
Bank deposits	\$ 10,182,886
Investments	<u>2,966,336</u>
Total	<u><u>\$ 13,149,222</u></u>

Bank Deposits

All of the School District's bank deposits are with financial institutions which provide FDIC insurance coverage.

As of June 30, 2024, \$10,036,859 of the School District's bank balance of \$10,725,952 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The School District's investment policy permits investments in the following vehicles:

1. Bonds and other obligations of the United States; the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificate of deposits issued by financial institutions organized and authorized to operate in Michigan, and who are members of FDIC.
3. Certain commercial paper.
4. Securities issued or guaranteed by agencies or instruments of the United States government.
5. United States government Federal agency obligation repurchase agreements.
6. Banker's acceptance issued by a bank that is a member of the FDIC.
7. Certain mutual funds.
8. Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982.

NOTES TO FINANCIAL STATEMENTS - Continued

Investments at June 30, 2024 consisted of the following:

Investment Type	Fair Value	Investment Maturities (in years)			
		Current	1-5	6-10	More than 10
MILAF	2,966,336	2,966,336	-	-	-
	<u>\$ 2,966,336</u>	<u>\$ 2,966,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State law does not require and the School District does not have a specific policy pertaining to investment custodial credit risk which is more restrictive than State law. As of June 30, 2024, \$2,966,336 were collateralized by securities held by the pledging financial institution.

Interest Rate Risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates.

The School District attempts to 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 short-term securities or Michigan Liquid Asset Funds ("MILAF"), and limiting the average maturity. MILAF investments are carried at amortized cost and are not subject to any withdrawal restrictions.

Credit Risk

The School District's investment policy limits investments in commercial paper to a prime or better rating at the time of purchase and maturing not more than 270 days after the date of purchase. As of June 30, 2024, the School District's investment in the MILAF investment pool was rated AAAm by Standard & Poor's.

NOTE E - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Unearned Revenue and Property Tax Calendar

Property taxes are levied, billed and attached as enforceable liens in July and December of the School District's fiscal year. Townships within the School District collect and remit taxes until February 15, at which time the uncollected real property taxes are turned over to the counties as delinquent. Delinquent real property taxes are funded by the county and remitted to the School District. Delinquent personal property tax remains a receivable until collected from the taxpayer by the townships and remitted to the School District.

In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as unearned revenue. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due to the School District regardless of when cash is received. Over time, substantially all property taxes are collected.

During the fiscal year, \$18 per \$1,000 of equalized non-principal residence property value of \$531 million and \$6 per \$1,000 of equalized commercial personal property value of \$11.6 million was levied for general operating purposes. For debt service purposes, \$1.99 per \$1,000 of total equalized property value of \$1.087 billion was levied for bonded debt repayments by the Debt Service Fund. For sinking fund purposes, \$0.87 per \$1,000 of total equalized property value of \$1.087 billion was levied for the purchase of real estate sites for, and construction or repair of, school building, for school security improvements, and for the acquisition or upgrading of technology.

Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Unearned revenues in the governmental fund financial statements include grant revenue for which eligible expenditures have not been incurred.

Amounts due from other governments at June 30, 2024 are as follows:

Due from the State of Michigan - State Aid	\$ 1,221,354
Due from Federal Grants	1,097,227
Other	<u>287,016</u>
	<u>\$ 2,605,597</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE F - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consist of the following during the year ended June 30, 2024:

	Beginning Balance	Adjustments/ Reclassifications	Additions	Retirements	Ending Balance
Buildings and improvements	\$ 19,334,570	\$ 24,505,053	\$10,494,173	\$ -	\$54,333,796
Furniture and equipment	2,477,846	-	266,171	-	2,744,017
Buses and vehicles	<u>2,011,622</u>	<u>-</u>	<u>1,149,466</u>	<u>(784,425)</u>	<u>2,376,663</u>
Total depreciable assets	23,824,038	24,505,053	11,909,810	(784,425)	59,454,476
Less accumulated depreciation	(13,564,392)	-	(1,129,375)	778,646	13,915,121)
Construction-in-process	24,505,053	(24,505,053)	-	-	-
Land	<u>53,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,441</u>
Total capital assets, net	<u>\$ 34,818,140</u>	<u>\$ -</u>	<u>\$10,780,435</u>	<u>\$ (5,779)</u>	<u>\$45,592,796</u>

Depreciation expense was charged to the function in the statement of activities, as follows:

Unallocated	<u>\$ (1,129,375)</u>
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During the year ended June 30, 2024, the School District sold ten busses and a vehicle for a total of \$27,758. The cost of the busses were \$784,425 with a net book value of \$5,779 resulting in a gain on the sale of \$21,979 which is included as a special item on the statement of activities.

NOTE G - LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2024 were as follows:

	Beginning Balance	New Debt	Payments/ Defeasance	Ending Balance	Current Portion
General obligation bonds	\$30,670,000	\$ 1,060,000	\$ (690,000)	\$ 31,040,000	\$1,150,000
Energy conservation bonds	66,490	-	-	66,490	66,490
Unamortized bond premium	6,347,534	-	(294,257)	6,053,277	294,257
Accumulated leave liability	<u>163,389</u>	<u>-</u>	<u>(30,717)</u>	<u>132,672</u>	<u>-</u>
Long-term liabilities	<u>\$37,247,413</u>	<u>\$ 1,060,000</u>	<u>\$ (1,014,974)</u>	<u>\$ 37,292,439</u>	<u>\$1,510,747</u>

Payments on general obligation bonds are made by the Debt Service Fund. All other borrowing and the accumulated leave liability will be liquidated primarily by the General Fund.

NOTES TO FINANCIAL STATEMENTS - Continued

At June 30, 2024, the School District's long-term liabilities consisted of the following:

\$1,060,000 2023 Building and Site Bonds, Series II, for additions and remodeling of existing schools and bus garages; installing instructional technology; building and improving playgrounds, playfields and sites; and purchasing buses; due in annual installments of \$475,000 through May 1, 2026; plus interest at a rate of 4.89%.	\$ 950,000
\$31,630,000 2021 Building and Site Bonds, Series I, for building a new elementary school; additions and remodeling of existing schools and bus garages; installing instructional technology; building and improving playgrounds, playfields and sites; and purchasing buses; due in annual installments of \$675,000 to \$2,310,000 through May 2045, plus interest at a rate of 4.00%.	30,090,000
\$1,340,000 2009 Energy Conservation Bonds for the purpose of energy conservation improvements; due in installments of \$85,000 to \$105,000 through June 2024; plus interest at a rate of .90% over the prime rate. An accelerated payment of \$335,000 was made during the year ended June 30, 2020 with the final balance paid July 2024.	<u>66,490</u>
Total bonds payable	31,106,490
Unamortized bond premium	6,053,277
Accumulated leave liability	<u>132,672</u>
Total long-term liabilities	<u><u>\$ 37,292,439</u></u>

Interest expense for the year ended June 30, 2024 was \$964,319 and interest paid was \$1,254,930.

Total annual requirements to amortize bonds and loans outstanding as of June 30, 2024 are as follows:

Years Ending June 30,	Principal	Interest
2025	\$ 1,216,490	\$ 1,250,055
2026	1,245,000	1,199,828
2027	845,000	1,145,800
2028	850,000	1,112,000
2029	985,000	1,078,000
2030 - 2034	5,800,000	4,742,400
2035 - 2039	7,710,000	3,458,600
2040 - 2044	10,145,000	1,712,000
2045 - 2046	<u>2,310,000</u>	<u>92,400</u>
	<u><u>\$ 31,106,490</u></u>	<u><u>\$15,791,083</u></u>

Accumulated Leave Liability

Employees of the School District accumulate days of compensated sick leave, as specified by the bargaining units' contract. This benefit vests after 10 years of employment. Upon either resignation or retirement, the employees are compensated at daily rates specified in the bargaining units' contracts.

NOTE H - RISK MANAGEMENT

The School 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; unemployment benefits; and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance and risk management pools.

The School District pays unemployment claims on a reimbursement basis through the Bureau of Workers' and Unemployment Compensation ("BWUC"). As BWUC pays eligible recipients benefits, this amount is billed to the Benzie County Central School District. At June 30, 2024, there were no significant unbilled claims.

The School District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance, and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review, and processing services for all member governments pursuant to its charter.

The School District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its General and Member Retention Funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the Member Retention Fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the School District's General Fund.

NOTE I - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds:		
General Fund	\$ 814,153	\$ 1,097,631
2021 School Building & Site Fund	134,704	236,883
2017 Capital Sinking Fund	1,092,142	375,610
Non-major Funds:		
Food Service Fund	-	261,220
Early Childhood Fund	16,358	24,836
Student Activity Fund	-	24,952
2021 Debt Service Fund	<u>375,610</u>	<u>411,835</u>
	<u><u>\$ 2,432,967</u></u>	<u><u>\$ 2,432,967</u></u>

NOTE J - PENSION PLAN

Plan Description

The Michigan Public School Employees' Retirement System ("MPERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan (the "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 and 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.

NOTES TO FINANCIAL STATEMENTS - Continued

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit ("DB") pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. 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 September 30, 2022 will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 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%

NOTES TO FINANCIAL STATEMENTS - Continued

Required contributions to the pension plan from the School District were \$2,641,151 for the year ended September 30, 2023. Total contributions include State pension funding the School District remitted to ORS as non-statutorily required contributions.

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

At June 30, 2024, the School District reported a liability of \$23,718,374 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 School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2023, the School District's proportion was 0.07328161%, which was a decrease of 0.00009206% from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the School District recognized pension expense of \$2,638,398. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 748,717	\$ 36,333
Changes of assumptions	3,213,948	1,853,089
Net difference between projected and actual earnings on pension plan investments	-	485,355
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	310,783
Employer contributions subsequent to the measurement date	<u>1,218,542</u>	<u>-</u>
Total	<u>\$ 5,181,207</u>	<u>\$ 2,685,560</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$1,218,542 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:

Years Ending September 30,	Amount
2024	\$ 351,522
2025	277,886
2026	1,001,948
2027	<u>(354,251)</u>
	<u>\$ 1,277,105</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

NOTES TO FINANCIAL STATEMENTS - Continued

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 www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Plan Assets

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0 %	5.8 %
Private Equity Pools	16.0	9.6
International Equity Pools	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate and Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return/Opportunistic Pools	10.0	7.3
Short-Term Investment Pools	<u>2.0</u>	0.3
	<u><u>100.0 %</u></u>	

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

Rate of Return

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

Discount Rate

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

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

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

1% Decrease		Current Single Discount		1% Increase	
5.00%		Rate Assumption		7.00%	
		6.00%			
\$	32,043,454	\$	23,718,374	\$	16,787,444

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Annual Comprehensive Financial Report ("ACFR") available on the ORS website at: www.michigan.gov/orsschools.

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

The School District reported \$82,264 and \$5,576 payable to the plan at June 30, 2024 for legally required defined benefit and defined contribution plan contributions, respectively.

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the post-employment 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 Post-Employment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

NOTES TO FINANCIAL STATEMENTS - Continued

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

Contributions

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

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

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

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

Required contributions to the OPEB plan from the School District were \$574,770 for the year ended September 30, 2023.

NOTES TO FINANCIAL STATEMENTS - Continued

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

At June 30, 2024, the School District reported an asset of \$417,392 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2022. As of September 30, 2023, the MPSERS OPEB plan was overfunded resulting in an OPEB asset. The School District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the School District's proportion was 0.07378352%, which was an increase of 0.00091816% from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the School District recognized OPEB income of \$852,653. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,154,030
Changes of assumptions	929,188	111,892
Net difference between projected and actual earnings on OPEB plan investments	1,273	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	47,648	167,341
Employer contributions subsequent to the measurement date	<u>433,690</u>	<u>-</u>
Total	<u>\$ 1,411,799</u>	<u>\$ 3,433,263</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$433,690 will be recognized as an increase to the net OPEB asset 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 income as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2024	\$ (821,001)
2025	(743,591)
2026	(309,317)
2027	(271,170)
2028	(205,396)
Thereafter	<u>(104,679)</u>
Total	<u>\$ (2,455,154)</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality:	Retirees: PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
	Active: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions

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

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB asset as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.5099

NOTES TO FINANCIAL STATEMENTS - Continued

- 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 www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Plan Assets

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.8 %
Private Equity Pools	16.0	9.6
International Equity Pools	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate and Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return/Opportunistic Pools	10.0	7.3
Short-Term Investment Pools	<u>2.0</u>	0.3
	<u><u>100.0 %</u></u>	

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

Rate of Return

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

Discount Rate

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

Sensitivity of the School District's Proportionate Share of the Net OPEB (asset)/liability to Changes in the Discount Rate

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 432,710	\$ (417,392)	\$ (1,147,972)

Sensitivity of the School District's Proportionate Share of the Net OPEB (asset)/liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ (1,149,794)	\$ (417,392)	\$ 375,306

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2023 MPSERS Annual Comprehensive Financial Report ("ACFR"), available on the ORS website at www.michigan.gov/orsschools.

NOTES TO FINANCIAL STATEMENTS - Continued

Payables to the OPEB Plan

The School District reported a \$33,423 payable to the Plan at June 30, 2024 for the OPEB asset.

NOTE L - COMMITMENTS AND CONTINGENCIES

Capital Projects - 2021 and 2023 School Building and Site Funds

The School District began work on the capital projects during the year ended June 30, 2021. The School District has committed to a total project cost of approximately \$38,950,000 for erecting, furnishing, and equipping a new elementary school; erecting, furnishing, equipping, remodeling and re-equipping existing school buildings; installing instructional technology; and preparing, developing, improving and equipping playgrounds, playfields and sites. The School District issued two series of bonds for these projects.

During the year ended June 30, 2021, the School District issued the Series I bonds in the amount of \$38,692,158 including a premium of \$7,062,158. Capitalized interest to debt retirement funds amounted to approximately \$914,000 and bond issuance costs, including underwriter's discount, was approximately \$422,000. As of June 30, 2024, approximately \$37,700,000 has been expended to date. The 2021 School Building and Site Fund balance at June 30, 2024 was \$946,705.

During the year ended June 30, 2024, the School District issued the Series II bonds in the amount of \$1,060,000. Bond issuance costs were approximately \$16,000. As of June 30, 2024, approximately \$114,000 has been expended to date. The 2023 School Building and Site Fund balance at June 30, 2024 was \$964,345.

Total remaining capital acquisition commitment for these projects is approximately \$1,136,000. The expected completion date for these projects is by June 30, 2025.

Federal and State Grants

In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Collectively Bargained Employment Agreements

The teachers of the School District are organized under the Benzie County Central Education Association. The Board of Education and the Benzie County Central Education Association have a contract through June 30, 2027.

The support personnel at the School District are organized under the Northern Michigan Education Association. The Board of Education and the Northern Michigan Education Association have a contract through June 30, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

Benzie County Central School District

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2024

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
Revenues					
Local and intermediate sources	\$ 9,043,540	\$ 9,904,525	\$ 9,907,652	\$ 860,985	\$ 3,127
State revenues	6,603,440	6,183,743	7,318,037	(419,697)	1,134,294
Federal revenues	1,165,166	1,126,452	1,358,847	(38,714)	232,395
Other	<u>505,533</u>	<u>338,330</u>	<u>416,419</u>	<u>(167,203)</u>	<u>78,089</u>
Total revenues	<u>17,317,679</u>	<u>17,553,050</u>	<u>19,000,955</u>	<u>235,371</u>	<u>1,447,905</u>
Expenditures					
Instruction					
Basic instruction	7,403,044	7,183,924	7,589,770	219,120	(405,846)
Additional needs	<u>2,573,171</u>	<u>2,741,038</u>	<u>3,270,195</u>	<u>(167,867)</u>	<u>(529,157)</u>
Total instruction	<u>9,976,215</u>	<u>9,924,962</u>	<u>10,859,965</u>	<u>51,253</u>	<u>(935,003)</u>
Supporting Services					
Pupil and instruction staff	689,065	831,628	882,440	(142,563)	(50,812)
General administration	494,396	499,442	484,097	(5,046)	15,345
School administration	1,062,621	1,068,446	1,104,895	(5,825)	(36,449)
Business office	433,051	448,428	465,180	(15,377)	(16,752)
Operations and maintenance	2,082,012	1,914,609	2,225,490	167,403	(310,881)
Transportation services	1,537,180	1,608,971	1,656,004	(71,791)	(47,033)
Technology services	414,709	546,358	527,260	(131,649)	19,098
Athletics	<u>393,249</u>	<u>370,214</u>	<u>406,895</u>	<u>23,035</u>	<u>(36,681)</u>
Total supporting services	<u>7,106,283</u>	<u>7,288,096</u>	<u>7,752,261</u>	<u>(181,813)</u>	<u>(464,165)</u>
Community Services	<u>3,000</u>	<u>301</u>	<u>301</u>	<u>2,699</u>	<u>-</u>
Other Financing Uses	<u>38,046</u>	<u>43,088</u>	<u>48,829</u>	<u>(5,042)</u>	<u>(5,741)</u>
Total expenditures	<u>17,123,544</u>	<u>17,256,447</u>	<u>18,661,356</u>	<u>(132,903)</u>	<u>(1,404,909)</u>
REVENUES OVER EXPENDITURES	<u>194,135</u>	<u>296,603</u>	<u>339,599</u>	<u>102,468</u>	<u>42,996</u>
Fund balance, beginning of year, <i>as previously reported</i>	6,372,770	6,372,770	6,372,770	-	-
Correction of an error	<u>(395,752)</u>	<u>(395,752)</u>	<u>(395,752)</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year, <i>restated</i>	<u>5,977,018</u>	<u>5,977,018</u>	<u>5,977,018</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,171,153</u>	<u>\$ 6,273,621</u>	<u>\$ 6,316,617</u>	<u>\$ 102,468</u>	<u>\$ 42,996</u>

Benzie County Central School District

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Michigan Public School Employees Retirement Plan

Last 10 Fiscal Years (amounts determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of collective net pension liability	0.07328161 %	0.07337367 %	0.07365111 %	0.07486012 %	0.07596172 %	0.08025912 %	0.08334516 %	0.08310744 %	0.08535000 %	0.08318000 %
School District's proportionate share of net pension liability	\$ 23,718,374	\$ 27,594,898	\$ 17,437,204	\$ 25,715,266	\$ 25,155,968	\$ 24,127,340	\$ 21,598,274	\$ 20,734,626	\$ 20,846,995	\$ 18,321,117
School District's covered payroll	\$ 7,441,957	\$ 7,122,283	\$ 6,609,687	\$ 6,691,335	\$ 6,590,576	\$ 6,631,147	\$ 7,051,556	\$ 6,960,120	\$ 7,173,152	\$ 7,140,891
School District's proportionate share of net pension liability as a percentage of covered payroll	318.71 %	387.44 %	263.81 %	384.31 %	381.70 %	363.85 %	306.29 %	297.91 %	290.63 %	256.57 %
Plan fiduciary net position as a percentage of total pension liability	65.91 %	60.77 %	72.60 %	59.72 %	60.31 %	62.36 %	64.21 %	63.27 %	63.17 %	66.20 %

SCHEDULE OF SCHOOL DISTRICT'S DEFINED BENEFIT PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

Last 10 Employer Fiscal Years (amounts determined as of 6/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,586,231	\$ 1,377,078	\$ 1,286,083	\$ 1,231,664	\$ 1,219,937	\$ 1,153,275	\$ 1,177,400	\$ 1,355,838	\$ 1,646,531	\$ 1,554,496
School District contributions made to the Plan	<u>1,586,231</u>	<u>1,377,078</u>	<u>1,286,083</u>	<u>1,231,664</u>	<u>1,219,937</u>	<u>1,153,275</u>	<u>1,177,400</u>	<u>1,355,838</u>	<u>1,646,531</u>	<u>1,554,496</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 7,644,114	\$ 7,239,617	\$ 6,732,723	\$ 6,578,105	\$ 6,728,027	\$ 6,614,964	\$ 6,679,991	\$ 7,293,509	\$ 7,069,113	\$ 7,149,585
Contributions as a percentage of covered payroll	20.75 %	19.02 %	19.10 %	18.72 %	18.13 %	17.43 %	17.63 %	18.59 %	23.29 %	21.74 %

Benzie County Central School District

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB (ASSET) LIABILITY Michigan Public School Employees Retirement Plan

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
School District's proportion of collective net OPEB (asset) liability	0.07378352 %	0.07286536 %	0.07264023 %	0.07514745 %	0.07522719 %	0.07775395 %	0.08345211 %
School District's proportionate share of net OPEB (asset) liability	\$ (417,392)	\$ 1,543,334	\$ 1,108,764	\$ 4,025,850	\$ 5,399,618	\$ 6,180,624	\$ 7,390,077
School District's covered payroll	\$ 7,441,957	\$ 7,122,283	\$ 6,609,687	\$ 6,691,335	\$ 6,590,576	\$ 6,631,147	\$ 7,051,556
School District's proportionate share of net OPEB (asset) liability as a percentage of covered payroll	(5.61)%	21.67 %	16.77 %	60.17 %	81.93 %	93.21 %	104.80 %
Plan fiduciary net position as a percentage of total OPEB (asset) liability	105.04 %	83.09 %	87.33 %	59.44 %	48.46 %	42.95 %	36.39 %

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS Michigan Public School Employees Retirement Plan

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Statutorily required OPEB contributions	\$ 575,042	\$ 540,243	\$ 516,622	\$ 520,994	\$ 532,578	\$ 523,635	\$ 484,084
OPEB contributions in relation to statutorily required contributions	<u>575,042</u>	<u>540,243</u>	<u>516,622</u>	<u>520,994</u>	<u>532,578</u>	<u>523,635</u>	<u>484,084</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 7,644,114	\$ 7,239,617	\$ 6,732,723	\$ 6,578,105	\$ 6,728,027	\$ 6,614,964	\$ 6,679,991
OPEB contributions as a percentage of covered payroll	7.52 %	7.46 %	7.67 %	7.92 %	7.92 %	7.92 %	7.25 %

**COMBINING FINANCIAL STATEMENTS OF
NON-MAJOR GOVERNMENTAL FUNDS**

Benzie County Central School District

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2024

	Special Revenue Fund			Debt Service Fund	Capital Project Fund	Total
				2021	2023 School	Non-Major
	Food Service	Early Childhood	Student Activity	Debt Service Fund	Building & Site Fund	Governmental
ASSETS						
Cash and cash equivalents	\$ 490,636	\$ 195,276	\$ 183,821	\$ 1,234,914	\$ 964,345	\$ 3,068,992
Other receivables	-	715	-	-	-	715
Intergovernmental receivables	110,789	-	-	-	-	110,789
Due from other funds	-	16,358	-	375,610	-	391,968
Inventory	16,388	-	-	-	-	16,388
Total assets	<u>\$ 617,813</u>	<u>\$ 212,349</u>	<u>\$ 183,821</u>	<u>\$ 1,610,524</u>	<u>\$ 964,345</u>	<u>\$ 3,588,852</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 34,493	\$ 14,513	\$ 1,402	\$ -	\$ -	\$ 50,408
Salaries payable and related liabilities	-	58,771	-	-	-	58,771
Unearned revenue	8,043	-	-	-	-	8,043
Due to other funds	261,220	24,836	24,952	411,835	-	722,843
Total liabilities	<u>303,756</u>	<u>98,120</u>	<u>26,354</u>	<u>411,835</u>	<u>-</u>	<u>840,065</u>
FUND BALANCES						
Nonspendable - inventory and prepaid expenditures	16,388	-	-	-	-	16,388
Restricted						
Debt service	-	-	-	1,198,689	-	1,198,689
Capital projects	-	-	-	-	964,345	964,345
Food service	297,669	-	-	-	-	297,669
Committed - student activities	-	-	157,467	-	-	157,467
Assigned - early childhood	-	114,229	-	-	-	114,229
Total fund balances	<u>314,057</u>	<u>114,229</u>	<u>157,467</u>	<u>1,198,689</u>	<u>964,345</u>	<u>2,748,787</u>
Total liabilities and fund balances	<u>\$ 617,813</u>	<u>\$ 212,349</u>	<u>\$ 183,821</u>	<u>\$ 1,610,524</u>	<u>\$ 964,345</u>	<u>\$ 3,588,852</u>

Benzie County Central School District

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

Year Ended June 30, 2024

	Special Revenue Fund			Debt Service Funds	Capital Project Fund		
	Food Service	Early Childhood	Student Activity	2021 Debt Service Fund	2023 School Building & Site Fund	Formerly Non- major Fund 2017 Sinking Fund	Total Non-Major Governmental
Revenues							
Property taxes	\$ -	\$ -	\$ -	\$ 2,160,865	\$ -	\$ -	\$ 2,160,865
Interest	417	306	-	1,377	34,243	-	36,343
State revenues	146,658	40,028	-	-	-	-	186,686
Federal revenues	768,759	-	-	-	-	-	768,759
Other	79,604	326,301	137,633	-	-	-	543,538
Total revenues	995,438	366,635	137,633	2,162,242	34,243	-	3,696,191
Expenditures							
Food service	898,121	-	-	-	-	-	898,121
Early childhood	-	358,472	-	-	-	-	358,472
Student activities	-	-	130,456	-	-	-	130,456
Other	-	-	-	-	15,788	-	15,788
Debt service							
Principal	-	-	-	690,000	-	-	690,000
Interest	-	-	-	1,253,581	-	-	1,253,581
Other	-	-	-	374	-	-	374
Capital outlay	247,244	12,524	27,131	-	114,110	-	401,009
Total expenditures	1,145,365	370,996	157,587	1,943,955	129,898	-	3,747,801
REVENUES OVER EXPENDITURES	(149,927)	(4,361)	(19,954)	218,287	(95,655)	-	(51,610)
Other financing sources							
Proceeds from bond issuance	-	-	-	-	1,060,000	-	1,060,000
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	(149,927)	(4,361)	(19,954)	218,287	964,345	-	1,008,390
Fund balance, beginning of year, <i>as previously reported</i>	463,984	118,590	177,421	980,402	-	2,379,596	4,119,993
Change within financial reporting entity (non-major to major fund)	-	-	-	-	-	(2,379,596)	(2,379,596)
Fund balance, beginning of year, <i>as currently presented</i>	463,984	118,590	177,421	980,402	-	-	1,740,397
Fund balance, end of year	\$ 314,057	\$ 114,229	\$ 157,467	\$ 1,198,689	\$ 964,345	\$ -	\$ 2,748,787

FEDERAL PROGRAMS

Benzie County Central School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor Program Title	Assistance Listing Number	Original Approved Award/Grant Amount	Accrued Revenue July 1, 2023	Prior Period Restatement	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued Revenue June 30, 2024
United States Department of Agriculture								
Passed through Michigan Department of Education								
Local Food for Schools Cooperative Agreement								
230985	10.185	\$ 7,122	\$ 5,433	\$ -	\$ 5,433	\$ 7,122	\$ 1,689	\$ -
Child Nutrition Cluster								
School Breakfast Program								
231970	10.553	20,457	-	-	-	20,457	20,457	-
241970	10.553	124,122	-	-	-	124,122	151,085	26,963
Total Summer Breakfast Program		144,579	-	-	-	144,579	171,542	26,963
National School Lunch Program								
Supply Chain Grant - 240910	10.555	34,884	-	-	-	34,884	34,884	-
231960	10.555	49,126	-	-	-	49,126	49,126	-
241960	10.555	407,499	-	-	-	335,401	407,499	72,098
Non-cash Assistance (Commodities)								
Entitlement Commodities	10.555	64,510	-	-	-	64,510	64,510	-
Entitlement Bonus	10.555	1,013	-	-	-	1,013	1,013	-
Total National School Lunch/Commodities		557,032	-	-	-	484,934	557,032	72,098
Summer Food Service Program for Children								
230900	10.559	14,135	3,566	-	3,566	14,135	10,569	-
Total Child Nutrition Cluster		715,746	3,566	-	3,566	643,648	739,143	99,061
Child and Adult Care Food Program								
231920	10.558	3,038	993	-	993	3,038	2,045	-
232010	10.558	170	-	-	-	170	170	-
241920	10.558	19,464	-	-	-	19,464	19,464	-
242010	10.558	1,068	-	-	-	1,068	6,248	5,180
Total Child and Adult Care Food Program		23,740	993	-	993	23,740	27,927	5,180
Total United States Department of Agriculture		746,608	9,992	-	9,992	674,510	768,759	104,241

The accompanying notes are an integral part of this schedule.

Benzie County Central School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor Program Title	Assistance Listing Number	Original Approved Award/Grant Amount	Accrued Revenue July 1, 2023	Prior Period Restatement	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued Revenue June 30, 2024
United States Department of Education								
Passed through Northwest Education Services								
Coronavirus State and Local Fiscal Recovery Funds								
Grow Your Own Program (ARPA)	21.027	-	-	-	-	43,696	43,696	-
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies								
201530-2223	84.010	-	345,943	(345,943)	-	-	-	-
241530-2324	84.010	351,901	-	-	-	121,116	351,901	230,785
Total Title I Grants to Local Educational Agencies		351,901	345,943	(345,943)	-	121,116	351,901	230,785
Rural Education Achievement Program								
230660-2223	84.358	-	-	-	-	-	-	-
240660-2324	84.358B	-	-	-	-	-	-	-
Total Rural Education Achievement Program		-	-	-	-	-	-	-
Supporting Effective Instruction State Grants								
210520-2223	84.367	-	21,395	(21,395)	-	-	-	-
240520-2324	84.367	-	-	-	-	-	63,091	63,091
Total Supporting Effective Instruction State Grants		-	21,395	(21,395)	-	-	63,091	63,091
Student Support and Academic Enrichment								
220750-2223	84.424	-	28,414	(28,414)	-	-	-	-
240750-2324	84.424	26,743	-	-	-	6,802	26,743	19,941
Total Student Support and Academic Enrichment		26,743	28,414	(28,414)	-	6,802	26,743	19,941

The accompanying notes are an integral part of this schedule.

Benzie County Central School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor Program Title	Assistance Listing Number	Original Approved Award/Grant Amount	Accrued Revenue July 1, 2023	Prior Period Restatement	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued Revenue June 30, 2024
Education Stabilization Funds								
Elementary and Secondary School Emergency Relief Fund:								
ESSER II	84.425D	985,359	40,340	-	-	40,340	-	-
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund:								
ESSER III	84.425U	2,214,551	366,266	-		554,093	855,697	667,870
Homeless Children and Youth (ARP-HCY)	84.425W	11,299	-	-	-	-	11,299	11,299
Total Education Stabilization Fund		3,211,209	406,606	-	-	594,433	866,996	679,169
Total United States Department of Education		3,589,853	802,358	(395,752)	-	766,047	1,352,427	992,986
United States of Department of Health and Human Services								
Passed through Northwest Education Services								
Medicaid - School Based Services	93.778	6,420	-	-	-	6,420	6,420	-
Total Federal financial assistance		\$ 4,342,881	\$ 812,350	\$ (395,752)	\$ 9,992	\$ 1,446,977	\$ 2,127,606	\$ 1,097,227

The accompanying notes are an integral part of this schedule.

Benzie County Central School District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2024

Note 1 The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 Management has reported that expenditures in this Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.

Note 3 The financial reports, including claims for advances and reimbursements and amounts claimed or used for matching are timely, complete, accurate and contain information that is supported by the books and records from which the basic financial statements have been prepared. Grant receipts reported on the Schedule of Expenditures of Federal Awards, as passed through the Michigan Department of Education, reconcile to the Grant Section Auditor's Report (R7120). Unreconciled differences have been disclosed to the auditor.

Note 4 The School District did not use the 10% de-minimis indirect cost rate allowed under the Uniform Guidance.

Note 5 Expenditures on the Schedule of Expenditures of Federal Awards agrees with Federal revenue sources reported in the financial statements.

Note 6 At June 30, 2023, ending accrued revenue was \$806,917 which included accrued revenue that was adjusted as a prior period restatement for Federal revenue not received:

Assistance Listing Number 84.010, program 201530-2223	\$	345,943
Assistance Listing Number 84.367, program 210520-2223		21,395
Assistance Listing Number 84.424A, program 220750-2223		<u>28,414</u>
Total prior period restatement of accrued revenue	\$	<u><u>395,752</u></u>

Note 7 At June 30, 2023, ending accrued revenue of \$806,917 did not include amounts for Assisting Listing Number 10.185 which was misclassified as State accrued revenue. These amounts were included as an adjustment to July 1, 2023 accrued revenue on the June 30, 2024 Schedule of Expenditures of Federal Awards.

	\$	<u><u>5,433</u></u>
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Elizabeth A. Hedden, CPA
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Benzie County Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ***Benzie County Central School District*** (the "School District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 9, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001, 2024-002, 2024-003, and 2024-004, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2024-005 and 2024-006.

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

December 9, 2024

Brad P. Niergarth, CPA
James G. Shumate, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA
Trina B. Ochs, CPA
John A. Blair, CPA
Aaron J. Mansfield, CPA
Elizabeth A. Hedden, CPA
Jonathan P. Benjamin, CPA

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

Board of Education
Benzie County Central School District

Report on Compliance for Each Major Federal Program

Opinion of Each Major Federal Program

We have audited *Benzie County Central School District's* (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major Federal programs for the year ended June 30, 2024. The School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2024-007. Our opinion on each major Federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

December 9, 2024

Benzie County Central School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

PRIOR YEAR

Finding Number 2023-001 and 2023-002 are repeated as Finding Number 2024-001 and 2024-002, and there is no change in its status.

Finding Number 2023-003 is repeated as Finding Number 2024-003, and there is no change in its status but there is a change in management's response.

Finding Number 2023-004
Excess Fund Balance - Food Service Fund
Immaterial Noncompliance

Criteria: Child Nutrition Programs must operate a restricted Non-profit Food Service Account (NFSA) or Food Service Fund, and the School District is required to limit its fund balance and invest the proceeds back into the food service program to benefit students. Three-months average expenditures are allowed in what is called the Net Cash Resources, or a School District's Allowable Fund Balance. The United States Department of Agriculture (USDA) requires Michigan Department of Education (MDE) to assess Net Cash Resources per 7 CFR Part 210.19(a)(1).

Condition: As of June 30, 2023, the School District's Food Service Fund had fund balance that exceeds the three-months average.

Cause: This condition was caused by the School District receiving Federal source revenues at a set meal reimbursement rate to feed all students for free while the costs to provide the meals was less than the reimbursement claims. The School District was unable to spend down the excess funds by year-end due to timing of equipment or capital outlay delivery and/or lack of need for equipment replacement.

Effect: The District is not in compliance with the Net Cash Resources per 7 CFR Part 210.19(a)(1).

Management's Response: The School District received an approved Plan of Action from the MDE to spend down the excess fund balance. The School District's Plan of Action includes equipment purchases and facility improvements.

Current Status: This District is working towards spending down the excess fund balance under a State-approved plan through June 30, 2025.

CURRENT YEAR

Section 1 - Summary of Auditors' Results

1. The auditor's report represents an unmodified opinion on the financial statements of Benzie County Central School District.
2. There were three material weaknesses in internal control over financial reporting as a result of the audit of the financial statements. See Section 2 - Findings in Accordance with *Government Auditing Standards*.
3. There was one instance of noncompliance that was immaterial to the financial statements, and one instance of noncompliance that was material to the financial statements, which were required to be reported in accordance with *Government Auditing Standards*, that was disclosed during the audit. See Section 2 - Findings in Accordance with *Government Auditing Standards*.
4. There were no reported material weaknesses or significant deficiencies in internal controls over major Federal award programs.
5. The auditor's report on compliance for major Federal award programs expresses an unmodified opinion on all major Federal award programs. There was one immaterial noncompliance reported.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The School District's major program was the Education Stabilization Fund:
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund:
ESSER III Assistance Listing # 84.425U
Homeless Children and Youth (ARP-HCY) Assistance Listing # 84.425W
8. The dollar threshold for distinguishing between Type A and Type B programs was \$750,000.
9. Benzie County Central School District did not qualify as a low risk auditee.

Section 2 - Findings in Accordance with Government Auditing Standards

Finding Number 2024-001 (repeat)

Preparation of Financial Statements

Material Weakness in Internal Controls over Financial Reporting

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the School District's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Section 2 - Findings in Accordance with Government Auditing Standards - Continued

Condition: As is the case with many smaller and medium-sized entities, the School District has historically relied on its independent external auditors to assist in the preparation of the basic financial statements as part of its external financial reporting process. Accordingly, the School District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the School District's internal controls.

Cause: This condition was caused by the School District's decision that it is more cost effective to outsource the preparation of its annual financial statements to auditors than to incur the time and expense of obtaining the necessary resources required for the School District to perform this task internally.

Effect: As a result of this condition, the School District lacks internal controls over the preparation of financial statements in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: Once a draft of the financial statements is available, the School District should perform a detailed review of the draft to address any questions or discrepancies from their internal books and records. Upon completion, the School District should approve the financial statements and notes to accept responsibility for their content. Additionally, management should be proactive to enhance their training and expertise in accounting and external financial reporting by attending relevant trainings to demonstrate their ability to accept responsibility for the financial statements and notes. Alternatively, the School District may contract with another qualified accounting firm to assist in the preparation of the financial statements and related notes to alleviate the assistance provided by the independent external auditors.

Management's Response: The School District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the School District to outsource this task to its external auditors and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Section 2 - Findings in Accordance with Government Auditing Standards - Continued

Finding Number 2024-002 (repeat)

Segregation of Duties

Material Weakness in Internal Controls over Financial Reporting

Criteria: Adequate segregation of duties for the School District is necessary to minimize the likelihood that fraud or errors could occur and not be detected.

Condition: The School District has not achieved a complete segregation of duties among employees who have access to assets and those with accounting responsibilities.

Cause: The small size of the business office staff creates an inherent lack of segregation of duties.

Effect: As a result of this condition, the School District lacks a thorough segregation of duties and is exposed to the risk of material misstatement of its financial statements.

Recommendation: The School District should separate staff performing record keeping from those with the ability to use the assets. This may require hiring additional staff or transferring duties across existing staff.

Management's Response: The School District has evaluated the manner in which they segregate duties and has implemented measures such as Board review of all expenditures and Board President signature of all checks written over \$5,000. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.

Finding Number 2024-003

Transactions Not Recorded and Bank Reconciliations Not Prepared Timely

Material Weakness in Internal Controls over Financial Reporting

Criteria: Control procedures include reconciliation and comparison of assets with records. The recording of transactions and preparation of bank reconciliations should be completed in a timely manner.

Condition: The School District did not record transactions or reconcile the cash accounts in a timely manner. Bank reconciliations were performed for the entire fiscal year after year-end.

Cause: Lack of resources.

Effect: As a result of this condition, the accounting records were not accurate during the fiscal year. Several material audit adjustments were posted for the year ended June 30, 2024.

Recommendation: Implement procedures whereby accounting transactions are recorded timely and bank reconciliations are performed monthly with review conducted by an individual independent of the reconciliation process.

Section 2 - Findings in Accordance with Government Auditing Standards - Continued

Management's Response: The School District hired a new Director of Finance in February 2024 who attempted to complete the bank account reconciliations and update the accounting software with the unrecorded transactions. Due to time constraints, the District engaged its external audit firm to perform non-attest services to reperform the bank account reconciliation and find the remaining discrepancies. The practice moving forward will be to comply with best practice and have each month and account reconciled within thirty days of the statement date to ensure proper accounting has taken place and allow for timely correction of discrepancies. Each reconciliation will be reviewed and signed off on by the Superintendent on a month-by-month basis.

Finding Number 2024-004

**Federal Award Application and Reimbursement Requests Not Completed
Material Weakness in Internal Controls over Financial Reporting**

Criteria: Control procedures include properly submitting Federal awards applications and requests for expenditure reimbursements in a timely manner.

Condition: The School District, in error, did not submit the Title funds application and reimbursement requests for the fiscal year ending June 30, 2023.

Cause: Oversight

Effect: As a result of this condition, the School District was not reimbursed for Title fund expenditures totaling \$395,752.

Recommendation: Implement procedures whereby Federal awards applications are properly and completely submitted and that expenditure reimbursement requests are made timely.

Management's Response: The School District hired a new Director of Finance in February of 2024, who has implemented a date-driven process of calendar alerts to ensure Federal award applications and expenditure reimbursements requests are submitted timely. The Director of Finance submits each Federal award application by the submission deadline and the Superintendent receives email notifications indicating whether the application has been submitted and whether it's been accepted. All applications for fiscal year 2024-2025 have been properly submitted and accepted. Expenditure reimbursements requests will be submitted quarterly. .

Section 2 - Findings in Accordance with Government Auditing Standards - Continued

Finding Number 2024-005

**Late Audit Package Submission to the Michigan Department of Education
Material Instance of Noncompliance with Laws, Regulations, Contracts and Grant
Agreements**

Criteria: The State of Michigan requires public school districts to file a copy of their audit reporting package and management letter with the Michigan Department of Education by November 1.

Condition: The School District did not file the audit package with the Michigan Department of Education by November 1, 2024, the due date.

Cause: The audit was not complete and available for submission to the State by November 1 because the School District was working on account reconciliations after year-end and was not ready for the audit to begin in the planned timeframe needed to complete the audit timely.

Effect: As a result of this condition, 100% of state aid funding will be withheld until the audit package is filed with the Michigan Department of Education.

Recommendation: Implement and adhere to procedures whereby accounting transactions are recorded timely and accounts are reconciled throughout the year, to allow for timely completion of the audit for submission by the November 1 deadline.

Management's Response: The School District will reconcile each bank account within thirty days of the statement date to ensure proper accounting. The Director of Finance and other business office staff will use the template created to properly reconcile in a timely manner. Each month the Superintendent will sign off on the completed reconciliation as required by district practices. At year-end, it is the goal of the business office to have the June accounts reconciled by July 20th at the end of each fiscal year to make sure the audit can be completed timely and the audit package can be filed with the State before the November 1st deadline.

Section 2 - Findings in Accordance with Government Auditing Standards - Continued

Finding Number 2024-006

Material Budget Overages

Material Instance of Noncompliance with Laws, Regulations, Contracts and Grant Agreements

Criteria: Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated.

Condition: As of June 30, 2024, the School District's General Fund expenditures exceeded budgeted amounts by approximately \$1.4 million.

Cause: This condition was caused by the School District not recording transactions during the year in a timely manner which resulted in inaccurate financial reporting.

Effect: The District is not in compliance Michigan Public Act 621 of 1978.

Recommendation: Implement procedures whereby accounting transactions are recorded timely to ensure accurate financial reporting for proper budgeting.

Management's Response: The School District hired a new Director of Finance in February 2024 who was unable to maintain the accounting records in a timely manner. The School District will address the time constraints by providing additional resources to the Director of Finance, which will allow for timely record keeping. Policies will be implemented to ensure monthly account reconciliations are completed each month and that budget amendments are made timely, including making the budget information available on the School District's transparency reporting section of its website.

Section 3 - Findings and Questioned Costs in Accordance with the Uniform Guidance

Finding Number 2024-007

Education Stabilization Fund: American Rescue Plan - Elementary and Secondary School Emergency Relief (ESSER III) Assistance Listing Number 84.425U

**Allowable Costs/Cost Principles – Documentation of Employee Salary and Wage Rate
Immaterial Noncompliance**

Criteria: Per Federal regulations 2 CFR section 200.430(i)(1)(vii), the School District must maintain time and effort distribution records for an employee who works in part on the consolidated administrative cost objective and in part on a federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources.

Condition: At the time of our testing, the School District did not maintain salary and wage approval agreement records for employees who were funded with ESSER Federal funds.

Cause: Oversight.

Effect: Time and effort reports were not completed.

Questioned Costs: None.

Recommendation: Salary and wage approval agreements should be completed throughout the year listing the employees name, position or job title, and salary rate signed by the employee's supervisor.

Management's Response and Corrective Actions: The Director of Finance completed salary and wage approval agreement records for the ESSER funds expended for fiscal year ending June 30, 2024 during audit fieldwork. Management has assigned the Director of Finance with the task of completing the required reports in a timely manner. The Superintendent will provide oversight of this requirement.

Person Responsible for Corrective Action: Danielle Banasiak, Director of Finance, and Amiee Erfourth, Superintendent

Completion Date: November 15, 2024