ARVON TOWNSHIP SCHOOL DISTRICT

Baraga County, Michigan

Annual Financial Report

For the year ended June 30, 2024

HUNGERFORD
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

October 8, 2024

The Board of Education
Arvon Township School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Arvon Township 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'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, the major fund, and the aggregate remaining fund information of the Arvon Township School District, as of June 30, 2024, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Arvon Township 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 Arvon Township 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arvon Township 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 Arvon Township 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 and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Arvon Township School District's basic financial statements. The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual: Food Service Special Revenue Fund is presented for purposes of additional analysis and is 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 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual: Food Service Special Revenue Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2024, on our consideration of Arvon Township 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 Arvon Township 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 Arvon Township School District's internal control over financial reporting and compliance.

Hungerford

Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of Arvon Township School District (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

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

- The first two statements, the Statement of Net Position, and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.

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

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

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

District-wide Statements

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

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

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

- To assess the District’s overall health, one should consider additional non-financial factors such as changes in the District’s property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

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

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

Condensed District-wide Financial Information

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

	2024	2023
Assets		
Current assets	$ 635,471	$ 616,590
Net OPEB asset	10,342	-
Net capital assets	182,227	152,633
Total Assets	**828,040**	**769,223**
Deferred Outflows of Resources	**312,060**	**326,314**
Liabilities		
Current liabilities	79,644	45,147
Long-term liabilities	13,248	11,250
Net pension liability	607,488	661,834
Net OPEB liability	-	39,093
Total Liabilities	**700,380**	**757,324**
Deferred Inflows of Resources	**147,728**	**90,760**
Net Position		
Net investment in capital assets	182,227	152,633
Restricted	654	584
Unrestricted	109,111	94,236
Total Net Position	**$ 291,992**	**$ 247,453**

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

	2024	2023
Program Revenues		
Charges for services	$ 572	$ 2,015
Operating grants	81,780	123,423
General Revenues		
Property taxes	450,309	357,916
State school aid, unrestricted	4,090	6,212
Interest and investment earnings	3,675	1,813
Other	7,862	5,257
Total Revenues	548,288	496,636
Expenses		
Instruction	276,172	289,363
Supporting services	171,903	186,099
Food service	4,951	8,193
Depreciation - unallocated	18,956	16,995
Other	31,767	-
Total Expenses	503,749	500,650
Increase (Decrease) in Net Position	44,539	(4,014)
Net Position, Beginning of Year	247,453	251,467
Net Position, End of Year	**$ 291,992**	**$ 247,453**

Financial Analysis of the District as a Whole

Total revenues exceeded expenses by $44,539 on the Statement of Activities, increasing total net position from $247,453 at June 30, 2023 to $291,992 at June 30, 2024. Unrestricted net position increased by $14,875 to $109,111 at June 30, 2024. The District's net pension liability, including deferred outflows and inflows of resources, decreased by $1,213 during the fiscal year. In addition, the District's net OPEB liability, including deferred outflows and inflows of resources, decreased by $31,346 during the fiscal year.

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

The District’s total revenues were $548,288. Property taxes and unrestricted State aid accounted for most of the District’s revenues, contributing 82.9 percent of the total. The remainder came from State and federal aid for specific programs (14.9%), interest earnings and other local sources.

The total cost of all programs was $503,749. The District’s expenses are predominantly related to instruction (54.8%) and supporting services (34.1%), which includes various functions such as caring for (pupil services) and transporting students, and general, operating and maintenance administrative services.

Fund Financial Statements

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

The District utilizes one kind of fund:

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

Financial Analysis of the District’s Funds

The District uses funds to record and analyze financial information. Arvon Township School District’s funds are described as follows:

Major Fund

General Fund

The General Fund is the District’s primary operating fund. The General Fund had total revenues of $547,716, total expenditures of $526,135, and other financing uses of $36,764. The General Fund ended the fiscal year with a total fund balance of $556,673, down from $571,859 at June 30, 2023.

Nonmajor Funds

Special Revenue Fund
The Food Service Fund, which administers the hot lunch program of the District, had total revenues of $572, total other financing sources of $5,000, and total expenditures of $5,502. The Food Service Fund ended the fiscal year with a total fund balance of $654, up from $584 at June 30, 2023.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget one time after the June 2023 adoption. Amendments were needed due to:

- Changes were adopted in January 2024 to adjust for additional state/local funding, staffing adjustments, program adjustments, and anticipated revenue/expenditure changes.

- The original and final budget is presented in the basic financial statement

Capital Asset and Debt Administration

Capital Assets

By the end of 2024, the District had a $455,383 investment in a broad range of capital assets, including land, school buildings, furniture and equipment, vehicles, and administrative offices. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.)

At June 30, 2024, the District's investment in capital assets (net of accumulated depreciation), was $182,227. Capital asset additions totaled $48,550 for the fiscal year, with accumulated depreciation increasing $18,956 resulting in a net increase in the book value of capital assets of $29,594.

The District's net investment in capital assets, including land, land improvements, buildings and improvements, and furniture and equipment, is detailed as follows:

Land	$ 1
Land improvements	58,840
Buildings and improvements	95,659
Furniture and equipment	4,822
Vehicles	22,905
Net Capital Assets	$ 182,227

Long-term Obligations

At year end, the District had no outstanding general obligation bonds.

The District's other obligations include accumulated sick leave. We present more detailed information about long-term liabilities in Note F in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

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

- The District is an "out-of-formula" district and therefore, relies on non-homestead property tax collection as the main source of revenue for operating the district. The District continues the tax levy on non-homestead property of 13 mills for the 2023-2024 school year. The District will review and revise the anticipated tax levy on a continuous and annual basis to best meet the anticipated needs of the District.

- Enrollment projections indicate a stable to slight upswing in students. New families have moved into the area and existing residents have children that will be of school age in the next year or two.

- Employee retirement costs paid into the Michigan Public School Employees' Retirement System (MPSERS), controlled by the State, continues to be a cause for concern into the future. Prior year legislative groups have begun to address this unfunded liability, the fact remains there are less people paying into this system and more people receiving benefits each year, as state-wide decline in students have dictated retirees are not replaced locally on a one-to-one basis. For every dollar paid to employees throughout the year, the District pays a percentage into MPSERS. Addressing the unfunded MPSERS liability is necessary; however, it does reduce the overall available funds to all districts, as this funding dedicates a portion of school aid directly to this item.

- The District continues to optimize revenue and reduce expenditures with collaboration and partnerships, whenever possible and financially beneficial. Collaboration and partnerships are used in areas such as transportation and shared support services for cost effectiveness and revenue opportunities.

- Employment recruitment and retention has risen to a slight concern. Maintaining quality support staff and substitutes at all positions is becoming difficult due to the economic growth within the State. Current wages and benefits can not match the offerings of private sector employers during economic growth and the pool of available, quality, workers is diminished. The District is having to increase its total employment wage/benefit package to recruit and retain staff. If the economy turns, the increased wage/benefit packages may put pressure on future District's budgets, absent State funding growth.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office at Arvon Township School District, 21798 Skanee Road, Skanee, MI 49962, or via e-mail arvon@up.net.

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

ARVON TOWNSHIP SCHOOL DISTRICT
June 30, 2024

	Governmental Activities
Assets	
Cash equivalents (Note B)	$ 621,333
Net OPEB asset (Note H)	10,342
Due from other governmental units (Note C)	14,138
Capital assets not being depreciated (Note E)	1
Capital assets being depreciated, net (Note E)	182,226
Total Assets	828,040
Deferred Outflows of Resources	
Deferred pension amounts	254,545
Deferred OPEB amounts	57,515
Total Deferred Outflows of Resources	312,060
Liabilities	
Due to other governmental units	50,413
Salaries payable	27,731
Long-term liabilities (Note F):	
Due within one year	1,500
Due in more than one year	13,248
Net pension liability (Note G)	607,488
Total Liabilities	700,380
Deferred Inflows of Resources	
Deferred pension amounts	63,797
Deferred OPEB amounts	83,931
Total Deferred Inflows of Resources	147,728
Net Position	
Net investment in capital assets	182,227
Restricted for:	
Food service	654
Unrestricted	109,111
Total Net Position	$ 291,992

See accompanying notes to basic financial statements.

STATEMENT OF ACTIVITIES

ARVON TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes In Net Position
Governmental Activities				
Instruction	$ 276,172	$ -	$ 81,780	$ (194,392)
Supporting services	171,903	-	-	(171,903)
Food service	4,951	572	-	(4,379)
Depreciation - unallocated*	18,956	-	-	(18,956)
Other	31,767	-	-	(31,767)
Total Governmental Activities	$ 503,749	$ 572	$ 81,780	(421,397)
General Revenues				
Taxes:				
Property taxes, levied for general operations				450,309
State school aid, unrestricted				4,090
Interest and investment earnings				3,675
Other				7,862
Total General Revenues				465,936
Change in Net Position				44,539
Net Position - Beginning of Year				247,453
Net Position - End of Year				$ 291,992

*This amount excludes direct depreciation expenses of the various programs.

BALANCE SHEET
GOVERNMENTAL FUNDS

ARVON TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2024

	General	Nonmajor Food Service	Total
Assets			
Cash equivalents (Note B)	$ 620,679	$ 654	$ 621,333
Due from other governmental units (Note C)	14,138	-	14,138
Total Assets	$ 634,817	$ 654	$ 635,471
Liabilities and Fund Balances			
Liabilities			
Due to other governmental units	$ 50,413	$ -	$ 50,413
Salaries payable	27,731	-	27,731
Total Liabilities	78,144	-	78,144
Fund Balances (Note A)			
Restricted	-	654	654
Unassigned	556,673	-	556,673
Total Fund Balances	556,673	654	557,327
Total Liabilities and Fund Balances	$ 634,817	$ 654	$ 635,471

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

ARVON TOWNSHIP SCHOOL DISTRICT
June 30, 2024

Total governmental fund balances		$ 557,327
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $455,383 and accumulated depreciation is $273,156.		182,227
Long-term liabilities, including accumulated sick leave for employees, are not due and payable in the current period and therefore are note reportedas liabilities in the funds. Long-term liabilities at year end consist of:		
Accumulated sick leave		(14,748)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	$ (607,488)	
Deferred outflows	254,545	
Deferred inflows	(63,797)	(416,740)
Net OPEB asset and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB asset	10,342	
Deferred outflows	57,515	
Deferred inflows	(83,931)	(16,074)
Total net position - governmental activities		$ 291,992

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

ARVON TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2024

	General	Nonmajor Food Service	Total
Revenues			
Local sources	$ 461,846	$ 572	$ 462,418
State sources	70,029	-	70,029
Federal sources	15,841	-	15,841
Total Revenues	547,716	572	548,288
Expenditures			
Current:			
Instruction	293,154	-	293,154
Supporting services	232,981	-	232,981
Food service	-	5,502	5,502
Total Expenditures	526,135	5,502	531,637
Excess (Deficiency) of Revenues Over Expenditures	21,581	(4,930)	16,651
Other Financing Sources (Uses)			
Other transactions	(31,767)	-	(31,767)
Transfers in	-	5,000	5,000
Transfers out	(5,000)	-	(5,000)
Total Other Financing Sources (Uses)	(36,767)	5,000	(31,767)
Net Change in Fund Balances	(15,186)	70	(15,116)
Fund Balances, Beginning of Year	571,859	584	572,443
Fund Balances, End of Year	$ 556,673	$ 654	$ 557,327

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

ARVON TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2024

Net change in fund balances - total governmental funds			$ (15,116)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:			
	Capital outlays	$ 48,550	
	Depreciation expense	(18,956)	29,594
In the Statement of Net Position, accumulated sick leave is measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned exceeded the amount paid/used.			(2,498)
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.			1,213
The changes in net OPEB asset and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.			31,346
Total changes in net position - governmental activities			$ 44,539

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

ARVON TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2024

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 385,156	$ 460,759	$ 461,846	$ 1,087
State sources	42,447	66,473	70,029	3,556
Federal sources	87,319	16,965	15,841	(1,124)
Total Revenues	514,922	544,197	547,716	3,519
Expenditures				
Current:				
Instruction:				
Basic programs	241,494	254,715	257,066	(2,351)
Added needs	27,141	35,830	36,088	(258)
Supporting services:				
General administration services	17,610	25,550	25,317	233
School administrative services	32,598	-	-	-
Business services	33,098	96,651	96,794	(143)
Operation and maintenance services	77,740	64,601	63,826	775
Pupil transportation services	-	45,095	45,660	(565)
Central services	1,400	1,400	1,384	16
Total Expenditures	431,081	523,842	526,135	(2,293)
Excess (Deficiency) of Revenues Over Expenditures	83,841	20,355	21,581	1,226
Other Financing Sources (Uses)				
Other transactions	-	-	(31,767)	(31,767)
Transfers out	-	(5,300)	(5,000)	300
Total Other Financing Sources (Uses)	-	(5,300)	(36,767)	(31,467)
Net Change in Fund Balances	83,841	15,055	(15,186)	(30,241)
Fund Balances, Beginning of Year	571,859	571,859	571,859	-
Fund Balances, End of Year	$ 655,700	$ 586,914	$ 556,673	$ (30,241)

NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Arvon Township School District (the "District") was organized under the School Code of the State of Michigan, and services a population of approximately 10 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

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

The District's significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-wide and Fund Financial Statements

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

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

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. The Food Service Fund is the District's only nonmajor fund.

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

Revenues are recognized when susceptible to accrual, i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

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

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

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

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

Governmental Funds

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

Major Fund:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Nonmajor Funds:

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

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

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

4. Budgets and Budgetary Accounting

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

The District utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.

- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Fund were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

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

6. Investments

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

7. Inventory/Prepaid Items

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

8. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, furniture and equipment, and vehicles are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed $1,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

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

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

Land improvements	10 - 20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	3 - 10 years
Vehicles	7-10 years

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

The District had no outstanding bonds as of June 30, 2024.

10. Accumulated Sick Leave

Accumulated sick leave at June 30, 2024 has been computed and recorded in the basic financial statements of the District. Eligible employees who leave the District are entitled to reimbursement for a portion of their unused sick days. At June 30, 2024, the accumulated liabilities, including salary related payments, for accumulated sick leave amounted to $14,748.

11. Retirement Plan

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

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

12. Postemployment Benefits Other Than Pensions

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

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

13. Deferred Outflows/Inflows of Resources

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

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

14. Net Position

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

15. Fund Balance

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

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end.
- Assigned – resources that are constrained by the government's *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Assigned fund balance does not lapse at year end.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2024, Arvon Township School District had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used, but reserves the right to selectively spend unassigned resources first to defer the use of other classified funds.

16. Interfund Activity

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

17. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

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

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2024 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	$ 621,333

Cash Equivalents

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

1. Superior National Bank
2. Range Bank
3. Baraga County Federal Credit Union

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2024 balances are detailed as follows:

Cash equivalents	$ 621,333

Custodial Credit Risk Related to Deposits
Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District deposits is provided by the Federal Deposit Insurance Corporation and the National Credit Union Administration. At year end, the carrying amount of the District's cash equivalents was $621,333, and the bank balance was $634,221, of which $596,420 was insured and $37,801 was uninsured and uncollateralized as of June 30, 2024.

Investments

As of June 30, 2024, the District held no surplus funds that were classified as investments. The District's policies to minimize investment risk are as follows:

Custodial Credit Risk Related to Investments
Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business. At June 30, 2024, the District had no investments that were subject to custodial credit risk.

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

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

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

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

Note C – State School Aid/Property Taxes

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

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2023 and October 2023. However, if a school district generates more revenue per pupil from its non-homestead tax levy than it would receive from its per pupil foundation allowance, no foundation allowance revenue is passed on to the school district. For the 2023-2024 school year, the District's foundation allowance was $9,608 for 12 "Full Time Equivalent" students, however due to the fact that the per pupil revenue from the District's non-homestead tax levy exceeded its per pupil foundation allowance, it did not receive any related State aid. The District received a total of $70,028 in other State aid payments, of which $14,138 was paid to the District in July and August 2024 and is included in "Due From Other Governmental Units" of the General Fund.

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

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

As Arvon Township School District's electors had previously (August 2020) approved an operating millage extension, the 13 mill non-homestead property tax was levied in the District for 2023.

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

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

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

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

For the year ended June 30, 2024, there were no businesses located within the District’s boundaries with an active IFT certificate.

Note D – Interfund Receivables/Payables and Transfers

There were no interfund payables or receivables between the General Fund and Food Service Fund at June 30, 2024.

Operating transfers between funds to allocate expenditures during the year ended June 30, 2024 were as follows:

	Transfers In	Transfers Out
Major Fund		
General Fund:		
Special Revenue Fund:		
Food Service	$ -	$ 5,000
Nonmajor Funds		
Special Revenue Fund:		
Food Service:		
General Fund	5,000	-
Total All Funds	$ 5,000	$ 5,000

Note E – Capital Assets

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

	Balances July 1, 2023	Additions	Deductions	Balances June 30, 2024
Capital assets not being depreciated:				
Land	$ 1	$ -	$ -	$ 1
Capital assets being depreciated:				
Land improvements	210,465	$ -	$ -	210,465
Buildings and improvements	148,585	22,550	-	171,135
Furniture and equipment	47,782	-	-	47,782
Vehicles	-	26,000		26,000
Total capital assets being depreciated	406,832	$ 48,550	$ -	455,382
Less accumulated depreciation for:				
Land improvements	143,891	$ 7,734	$ -	151,625
Buildings and improvements	69,330	6,146	-	75,476
Furniture and equipment	40,979	1,981	-	42,960
Vehicles	-	3,095	-	3,095
Total accumulated depreciation	254,200	$ 18,956	$ -	273,156
Total capital assets being depreciated, net	152,632			182,226
Net Capital Assets	$ 152,633			$ 182,227

Depreciation expense for the District was $18,956. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note F – Long-term Obligations

Changes in long-term debt for the year ended June 30, 2024 are summarized as follows:

	Debt Outstanding July 1, 2023	Debt Added	Debt Retired	Debt Outstanding June 30, 2024
Accumulated sick leave	$ 12,250	$ 2,498	$ -	$ 14,748

Long-term debt outstanding at June 30, 2024 is comprised of the following:

	Outstanding Balance	Amount Due Within One Year
Other Obligations		
Accumulated sick leave	$ 14,748	$ 1,500

Note G – Retirement Plan

Plan Description

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

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

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

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided

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

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

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

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

Contributions and Funded Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation 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 fiscal year ended September 30, 2023.

Pension Contribution Rates:

Plan Name	Plan Status	Member	District
Basic	Closed	0.0 – 4.0 %	20.16%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	20.16%
Pension Plus	Closed	3.0 – 6.4 %	17.24%
Pension Plus 2	Open	6.2%	19.95%
Defined Contribution	Open	0.0%	13.75%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2024 inclusive of the MSPERS UAAL Stabilization, totaled $87,768.

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

As of June 30, 2024, the District reported a liability of $607,488 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. As of September 30, 2023 the District's proportion was 0.00187693%, which was an increase from 0.00175979% at September 30, 2022.

For the year ended June 30, 2024 the District recognized pension expense of $99,102. As of June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 19,177	$ 931
Changes of assumptions	82,317	47,462
Net difference between projected and actual earnings on pension plan investments	—	12,431
Changes in proportion and differences between District contributions and proportionate share of contributions	70,093	2,973
District contributions subsequent to the measurement date*	82,958	—
Total	$ 254,545	$ 63,797

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 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 June 30	Amount
2025	$ 36,847
2026	34,576
2027	41,599
2028	(5,232)

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 (Non-Hybrid):	6.00% net of investment expenses
Pension Plus Plan (Hybrid):	6.00% net of investment expenses
Pension Plus 2:	6.00% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living Adjustments:	3% annual non-compounded for MIP members
Mortality:	
Retirees:	PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Mortality Tables scaled by 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 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 for non-university employers].

- 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 Investments

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

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

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

Rate of Return

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

Discount Rate

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

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

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

	1% Decrease 5.00%	Current Discount Rate Assumption 6.00%	1% Increase 7.00%
District's proportionate share of the net pension liability	$ 820,715	$ 607,488	$ 429,970

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System September 30, 2023 Annual Comprehensive Financial Report, available here: (www.michigan.gov/orsschools).

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

Payables to the pension plan totaling $12,574 at June 30, 2024 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note H – Other Postemployment Benefits

Plan Description

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

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

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

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

Benefits Provided

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

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

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

Contributions and Funded Status

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 fiscal year ended September 30, 2023:

OPEB Contribution Rates:

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

Required contributions to the OPEB plan from the District were $20,360 for the year ended June 30, 2024.

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

As of June 30, 2024, the District reported an asset of $10,342 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 2022. The District’s proportion of the net OPEB asset was determined by dividing each employer’s statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. As of September 30, 2023, the District’s proportion was 0.00182820%, which was a decrease from 0.00184568% at September 30, 2022.

For the year ended June 30, 2024, the District recognized a net OPEB credit of $15,092. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ –	$ 78,150
Changes of assumptions	23,023	2,772
Net difference between projected and actual earnings on OPEB plan investments	32	–
Changes in proportion and differences between District contributions and proportionate share of contributions	16,282	3,009
District contributions subsequent to the measurement date*	18,178	–
Total	$ 57,515	$ 83,931

* This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025.

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

Years Ending June 30		Amount
2025	$	(16,248)
2026		(15,047)
2027		(3,260)
2028		(2,952)
2029		(4,402)
Thereafter		(2,685)

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
Asset Valuation Method:	Fair Value
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	Pre-65 - 7.50% 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 Members:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

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

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 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 for non-university employers].

- 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 Investments

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

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

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

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on OPEB plan investments, 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 District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
District's proportionate share of the net OPEB liability (asset)	$ 10,722	$ (10,342)	$ (28,444)

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability (asset)	$ (28,489)	$ (10,342)	$ 9,299

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, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling $2,301 at June 30, 2024 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note I – Risk Management and Employee Benefits

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

There were no significant reductions in insurance coverage in fiscal year 2023-24, and as of year ended June 30, 2024, there were no material pending claims against the District.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2022
District's proportion of the net pension liability	0.00187693%	0.00175979%	0.00149837%
District's proportionate share of the net pension liability	$ 607,488	$ 661,834	$ 354,745
District's covered-employee payroll	$ 231,195	$ 192,864	$ 136,755
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	262.76%	343.16%	259.40%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	72.60%

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

Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
0.00151883%	0.00155000%	0.00152000%	0.00150000%	0.00141000%	0.00122000%	0.00129000%
$ 521,735	$ 512,718	$ 457,444	$ 389,354	$ 352,295	$ 299,641	$ 284,327
$ 130,305	$ 134,797	$ 129,175	$ 125,897	$ 125,054	$ 105,628	$ 121,083
400.40%	380.36%	354.13%	309.26%	281.71%	283.68%	234.82%
59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

ARVON TOWNSHIP SCHOOL DISTRICT
June 30, 2024

	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2022
District's proportion of the net OPEB liability (asset)	0.00182820%	0.00184568%	0.00144829%
District's proportionate share of the net OPEB liability (asset)	$ (10,342)	$ 39,093	$ 22,106
District's covered-employee payroll	$ 231,195	$ 192,864	$ 136,755
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	(4.47%)	20.27%	16.16%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	105.04%	83.09%	87.33%

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

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

	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
	0.00145126%	0.00153000%	0.00152000%	0.00148000%
	$ 77,748	$ 109,538	$ 120,718	$ 131,757
	$ 130,305	$ 134,797	$ 129,175	$ 125,897
	59.67%	81.26%	93.45%	104.65%
	59.44%	48.46%	42.95%	36.39%

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

ARVON TOWNSHIP SCHOOL DISTRICT
June 30, 2024

	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021
Contractually required contribution	$ 87,768	$ 76,182	$ 61,061	$ 43,824
Contributions in relation to the contractually required contribution	87,768	76,182	61,061	43,824
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 240,868	$ 192,056	$ 188,009	$ 135,740
Contributions as a percentage of covered employee payroll	36.44%	39.67%	32.48%	32.29%

Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
$ 25,468	$ 23,977	$ 23,203	$ 23,661	$ 21,459	$ 22,662
25,468	23,977	23,203	23,661	21,459	22,675
$ -	$ -	$ -	$ -	$ -	$ (13)
$ 135,630	$ 134,111	$ 129,336	$ 125,175	$ 109,880	$ 102,222
18.78%	17.88%	17.94%	18.90%	19.53%	22.18%

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

	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2022
Contractually required contribution	$ 20,360	$ 19,010	$ 16,259
Contributions in relation to the contractually required contribution	20,360	19,010	16,259
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 240,868	$ 192,056	$ 188,009
Contributions as a percentage of covered employee payroll	8.45%	9.90%	8.65%

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

Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
$ 9,698	$ 9,770	$ 10,350	$ 9,196
9,698	9,770	10,350	9,196
$ -	$ -	$ -	$ -
$ 135,740	$ 135,630	$ 134,111	$ 129,336
7.14%	7.20%	7.72%	7.11%

Note A - Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2023-24.

Changes of assumptions: There were no changes of benefit assumptions in 2023-24.

Note B - Net OPEB Liability (Asset) and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2023-24.

Changes of assumptions: There were no changes of benefit assumptions in 2023-24.

SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – FOOD SERVICE FUND

ARVON TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2024

	Budget	Actual	Variance
Revenues			
Local sources	$ 573	$ 572	$ (1)
Expenditures			
Current:			
Food service	5,503	5,502	1
Excess (Deficiency) of Revenues Over Expenditures	(4,930)	(4,930)	-
Other Financing Sources (Uses)			
Transfers in	5,000	5,000	-
Net Change in Fund Balance	70	70	-
Fund Balance, Beginning of Year	584	584	-
Fund Balance, End of Year	$ 654	$ 654	$ -

INTERNAL CONTROL AND COMPLIANCE

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

October 8, 2024

The Board of Directors
Arvon Township School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Arvon Township School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the 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 Arvon Township School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arvon Township 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Arvon Township School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Arvon Township 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hungerford

Certified Public Accountants
Grand Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	*Unmodified*			
Internal control over financial reporting:				
· Material weakness(es) identified?		Yes	X	No
· Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over financial reporting:				
· Material weakness(es) identified?	X	Yes		No
· Significant deficiency(ies) identified?		Yes	X	None reported
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	X	Yes		No

Section II - Financial Statement Audit Findings

There are no findings that are required to be reported under *Government Auditing Standards*

Section III - Federal Award Programs Findings and Questioned Costs

2024-001 Material Weakness: Reporting

Condition: The District did not submit the Final Expenditure Report for the ESSER II formula grant award by the required due date.

Program: Education Stabilization Fund; ALN 84.425D

Criteria: Terms and conditions of the grant, as communicated in the Michigan Department of Education's Grant Award Notification, required that a final expenditure report be submitted "60 days after fully drawn or by November 29, 2023".

Cause: Internal controls the District had in place were inefficient in monitoring the reporting deadline and ensuring timely submission of all required Final Expenditure Reports for federal grants received.

Effect: The Michigan Department of Education recaptured $44,445 in previously awarded ESSER II formula funding.

Questioned Costs: $44,445

Recommendation: The District should implement internal controls that result in timely submission of financial, performance, and other reports as required by federal awards administered.

District's Response: The District agrees with the finding and will develop internal controls procedures necessary to correct the condition.

Section III - Summary Schedule of Prior Audit Findings

2023-001 Material Weakness in Internal Controls over Financial Reporting

Condition: Account reconciliations were not performed or were otherwise ineffective in correcting necessary misstatements in the financial records of the District during the fiscal year, or as part of year end closing. This led to significant auditor-proposed adjustments in the audit that were, in total, material to the financial statements as a whole.

Criteria: To maintain adequate internal controls and proper financial reporting, best practices dictate that all balance sheet accounts be reconciled and adjusted on a routine basis. Furthermore, Section V of the Michigan Public School Accounting Manual indicates that a “District must have a system that provides for the design, implementation and maintenance of effective control-related policies and procedures”, among other requirements that support a strong internal control environment.

Cause: Internal controls the District had in place were inefficient in identifying this condition.

Effect: Without completing and reviewing reconciliations in a timely manner, inaccurate financial information may be used for management decisions and reporting.

Resolution: The District has resolved the finding.

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Fianncial Audit Finding:	Responsible Person	Management Views	Corrective Action	Anticipated Completion Date
2024-001	Business Manager	Management agrees with the finding and is in the process of implementing the recommendation.	The District assigned responsibility as Grant Coordinator to the current lead teacher during contract renewal effective July 1, 2024. Duties include assuring compliance with all state and federal grant requirements. In addition, the District is documenting all required reporting deadlines/timelines to ensure compliance.	Immediately

HUNGERFORD
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October 8, 2024

The Board of Education
Arvon Township School District
Ontonagon County, Michigan

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Arvon Township School District for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters to you dated April 26, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Arvon Township School District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2024. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. Certain amounts included in capital assets have been estimated by appraisers based on historical information for assets placed in service prior to implementation of GASB Statement No. 34.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were related to the District's share of the net pension liability and net OPEB liabilities asset to GASB Statements No. 68 and 75.

> The disclosure of the net pension liability and the net OPEB asset in the Notes to the financial statements were recorded as of June 30, 2024 based on information received from the Michigan Office of Retirement Services. We evaluated the key factors and assumptions used to develop these liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Significant adjustments derived from the audit process are detailed as follows:

General Fund:

- $80,411 to record the current year Title revenue and prior period adjustment for the drawback of the overpayment

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 8, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Schedules related to the Proportionate Share and Contributions of the District's Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Other Comments

The District General Fund balance decreased by $15,186 to $556,673 at June 30, 2024. This balance represents approximately 103.4 percent of the District's 2024-25 expenditure budget, down from 126.9 percent for the year ended June 20, 2023. Maintaining a fund balance of 10 to 20 percent of the ensuing year's expenditure budget is advisable for Arvon Township School District.

Restriction on Use

This communication is intended solely for the information and use of the Arvon Township School District Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

Hungerford

Certified Public Accountants