



ELK RAPIDS SCHOOLS

ELK RAPIDS, MICHIGAN

YEAR ENDED JUNE 30, 2024



ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2024

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditor's Report</b>	1-3
<b>Management's Discussion and Analysis</b>	4-10
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
Notes to Financial Statements	19-46
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	47
Schedule of Proportionate Share of the Net Pension Liability	48
Schedule of Pension Contributions	49
Schedule of Proportionate Share of the Net OPEB Liability/(Asset)	50
Schedule of OPEB Contributions	51
Notes to Required Supplementary Information	52
<b>Supplementary Information</b>	
Combining Nonmajor Fund Financial Statements	
Combining Balance Sheet	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	54
Single Audit Section	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-56
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	57-58

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2024

	<u>PAGES</u>
Schedule of Expenditures of Federal Awards	59-60
Notes to Schedule of Expenditures of Federal Awards	61-62
Summary Schedule of Prior Audit Findings	63-67
Schedule of Findings and Questioned Costs	68-71
Corrective Action Plan	72-73



## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Elk Rapids Schools  
Elk Rapids, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

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

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 Elk Rapids Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an

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

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

- Exercise professional judgement 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 Elk Rapids Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Elk Rapids Schools' ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 4-10 and 47-52 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 Elk Rapids Schools' basic financial statements. The accompanying combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2024, on our consideration of Elk Rapids Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Elk Rapids Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elk Rapids Schools' internal control over financial reporting and compliance.

*UHY LLP*

Cadillac, Michigan  
December 23, 2024

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

This section of Elk Rapids School Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**A. Government-Wide Financial Statements**

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. The District-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District's assets and liabilities. All of the year's revenue 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 they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

Over time, increases and decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "Governmental Activities". These activities, including regular and special education, supporting services, food services, facilities acquisition, construction, and improvements, community services, interest on long-term debt and unallocated depreciation, are primarily financed with state and federal aid and property taxes.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called "non-major" funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following type of fund:

**Governmental Funds** – 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



ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

short-term view that helps to determine whether there are more or less 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 government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**C. Summary of Net Position**

The following schedule summarizes the net position at fiscal years ended June 30, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current and Other Assets	\$ 25,474,995	\$ 41,293,508
Capital Assets, Net	46,965,561	26,016,491
Total Assets	<u>72,440,556</u>	<u>67,309,999</u>
<b>Deferred Outflows of Resources</b>	<u>7,513,956</u>	<u>7,422,037</u>
<b>Liabilities</b>		
Current Liabilities	6,159,388	3,028,518
Long-Term Liabilities	69,027,440	74,736,345
Total Liabilities	<u>75,186,828</u>	<u>77,764,863</u>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows of Resources Related to Pensions	<u>7,529,121</u>	<u>4,376,475</u>
<b>Net Position</b>		
Net Investment in Capital Assets	13,646,569	12,957,414
Restricted for Debt Retirement	286,679	202,507
Restricted for Net Other Postemployment Benefits	369,105	0
Unrestricted - (Deficit)	<u>(17,063,790)</u>	<u>(20,569,223)</u>
Total Net Position - (Deficit)	<u>\$ (2,761,437)</u>	<u>\$ (7,409,302)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2024, the District's net position increased by \$4,647,865. A few of the more significant factors affecting net position during the year are discussed below:

**1. Depreciation Expense**

The school district is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2024, \$768,238 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2024, \$21,717,308 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$20,949,070 for the fiscal year ended June 30, 2024. An increase to net capital assets is an increase in net position.

**3. Pension and Other Postemployment Benefits Expense**

GASB 68 and 75 now require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability and net OPEB assets increases or decreases in any given year.

**4. Payment of Long-Term Obligations**

During the year ending June 30, 2024, the District decreased its long-term bonded obligations by \$100,000.

**E. Change in Net Position**

The following schedule summarizes the results of operations, on a District-wide basis, for the years ended June 30, 2024 and 2023.

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

	<u>2024</u>	<u>2023</u>
<b>Revenue</b>		
Program Revenue:		
Charges for Services	\$ 443,475	\$ 589,881
Operating Grants and Contributions	4,476,279	5,193,470
Capital Grants and Contributions	72,449	0
General Revenue:		
Property Taxes - Levied for General Purposes	10,859,376	9,982,815
Property Taxes - Levied for Debt	2,210,934	2,048,120
Investment Earnings	1,791,662	1,153,506
State Sources	1,065,910	2,129,553
Other	158,388	0
Total Revenue	<u>21,078,473</u>	<u>21,097,345</u>
<b>Function/Program Expense</b>		
Instruction	6,395,509	8,670,639
Supporting Services	5,766,365	6,011,429
Food Service Activities	790,683	620,482
Community Services	371,828	447,381
Facilities Acquisition, Construction, and Improvements	421,793	0
Interest on Long-Term Debt	1,916,192	941,177
Unallocated Depreciation	768,238	1,034,359
Total Expenses	<u>16,430,608</u>	<u>17,725,467</u>
<b>Change in Net Position</b>	<u>\$ 4,647,865</u>	<u>\$ 3,371,878</u>

**F. Financial Analysis of the District's Funds**

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
<b>Major Fund</b>			
General Fund	\$ 3,840,337	\$ 2,609,275	\$ 1,231,062
2020 Bond Construction Fund	3,289,821	7,439,909	(4,150,088)
2023 Bond Construction Fund	11,076,184	27,432,739	(16,356,555)
<b>Nonmajor Funds</b>			
Food Service	369,278	260,877	108,401
Preschool & Kid's Club	153,533	121,151	32,382
Student Activities	478,398	445,260	33,138
Debt Service Funds	611,079	506,790	104,289
Total Governmental Funds	<u>\$ 19,818,630</u>	<u>\$ 38,816,001</u>	<u>\$ (18,997,371)</u>

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

As we noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$19,818,630, which is a decrease of \$18,997,371 from last year.

- The General Fund, the principal operating fund, increased its fund balance by \$1,231,062 for an ending balance of \$3,840,337. This increase is primarily due to increased local funding from tax revenues that outweighed a conservative approach to utilizing expenditures. Of the ending fund balance, \$860 is nonspendable for prepaid expenditures and \$3,839,477 is unassigned.
- The 2020 Bond Construction Fund decreased its fund balance by \$4,150,088. The reason for the decrease is for building and site improvement expenditures during the fiscal year. All of the fund balance of \$3,289,821 is restricted for capital projects.
- The 2023 Bond Construction Fund decreased its fund balance by \$16,356,555. The reason for the decrease is for building and site improvement expenditures during the fiscal year. All of the fund balance of \$11,076,184 is restricted for capital projects.

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2023-2024 fiscal year, the District amended the General Fund budget various times throughout the year. The following schedule shows a comparison of the original General Fund budget to actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>TOTAL REVENUES</u>	\$ 15,096,660	\$ 16,328,412	\$ 16,672,725
<u>EXPENDITURES</u>			
Instruction	\$ 9,556,610	\$ 9,939,777	\$ 9,625,977
Supporting Services	5,344,016	6,199,572	5,787,211
Community Services	24,915	26,335	21,855
Payments to Other Governmental Agencies	0	0	6,620
Total Expenditures	<u>\$ 14,925,541</u>	<u>\$ 16,165,684</u>	<u>\$ 15,441,663</u>

The revenue budget was amended as it became clearer on the amounts the District would receive for State allocations, as the state increased per pupil funding from \$9,150 to \$9,608 and MSPERS UAAL Stabilization funding. The variance between final budgeted revenues and actual revenues was mainly the result of the District receiving more in taxes than was anticipated.

The expenditure variance between original budget to final budget resulted from funding amounts for various programs and associated expenditures becoming clearer throughout the year as those are typically revenue driven.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

The expenditure variance between final budget to actual was caused by cautious spending of General Fund monies during the year.

**H. Capital Asset and Debt Administration**

**1. Capital Assets**

At June 30, 2024, the District had \$68,521,015 in a broad range of capital assets, including school buildings and facilities, school buses, and various types of equipment. Depreciation expense for the year amounted to \$768,238, bringing the accumulated depreciation to \$21,555,454 as of June 30, 2024.

The significant additions to capital assets included:

- Construction in progress in the 2023 and 2020 Bond Construction Fund totaling \$21,564,071 for the current fiscal year.
- Security cameras and new windows as part of a security grant from the state totaling \$27,701.
- Fencing at the bus garage in the amount of \$16,570.
- New Chromebooks at a cost of \$75,000.
- Dishwasher for one of the lunchrooms, which was part of a federal equipment grant, costing \$28,178.
- Band equipment totaling \$5,787.

As of the end of the fiscal year the District has committed to spending approximately \$10,212,000 as a part of both Bond Construction Funds on behalf of the Building and Site Bonds.

Additional information on the District's capital assets can be found in the notes to this report.

**2. Long-Term Obligations**

At the end of this year, the District had \$48,187,176 in long-term obligations outstanding versus \$48,354,456 in the previous year. This represents a net decrease of \$167,280 from the prior year. The obligations are made up of bonds payable of \$43,795,000, employee compensated absences in the amount of \$502,179 and unamortized bond premiums of \$3,889,997.

Additional information on the District's long-term obligations can be found in the notes to this report.

**Factors Bearing on the District's Future**

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

- The District and other districts in the area are experiencing a shortage of qualified educators. This issue is expected to expand in the near future.

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

- The current retirement rate for the next fiscal year is expected to be 48.25%. Although the District will see some cost containment in this area due to reforms, we are concerned about State Aid funding stability since the legislature will be using the State Aid Fund to essentially buy down the retirement rate.
- A major one-time funding source, federal funding from the pandemic recovery efforts is now gone. With this type of funding gone, it is unlikely that the revenue received from these sources will be replaced. The District will need to take this into consideration with future budgeting that involved the addition of new positions or programs that started due to the pandemic.
- In 2024-25, the District will be considered an “out-of-formula” district. Out-of-formula is caused by the District receiving more property tax revenue than it would have received from the State of Michigan under its formula for distributing funds based on the District’s pupil count. This can potentially cause issues as the District is an attractive option for students that live outside of the District but choose to attend Elk Rapids Schools. This could add additional staffing and facility costs to be incurred, with no increase to revenue. To mitigate this, the District started a charter school, effective July 1, 2024. The Board and Superintendent will continue to monitor this situation and ensure that the District continues to maintain the services the District provides to its students and is fiscally responsible in doing so.

**I. 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 Director of Finance, 308 Megunzee Point Rd., Elk Rapids, Michigan 49629.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2024

ASSETS

Cash	\$ 296,890
Investments	2,503,601
Due from Other Governments	1,038,969
Inventory	31,606
Prepaid Expenses	23,820
Restricted Investments	21,211,004
Net Other Postemployment Benefits Asset	369,105
Assets Not Being Depreciated	37,601,632
Assets Being Depreciated, Net of Accumulated Depreciation	<u>9,363,929</u>
TOTAL ASSETS	<u>72,440,556</u>

DEFERRED OUTFLOWS OF RESOURCES

Related to Pension	6,205,655
Related to Other Postemployment Benefits	<u>1,308,301</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>7,513,956</u>

LIABILITIES

Accounts and Retainage Payable	3,274,333
Internal Balances	4,714
Salaries Payable	750,793
Accrued Expenses	713,882
Accrued Interest	325,400
Unearned Revenue	543,538
Noncurrent Liabilities	
Due Within One Year	
Bonds and Notes Payable	546,728
Due in More Than One Year	
Bonds and Notes Payable	43,395,000
Bond Premium	3,743,269
Net Pension Liability	21,386,992
Compensated Absences	<u>502,179</u>
TOTAL LIABILITIES	<u>75,186,828</u>

DEFERRED INFLOWS OF RESOURCES

Related to Pensions	4,333,534
Related to Other Postemployment Benefits	<u>3,195,587</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,529,121</u>

NET POSITION

Net Investment in Capital Assets	13,646,569
Restricted for Debt Service	286,679
Restricted for Net Other Postemployment Benefits	369,105
Unrestricted (Deficit)	<u>(17,063,790)</u>
TOTAL NET POSITION (Deficit)	<u>\$ (2,761,437)</u>

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

<u>GOVERNMENTAL ACTIVITIES</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>PROGRAM REVENUES</u>		<u>GOVERNMENTAL ACTIVITIES</u>
			<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
Instruction	\$ 6,395,509	\$ 2,538	\$ 1,497,046	\$ 0	\$ (4,895,925)
Supporting Services	5,766,365	80,866	1,959,282	44,271	(3,681,946)
Food Service Activities	790,683	61,109	834,934	28,178	133,538
Community Services	371,828	298,962	185,017	0	112,151
Facilities Acquisition, Construction, and Improvements	421,793	0	0	0	(421,793)
Interest on Long-Term Debt	1,916,192	0	0	0	(1,916,192)
Unallocated Depreciation	768,238	0	0	0	(768,238)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 16,430,608</b>	<b>\$ 443,475</b>	<b>\$ 4,476,279</b>	<b>\$ 72,449</b>	<b>(11,438,405)</b>

GENERAL REVENUES

Property Taxes -Levied for General Purposes	10,859,376
Property Taxes -Levied for Debt Service	2,210,934
Investment Earnings	1,791,662
State Sources	1,065,910
Other	<u>158,388</u>
<b>Total General Revenues</b>	<u><b>16,086,270</b></u>

Change in Net Position

4,647,865

NET POSITION - Beginning of Year (Deficit)

(7,409,302)

NET POSITION - End of Year (Deficit)

\$ (2,761,437)

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



ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2024

	GENERAL FUND	2020 BOND CONSTRUCTION FUND	2023 BOND CONSTRUCTION FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash	\$ 263,325	\$ 0	\$ 0	\$ 33,565	\$ 296,890
Investments	1,611,749	0	0	891,852	2,503,601
Due from Other Governments	991,131	0	0	47,838	1,038,969
Due from Other Funds	7,161,705	4,317,826	24,447	2,927,494	14,431,472
Inventory	0	0	0	31,606	31,606
Prepaid Expenditures	860	0	0	22,960	23,820
Restricted Investments	0	1,580	21,209,424	0	21,211,004
<b>TOTAL ASSETS</b>	<b>\$ 10,028,770</b>	<b>\$ 4,319,406</b>	<b>\$ 21,233,871</b>	<b>\$ 3,955,315</b>	<b>\$ 39,537,362</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts and Retainage Payable	\$ 0	\$ 0	\$ 3,274,333	\$ 0	\$ 3,274,333
Due to Other Funds	4,199,566	1,029,585	6,883,354	2,323,681	14,436,186
Salaries Payable	750,793	0	0	0	750,793
Accrued Expenses	713,882	0	0	0	713,882
Unearned Revenue	524,192	0	0	19,346	543,538
<b>Total Liabilities</b>	<b>6,188,433</b>	<b>1,029,585</b>	<b>10,157,687</b>	<b>2,343,027</b>	<b>19,718,732</b>
<u>FUND BALANCES</u>					
Nonspendable					
Prepaid Expenditures	860	0	0	22,960	23,820
Inventory	0	0	0	31,606	31,606
Restricted					
Debt Service	0	0	0	612,079	612,079
Food Service	0	0	0	314,712	314,712
Capital Projects	0	3,289,821	11,076,184	0	14,366,005
Committed for					
Student Activities	0	0	0	478,398	478,398
Assigned					
Preschool and Kids Club	0	0	0	153,533	153,533
Unassigned	3,839,477	0	0	(1,000)	3,838,477
<b>Total Fund Balances</b>	<b>3,840,337</b>	<b>3,289,821</b>	<b>11,076,184</b>	<b>1,612,288</b>	<b>19,818,630</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,028,770</b>	<b>\$ 4,319,406</b>	<b>\$ 21,233,871</b>	<b>\$ 3,955,315</b>	<b>\$ 39,537,362</b>

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION

JUNE 30, 2024

Total Governmental Fund Balances \$ 19,818,630

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 are not reported in the funds.

The cost of the capital assets is	\$ 68,521,015	
Accumulated depreciation is	<u>(21,555,454)</u>	46,965,561

Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Noncurrent assets at year-end consist of:

Net Other Postemployment Benefits		369,105
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Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds Payable		(43,795,000)
Unamortized Bond Premiums		(3,889,997)
Accrued Interest on Long Term Debt		(325,400)
Compensated Absences		(502,179)
Net Pension Liability		(21,386,992)

Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position:

Deferred Outflows - Related to Pensions		6,205,655
Deferred Outflows - Related to Other Postemployment Benefits		1,308,301
Deferred Inflows - Related to Pensions		(4,333,534)
Deferred Inflows - Related to Other Postemployment Benefits		<u>(3,195,587)</u>

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		\$ <u><u>(2,761,437)</u></u>
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The notes to the financial statements are an integral part of this statement.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

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

YEAR ENDED JUNE 30, 2024

	GENERAL FUND	2020 BOND CONSTRUCTION FUND	2023 BOND CONSTRUCTION FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Local Sources	\$ 11,285,788	\$ 95,075	\$ 1,384,146	\$ 3,194,799	\$ 15,959,808
Revenues Received through another Non-Educational Entity	42,000	0	0	0	42,000
State Sources	4,171,532	0	0	536,528	4,708,060
Federal Sources	650,902	0	0	467,212	1,118,114
Other Transactions	522,503	0	0	13,082	535,585
<b>Total Revenues</b>	<b>16,672,725</b>	<b>95,075</b>	<b>1,384,146</b>	<b>4,211,621</b>	<b>22,363,567</b>
<u>EXPENDITURES</u>					
Instruction	9,625,977	0	0	95,795	9,721,772
Supporting Services	5,787,211	0	0	611,912	6,399,123
Food Service Activities	0	0	0	821,106	821,106
Community Services	21,855	0	0	262,795	284,650
Payments to Other Governmental Agencies	6,620	0	0	0	6,620
Facilities Acquisition, Construction, and Improvements	0	4,245,163	17,740,701	0	21,985,864
Debt Service					
Principal	0	0	0	100,000	100,000
Interest	0	0	0	2,038,578	2,038,578
Other Fees	0	0	0	3,225	3,225
<b>Total Expenditures</b>	<b>15,441,663</b>	<b>4,245,163</b>	<b>17,740,701</b>	<b>3,933,411</b>	<b>41,360,938</b>
Excess (Deficiency) of Revenues Over Expenditures	1,231,062	(4,150,088)	(16,356,555)	278,210	(18,997,371)
<u>FUND BALANCE</u> - Beginning of Year	2,609,275	7,439,909	27,432,739	1,334,078	38,816,001
<u>FUND BALANCE</u> - End of Year	\$ 3,840,337	\$ 3,289,821	\$ 11,076,184	\$ 1,612,288	\$ 19,818,630

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

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

YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances Total Governmental Funds \$ (18,997,371)

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

Governmental funds report capital outlays as expenditures, in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation:

Depreciation Expense	(768,238)
Capital Outlay	21,717,308

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal Paid on Bonds	100,000
Amortization of Bond Premiums	146,728

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in Pension Related Items	2,483,495
Change in Other Postemployment Benefit Items	1,351,602
Accrued Interest on Long-Term Debt - Beginning of Year	304,283
Accrued Interest on Long-Term Debt - End of Year	(325,400)
Compensated Absences - Beginning of Year	422,731
Compensated Absences - End of Year	(502,179)

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension contributions subsequent to the measurement date:

Change in State Aid Funding for Pension	<u>(1,285,094)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,647,865</u>
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The notes to the financial statements are an integral part of this statement.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2024

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ASSETS</u>	
Due From Other Funds	\$    4,714
<u>LIABILITIES</u>	
	<u>0</u>
<u>NET POSITION</u>	
Restricted for Trust Activities	<u>\$    4,714</u>

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2024

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	\$ 0
<u>DEDUCTIONS</u>	<u>0</u>
Change in Net Position	0
<u>NET POSITION</u> - Beginning of Year	<u>4,714</u>
<u>NET POSITION</u> - End of Year	<u>\$ 4,714</u>

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Elk Rapids Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

**A. Reporting Entity**

Elk Rapids Schools (“the District”) is located in Antrim County with its administrative offices located in Elk Rapids, Michigan. The District operates under an elected seven-member board of education and provides services to its 1,219 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

**B. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government’s funds. The emphasis of fund financial statements is on major and nonmajor governmental funds, each displayed in a separate column. Major and nonmajor individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

The *2021 Bond Construction Fund and 2023 Bond Construction Fund* accounts for the acquisition of capital assets or the construction of major capital projects. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. Neither fund has been considered substantially complete, and a subsequent year audit is expected.

Other non-major funds:

The *special revenue (Food Service) fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

The *special revenue (Preschool and Kid's Club) fund* accounts for revenue sources that are assigned to expenditures for child care purposes. The District accounts for its preschool activities in a special revenue fund.

The *special revenue (Student Activities) fund* accounts for revenue sources that are assigned for expenditures for specific purposes. The District accounts for its student activities in a special revenue fund.

The *Debt Service Funds* are used to record tax, interest, and other revenue for the payment of the general long-term debt principal, interest, and other related costs.

Additionally, the District reports Fiduciary Funds. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *Private Purpose Trust Funds* are accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for alumni activities.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

#### **E. Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which



ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District's approved budgets were adopted at the function level for the General and Special Revenue Funds. These are the legal enacted levels under the State Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board (the level at which expenditures may not legally exceed appropriations).

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

- a) Prior to July 1, the business office submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted in June 2023, or as amended by the School Board of Education throughout the year.

**2. Excess of Expenditures Over Appropriations**

General Fund

Supporting Services

- a) Instructional Staff expenditures of \$132,274 exceeded appropriations by \$27,599.
- b) Support Services – Other expenditures of \$330,365 exceeded appropriations by \$29,376.

Payments to Other Governmental Agencies

- c) Payments to other public schools within the State of Michigan expenditures of \$6,620 exceeded appropriations by \$6,620.

Student Activities Fund

Supporting Services

- d) Support Services – Other expenditures of \$552,011 exceeded appropriations by \$332,011.

These overages were funded by functions that were under budget, available fund balance, and additional revenues.

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

**1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The District considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

**2. Investments**

Investments are carried at amortized cost which approximates fair value. The District complies with State statutes regarding investment of funds. Some investments authorized by state law are shown as cash on the financial statements.

The Board policy on investment of funds authorizes the School District to invest as follows:

- a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- c) Certificates of deposit issued by a public corporation(s) (CDs) in insured depository institutions in accordance with the following conditions:
  - 1) funds are initially invested through a financial institution that is not eligible to be a depository of surplus funds belonging to this State
  - 2) financial institution arranges for the investment of the funds in certificates of deposit in one or more insured depository institutions or one or more insured credit unions
  - 3) financial institution acting as a custodian for the school district with respect to each certificate of deposit
  - 4) at the same time that the funds are deposited and the certificate or certificates of deposit are issued, the financial institution receives an amount of deposits from customers of other insured depository institutions equal to or greater than the amount of funds initially invested by the school district through the financial institution
- d) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- e) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- f) United States government or federal agency obligation repurchase agreements.
- g) Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation (FDIC).
- h) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- i) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

**3. Inventory and Prepaid Items**

Inventory is valued at cost using the first-in-first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

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

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

**4. Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Land is not depreciated and construction in progress is not depreciated until the underlying assets are placed in service upon completion of the project. At that time, the asset costs are reclassified out of construction in progress and into the appropriate depreciable category.

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

Buildings, Additions and Improvements	5-50 years
Furniture and Equipment	5-25 years
Vehicles	5-12 years

The District will consider an asset a capital asset if the acquisition cost is greater than \$5,000 and has a useful life of greater than one year. Once defined as a capital asset, the item(s) will be depreciated by a straight-line method based on the useful life of the asset. The superintendent will be responsible for determining the useful life of the asset(s).

**5. 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnotes 3.E and 3.F.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnotes 3.E and 3.F.

**6. *Defined Benefit Plans***

For purposes of measuring the net pension liability and other postemployment benefits asset, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public 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. Investments are reported at fair value.

**7. *Unearned Revenue***

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue related to state, federal, and local funds received and unspent due to restrictions on how the funds can be spent.

**8. *Long-Term Obligations***

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances 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 debt service expenditures.

**9. *Net Position Flow Assumption***

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

**10. *Fund Balance Flow Assumption***

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**11. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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

**12. Use of Estimates**

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**13. Restricted Investments**

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable spending requirements, and they are maintained in separate bank accounts.

**H. Revenues and Expenditures/Expenses**

**1. State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2024, the foundation allowance was based on pupil membership based on counts taken in October 2023 and February 2023. For fiscal year ended June 30, 2024, the per pupil foundation allowance was \$9,608 for Elk Rapids Schools.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2023 to August 2024. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

**2. Federal Revenue**

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**3. Program Revenues**

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

**4. Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1 and July 1. The due date is February 14 for December 1 bills and September 14 for July bills, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principal Residence Exemption (PRE)	18.0000
General Fund - Commercial Personal Property	6.0000
Bond - Debt - PRE, Non-PRE, Commercial Personal Property	1.6800

**5. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused sick pay, vacation time and other benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Violations of Legal or Contractual Provisions**

Note 1.F.2, on the excess of expenditures over appropriations, describes a budgetary violation that occurred for the year ended June 30, 2024. The District is also in violation of the State School Aid Act of 1979, by not submitting the audit prior to the first day of November after fiscal year end.

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

As of June 30, 2024 the District had deposits and investments subject to the following risks:

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2024, the District’s bank balance was \$296,890 and \$46,890 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. As of June 30, 2024, deposits of \$296,890 are reported on the financial statements as cash.

The deposits referred to above have been reported in the cash caption on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of deposit and investment amounts as of June 30, 2024:

	Governmental Activities
Cash	\$ 296,890
Investments	2,503,601
Restricted Investments	21,211,004
	\$ 24,011,495

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

	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment Pool - CMC	\$ 913,275	N/A
MILAF External Investment Pool - Max	22,801,330	N/A
	\$ 23,714,605	
Portfolio Weighted Average Maturity		N/A



ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

*Credit Risk* – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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

	<u>Fair Value</u>	<u>Standard &amp; Poor's Rating</u>
MILAF External Investment Pool - CMC	\$ 913,275	AAAm
MILAF External Investment Pool - Max	22,801,330	AAAm
	<u>\$ 23,714,605</u>	

*Foreign Currency Risk* - The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

*Custodial Credit Risk –Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

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

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

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

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

	Amortized Cost
MILAF External Investment Pool - CMC	\$ 913,275
MILAF External Investment Pool - Max	22,801,330
	\$ 23,714,605

**B. Intergovernmental Receivables**

Intergovernmental receivables as of year-end consist of the following:

	Governmental Funds
Due from Other Governments	
State Aid	\$ 949,233
Federal	65,396
Other	24,340
Total	\$ 1,038,969

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary based on previous experience.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

**C. Capital Assets**

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

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
<b>Assets Not Being Depreciated</b>				
Land	\$ 94,249	\$ 0	\$ 0	\$ 94,249
Construction in Progress	15,943,312	21,564,071	0	37,507,383
Subtotal	16,037,561	21,564,071	0	37,601,632
<b>Other Capital Assets:</b>				
Buildings	6,040,755	0	0	6,040,755
Building Improvements	18,247,936	44,271	0	18,292,207
Machinery and Equipment	3,491,263	108,966	0	3,600,229
Software	17,882	0	0	17,882
Furniture and Fixtures	1,513,350	0	0	1,513,350
Vehicles	1,454,960	0	0	1,454,960
Subtotal	30,766,146	153,237	0	30,919,383
<b>Less Accumulated Depreciation for:</b>				
Buildings	3,357,144	108,825	0	3,465,969
Building Improvements	12,192,915	408,835	0	12,601,750
Machinery and Equipment	3,257,862	85,784	0	3,343,646
Software	17,882	0	0	17,882
Furniture and Fixtures	1,138,989	42,263	0	1,181,252
Vehicles	822,424	122,531	0	944,955
Accumulated Depreciation	20,787,216	768,238	0	21,555,454
Net Capital Assets Being Depreciated	9,978,930	(615,001)	0	9,363,929
Net Capital Assets	\$ 26,016,491	\$ 20,949,070	\$ 0	\$ 46,965,561

Depreciation for the fiscal year ended June 30, 2024, amounted to \$768,238. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Retirement and Post-Employment Benefits**

**Plan Description** – The Michigan Public School Employees’ Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board’s authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at [www.//michigan.gov/orsschools](http://www.//michigan.gov/orsschools).

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

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.

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 of Michigan Investments Board serves as the investment fiduciary and custodian of the System.

**Benefit Provided - Overall**

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

**Benefits Provided - Pension**

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later, including Pension Plus plan members, contribute at various graduated permanently fixed contribution rates from 3.0% to 7.0%.

***Pension Reform 2010***

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010, is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

***Pension Reform 2012***

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010, and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

**Option 1** – Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

**Option 2** – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service their after would include a 1.25% pension factor.

**Option 3** – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

**Option 4** – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 accounts. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus Plan and a Defined Contribution Plan that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) – Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

***Pension Reform of 2017***

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018, and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

**Benefits Provided – Other postemployment benefit (OPEB)**

Benefit provisions of the postemployment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care 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.

***Retiree Healthcare Reform of 2012***

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 will be deposited into their 401(k) accounts.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

***Regular Retirement (no reduction factor for age)***

Eligibility – A basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member’s pension is determined by their pension election under PA 300 of 2012.

**Member Contributions**

Depending on the plan selected, member contributions range from 0% to 7% for pension and 0% to 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

**Employer Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2023, were determined as of the September 30, 2020, actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2020, valuation will be amortized over a 16-year period beginning October 1, 2022, and ending September 30, 2038.

School districts’ contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District’s pension contributions for the year ended June 30, 2024, were equal to the required contribution total. Pension contributions were approximately \$2,795,000. Of the total pension contributions approximately \$2,735,000 was contributed to fund the Defined Benefit Plan and approximately \$60,000 was contributed to fund the Defined Contribution Fund.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

The District's OPEB contributions for the year ended June 30, 2024, were equal to the required contribution total. OPEB benefits were approximately \$560,000. Of the total pension contributions approximately \$515,000 was contributed to fund the Defined Benefit Plan and approximately \$45,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB, include contributions funded from State Revenue Section 147c restricted to fund MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

**Pension Liabilities**

At June 30, 2024, the District reported a liability of \$21,386,992 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 date of September 30, 2022, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

**MPERS (Plan) Non-University Employers Net Pension Liability**

	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Total Pension Liability	\$ 94,947,828,557	\$ 95,876,795,620
Plan Fiduciary Net Position	(62,581,762,238)	(58,268,076,344)
Net Pension Liability	\$ 32,366,066,319	\$ 37,608,719,276
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	65.91%	60.77%
Net Pension Liability as a Percentage of Covered Payroll	320.51%	386.25%

**Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions**

For the year ended June 30, 2024, the District recognized total pension expense of \$2,188,244.



ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 675,122	\$ 32,761
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	1,285,094
Changes of assumptions	2,898,035	1,670,941
Net difference between projected and actual earnings on pension plan investments	0	437,647
Changes in proportion and differences between District contributions and proportionate share of contributions	2,650	907,091
District contributions subsequent to the measurement date	2,629,848	0
<b>Total</b>	<b>\$ 6,205,655</b>	<b>\$ 4,333,534</b>

\$2,629,848 reported as deferred outflows of resources and \$1,285,094 reported as deferred inflows 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<b>Year Ended September 30,</b>	<b>Amount</b>
2024	\$ 23,417
2025	32,610
2026	813,266
2027	(341,926)
	\$ 527,367

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

**OPEB Assets**

At June 30, 2024, the District reported an asset of \$369,105 for its proportionate share of the net OPEB assets. The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB asset was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

**MPSERS (Plan) Non-University Employers Net OPEB Liability/(Asset)**

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Total OPEB Liability	\$ 11,223,648,949	\$ 12,522,713,324
Plan Fiduciary Net Position	<u>(11,789,347,341)</u>	<u>(10,404,650,683)</u>
OPEB Liability/(Asset)	<u>\$ (565,698,392)</u>	<u>\$ 2,118,062,641</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	105.04%	83.09%
OPEB Liability/(Asset) as a Percentage of Covered Payroll	-5.60%	21.75%

**OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**

For the year ended June 30, 2024, the District recognized OPEB benefit of \$754,919.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 2,789,144
Changes of assumptions	821,691	98,947
Net difference between projected and actual earnings on OPEB plan investments	1,125	0
Changes in proportion and differences between District contributions and proportionate share of contributions	18,354	307,496
District contributions subsequent to the measurement date	<u>467,131</u>	<u>0</u>
<b>Total</b>	<u>\$ 1,308,301</u>	<u>\$ 3,195,587</u>

\$467,131 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 asset in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

<u>Year Ended September 30,</u>	<u>Amount</u>
2024	\$ (764,413)
2025	(729,801)
2026	(315,195)
2027	(258,430)
2028	(190,451)
Thereafter	(96,127)
	\$ (2,354,417)

**G. Actuarial Assumptions**

**Investment rate of return for Pension** – 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

**Investment rate of return for OPEB** – 6.00% a year, compounded annually net of investment and administrative expenses.

**Salary increases** - The rate of pay increase used for individual members is 2.75% -11.55%, including inflation at 2.75%.

**Inflation** – 3.0%

**Mortality assumptions –**

Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-202 and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

**Experience study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2022. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension liability and OPEB asset liability beginning with the September 30, 2023, valuation.

**The long-term expected rate of return on pension and other postemployment benefit plan investments** - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan) and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

**Cost of Living Pension Adjustments** – 3.0% annual non-compounded for MIP members.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

**Healthcare cost trend rate for other postemployment benefit** – Pre 65, 7.50% for year one and graded to 3.5% in year fifteen. Post 65, 6.25% for year one and graded to 3.5% in year fifteen.

**Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:**

**Opt Out Assumption** – 21% of eligible participants hired before July 1, 2008, and 30% of those hired after June 30, 2008, are assumed to opt out of the retiree health plan.

**Survivor Coverage** – 80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverage continuing after the retiree’s death.

**Coverage Election at Retirement** – 75% of male and 60% of female future retirees who elected coverage are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2023, and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.00%	5.80%
Private Equity Pools	16.00%	9.60%
International Equity Pools	15.00%	6.80%
Fixed Income Pools	13.00%	1.30%
Real Estate & Infrastructure Pools	10.00%	6.40%
Absolute Return Pools	9.00%	4.80%
Real Return/Opportunistic Pools	10.00%	7.30%
Short-Term Investment Pools	2.00%	0.30%
	<u>100%</u>	

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

***Rate of return***

For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Pension Discount Rate***

A discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension 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 contributions from school districts 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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***OPEB Discount Rate***

The discount rate of 6.00% was used to measure the total OPEB liability (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 school districts 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 project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

***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%, 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 than the current rate:

Pension				
1% Decrease	Discount Rate	1% Increase		
\$ 28,893,763	\$ 21,386,992	\$ 15,137,333		

***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%, 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 than the current rate:

OPEB				
1% Decrease	Discount Rate	1% Increase		
\$ 382,651	\$ (369,105)	\$ (1,015,165)		

***Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates***

The following presents the District’s proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the Districts’s proportionate share of the net other postemployment benefit liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

OPEB				
Current Healthcare Cost				
1% Decrease	Trend Rates	1% Increase		
\$ (1,016,775)	\$ (369,105)	\$ 331,887		

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

**H. Pension and OPEB Plan Fiduciary Net Position**

Detailed information about the pension and OPEB plan’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2023 Annual Comprehensive Financial Report.

**I. Payables to the Pension and OPEB Plan**

As of June 30, 2024, the District is current on all required pension and OPEB plan payments. As of June 30, 2024, the District reported payables in the amount of \$458,535 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due and funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**J. Risk Management**

Elk Rapids Schools is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers’ compensation) as well as medical benefits provided to employees.

The District participates in distinct pools of educational institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

**K. Long-Term Obligations**

The following is a summary of the governmental long-term obligation transactions for the District for the year ended June 30, 2024:

	UNPAID COMPENSATED ABSENCES	UNAMORTIZED BOND PREMIUMS	GENERAL OBLIGATION BONDS	TOTAL
Balance July 1, 2023	\$ 422,731	\$ 4,036,725	\$ 43,895,000	\$ 48,354,456
Additions	107,260	0	0	107,260
Deletions	(27,812)	(146,728)	(100,000)	(274,540)
Balance June 30, 2024	502,179	3,889,997	43,795,000	48,187,176
Less Current Portion	Unknown	146,728	400,000	546,728
Net Long-Term Obligations	\$ 502,179	\$ 3,743,269	\$ 43,395,000	\$ 47,640,448

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

The District's debt obligations at June 30, 2024, are comprised of the following issues:

Unpaid Compensated Absences and Net Pension Liability

Unpaid Compensated Absences	\$ 502,179
Unamortized Bond Premium	3,889,997
Net Pension Liability	21,386,992

General Obligation Bonds

2021 School Building and Site Bonds; due in annual installments of \$220,000 to 1,100,000 through May 2050; interest rate of 4.00%.	17,360,000
2023 School Building and Site Bonds; due in annual installments of \$180,000 to 2,065,000 through October 2052; including interest at a rate between 4.00% & 5.00%.	26,435,000
	\$ 69,574,168

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2024, including interest payments of \$35,921,950 are as follows:

Year Ending June 30,	General Obligation Bonds		Total
	Principal	Interest	
2025	\$ 400,000	\$ 1,952,400	\$ 2,352,400
2026	485,000	1,936,400	2,421,400
2027	545,000	1,917,000	2,462,000
2028	555,000	1,895,200	2,450,200
2029	620,000	1,873,000	2,493,000
2030-2034	4,340,000	8,904,050	13,244,050
2035-2039	6,860,000	7,714,900	14,574,900
2040-2044	10,135,000	5,887,500	16,022,500
2045-2049	13,065,000	3,265,225	16,330,225
2050-2052	6,790,000	576,275	7,366,275
	\$ 43,795,000	\$ 35,921,950	\$ 79,716,950

Interest expense for the year ended June 30, 2024 was approximately \$1,916,000.

The annual requirements to pay off the compensated absences, unamortized bond premium, and the pension liability are uncertain because it is unknown when the repayments will be made. Compensated absences will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

**L. Interfund Receivables and Payables**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2024, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	2020 Capital Projects Fund	\$ 779,954
General Fund	2023 Capital Projects Fund	4,058,070
2020 Capital Projects Fund	2023 Capital Projects Fund	2,825,284
2020 Capital Projects Fund	General Fund	1,492,542
2023 Capital Projects Fund	General Fund	24,447
Private Purpose Trust Fund	General Fund	4,714
General Fund	Nonmajor 2017 Debt Fund	104,950
General Fund	Nonmajor 2020 Debt Fund	580,500
General Fund	Nonmajor 2023 Debt Fund	1,000
Nonmajor 2017 Debt Fund	General Fund	83,426
Nonmajor 2020 Debt Fund	General Fund	805,858
General Fund	Nonmajor Childcare & Kid's Club Fund	365,907
General Fund	Nonmajor Food Service Fund	1,269,662
General Fund	Nonmajor Student Activities Fund	1,662
Nonmajor Childcare & Kid's Club Fund	General Fund	216,727
Nonmajor Food Service Fund	General Fund	1,519,437
Nonmajor Student Activities Fund	General Fund	302,046
Total		<u>\$ 14,436,186</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2024, are expected to be repaid within one year.

**M. Other Information**

**1. Related Party**

The District has a familial relationship within the Central Office, which includes the District’s financial operations. The District compensated both family members a combined total of \$86,028 during the fiscal year. The District has the proper safeguards in place to mitigate risk with adequate preventative measures amongst the Central Office and the School Board.

**2. Commitments and Contingencies**

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.



ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

As of June 30, 2024, the District has committed to spending approximately \$10,212,000 in relation to various projects in relation to both capital project funds.

The 2023 School Building and Site Bonds, Series II funds were invested in the Michigan Liquid Asset Fund Plus (MILAF+). As a part of those funds being invested the Bonds have an arbitrage rebate and yield restriction where the school district will owe a future liability. This liability is not required to be shown on the financial statements for the current fiscal year. An arbitrage yield restriction is the maximum rate that tax-exempt bond proceeds are allowed by the federal government on a municipal bond issuance. A positive arbitrage rebate liability is the potential amount that is owed back to the US Treasury. The arbitrage yield limits the amount of earnings a tax-exempt borrower can make from the proceeds of a bond issuance. As of October 31, 2024, the District's positive arbitrage rebate liability is \$395,655. The calculation is evaluated every 6 months and is not owed until five years after the issuance of the bonds, which is April 6, 2028.

**3. Subsequent Event**

The District has been approved by the State of Michigan to operate an academy, Mill Creek Academy, as a part of the District's financial operations. The academy will go into effect on July 1, 2024. No adjustments were made to the financial statements as a result of this subsequent event.

**NOTE 4 – UPCOMING ACCOUNTING PRONOUCEMENTS**

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
  - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

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

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2024

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Local Sources	\$ 11,100,107	\$ 11,054,125	\$ 11,285,788	\$ 231,663
Revenues Received through another Non-Educational Entity	42,000	42,000	42,000	0
State Sources	3,506,544	4,334,027	4,171,532	(162,495)
Federal Sources	189,990	646,074	650,902	4,828
Other Transactions	258,019	252,186	522,503	270,317
Total Revenues	<u>15,096,660</u>	<u>16,328,412</u>	<u>16,672,725</u>	<u>344,313</u>
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	7,708,702	7,894,268	7,804,326	(89,942)
Added Needs	1,847,908	2,045,509	1,821,651	(223,858)
Supporting Services				
Pupil	414,017	746,152	576,894	(169,258)
Instructional Staff	128,411	104,675	132,274	27,599
General Administration	352,073	515,920	480,078	(35,842)
School Administration	1,194,701	1,281,059	1,262,675	(18,384)
Business	358,977	360,730	324,482	(36,248)
Operation and Maintenance	1,062,377	1,514,075	1,427,181	(86,894)
Pupil Transportation Services	1,013,031	869,548	767,664	(101,884)
Support Services - Central	549,601	506,424	485,598	(20,826)
Support Services - Other	270,828	300,989	330,365	29,376
Community Services				
Custody and Care of Children	24,915	21,765	20,417	(1,348)
Welfare Activities	0	4,570	1,438	(3,132)
Payments to Other Governmental Agencies				
Payments to Other Public Schools Within the State of Michigan	0	0	6,620	6,620
Total Expenditures	<u>14,925,541</u>	<u>16,165,684</u>	<u>15,441,663</u>	<u>(724,021)</u>
Excess (Deficiency) of Revenues Over Expenditures	171,119	162,728	1,231,062	1,068,334
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(250,000)	0	0	0
Net Change in Fund Balance	(78,881)	162,728	1,231,062	1,068,334
<u>FUND BALANCE - Beginning of Year</u>	<u>2,232,251</u>	<u>2,232,251</u>	<u>2,609,275</u>	<u>377,024</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 2,153,370</u>	<u>\$ 2,394,979</u>	<u>\$ 3,840,337</u>	<u>\$ 1,445,358</u>

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)  
JUNE 30, 2024

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.06607844%	0.06708634%	0.06899767%	0.07236615%	0.07298479%	0.07337153%	0.07490101%	0.07556707%	0.07459000%	0.07586000%
District's proportionate share of net pension liability	\$ 21,386,992	\$ 25,230,313	\$ 16,335,483	\$ 24,858,560	\$ 24,170,109	\$ 22,056,806	\$ 19,410,062	\$ 18,853,366	\$ 18,219,260	\$ 16,709,766
District's covered payroll	6,500,714	6,399,733	6,054,427	6,319,802	6,434,855	6,172,141	6,229,831	6,407,985	6,397,542	6,464,270
District's proportionate share of net pension liability as a percentage of its covered payroll	328.99%	394.24%	269.81%	393.34%	375.61%	357.36%	311.57%	294.22%	284.79%	258.49%
Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 2,734,424	\$ 1,306,046	\$ 1,218,141	\$ 1,153,462	\$ 1,213,860	\$ 1,149,076	\$ 1,100,573	\$ 1,169,000	\$ 1,211,419	\$ 1,377,283
Contributions in relation to statutorily required contributions *	2,734,424	1,306,046	1,218,141	1,153,462	1,213,860	1,149,076	1,100,573	1,169,000	1,211,419	1,377,283
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 6,833,430	\$ 6,661,677	\$ 6,241,844	\$ 5,993,431	\$ 6,457,466	\$ 6,377,083	\$ 6,200,615	\$ 6,223,732	\$ 6,185,204	\$ 6,286,625
Contributions as a percentage of covered payroll	40.02%	19.61%	19.52%	19.25%	18.80%	18.02%	17.75%	18.78%	19.59%	21.91%

\* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY (ASSET)  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)  
JUNE 30, 2024

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017				
District's proportion of net OPEB liability/(asset) (%)				0.06524760%	0.06601807%	0.06704556%	0.07142565%	0.07369822%	0.07259794%	0.07504520%				
District's proportionate share of net OPEB liability/(asset)	\$	(369,105)	\$	1,398,304	\$	1,023,369	\$	3,826,463	\$	5,289,873	\$	6,645,606		
District's covered payroll		6,500,714		6,399,733		6,054,427		6,319,802		6,434,855		6,172,141		6,229,831
District's proportionate share of net OPEB liability/(asset) as a percentage of its covered payroll		-5.68%		21.85%		16.90%		60.55%		82.21%		93.50%		106.67%
Plan fiduciary net position as a percentage of total OPEB liability		105.04%		83.09%		87.33%		59.44%		48.46%		42.95%		36.39%

ELK RAPIDS SCHOOLS  
 ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS  
 MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
 LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2024

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Statutorily required contributions	\$ 448,756	\$ 474,915	\$ 495,297	\$ 465,910	\$ 469,513	\$ 494,939	\$ 514,994	\$ 494,939	\$ 469,513	\$ 465,910
Contributions in relation to statutorily required contributions *	448,756	474,915	495,297	465,910	469,513	494,939	514,994	494,939	469,513	465,910
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 6,200,615	\$ 6,377,083	\$ 6,457,466	\$ 5,993,431	\$ 6,241,844	\$ 6,661,677	\$ 6,833,430	\$ 6,661,677	\$ 6,241,844	\$ 5,993,431
Contributions as a percentage of covered payroll	7.24%	7.45%	7.67%	7.77%	7.52%	7.43%	7.54%	7.43%	7.52%	7.77%

\* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2024

Pension Information

**Changes of Benefit Terms** - There were no changes of benefit terms for the plan year ended September 30, 2023.

**Changes of Assumptions** – The assumption changes for the plan year ended September 30, 2023 were:

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

OPEB Information

**Changes of Benefit Terms** - There were no changes of benefit terms for the plan year ended September 30, 2023.

**Changes of Assumptions** – The assumption changes for the plan year ended September 30, 2023 were:

Healthcare cost trend rate

- Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
- Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen.

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



ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2024

	SPECIAL REVENUE			DEBT SERVICE			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	PRESCHOOL & KID'S CLUB FUND	STUDENT ACTIVITIES FUND	2017 SCHOOL IMPROVEMENT BOND FUND	2020 SCHOOL IMPROVEMENT BOND FUND	2023 SCHOOL IMPROVEMENT BOND FUND	
\$	1,626	\$ 9,394	\$ 22,545	\$ 0	\$ 0	\$ 0	\$ 33,565
Cash	54,130	274,008	155,469	51,325	356,920	0	891,852
Investments	28,527	19,311	0	0	0	0	47,838
Due from Other Governments	1,519,437	216,727	302,046	83,426	805,858	0	2,927,494
Due from Other Funds	31,606	0	0	0	0	0	31,606
Inventory	22,960	0	0	0	0	0	22,960
Prepaid Expenditures							
TOTAL ASSETS	\$ 1,658,286	\$ 519,440	\$ 480,060	\$ 134,751	\$ 1,162,778	\$ 0	\$ 3,955,315

LIABILITIES AND FUND BALANCES

LIABILITIES

Due to Other Funds	\$ 1,269,662	\$ 365,907	\$ 1,662	\$ 104,950	\$ 580,500	\$ 1,000	\$ 2,323,681
Unearned Revenue	19,346	0	0	0	0	0	19,346
Total Liabilities	1,289,008	365,907	1,662	104,950	580,500	1,000	2,343,027

FUND BALANCES

Nonspendable for							
Prepaid Expenditures	22,960	0	0	0	0	0	22,960
Inventory	31,606	0	0	0	0	0	31,606
Restricted for							
Debt Service	0	0	0	29,801	582,278	0	612,079
Food Service	314,712	0	0	0	0	0	314,712
Committed for							
Student Activities	0	0	478,398	0	0	0	478,398
Assigned for							
Preschool and Kids Club	0	153,533	0	0	0	0	153,533
Unassigned	0	0	0	0	0	(1,000)	(1,000)
Total Fund Balances (Deficit)	369,278	153,533	478,398	29,801	582,278	(1,000)	1,612,288

TOTAL LIABILITIES AND  
FUND BALANCES

\$	1,658,286	\$ 519,440	\$ 480,060	\$ 134,751	\$ 1,162,778	\$ 0	\$ 3,955,315
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ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

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

YEAR ENDED JUNE 30, 2024

	SPECIAL REVENUE			DEBT SERVICE			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	PRESCHOOL & KID'S CLUB FUND	STUDENT ACTIVITIES FUND	2017 SCHOOL IMPROVEMENT BOND FUND	2020 SCHOOL IMPROVEMENT BOND FUND	2023 SCHOOL IMPROVEMENT BOND FUND	
<b>REVENUES</b>							
Local Sources	\$ 66,395	\$ 297,163	\$ 585,149	\$ 84,631	\$ 2,161,461	\$ 0	\$ 3,194,799
State Sources	417,452	119,076	0	0	0	0	536,528
Federal Sources	445,660	21,552	0	0	0	0	467,212
Other Transactions	0	13,082	0	0	0	0	13,082
Total Revenues	929,507	450,873	585,149	84,631	2,161,461	0	4,211,621
<b>EXPENDITURES</b>							
Instruction							
Basic Programs	0	95,795	0	0	0	0	95,795
Support Services							
Instructional Staff	0	54,677	0	0	0	0	54,677
Operation and Maintenance	0	5,128	0	0	0	0	5,128
Pupil Transportation Services	0	96	0	0	0	0	96
Support Services - Other	0	0	552,011	0	0	0	552,011
Food Service Activities	821,106	0	0	0	0	0	821,106
Community Services							
Custody and Care of Children	0	262,795	0	0	0	0	262,795
Debt Service							
Principal	0	0	0	100,000	0	0	100,000
Interest	0	0	0	1,225	2,037,353	0	2,038,578
Other Fees	0	0	0	2,725	0	500	3,225
Total Expenditures	821,106	418,491	552,011	103,950	2,037,353	500	3,933,411
Excess (Deficiency) of Revenues Over Expenditures	108,401	32,382	33,138	(19,319)	124,108	(500)	278,210
<b>FUND BALANCE - Beginning of Year (Deficit)</b>	260,877	121,151	445,260	49,120	458,170	(500)	1,334,078
<b>FUND BALANCE - End of Year (Deficit)</b>	\$ 369,278	\$ 153,533	\$ 478,398	\$ 29,801	\$ 582,278	\$ (1,000)	\$ 1,612,288



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

To the Board of Education  
Elk Rapids Schools  
Elk Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Rapids Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Elk Rapids Schools' basic financial statements, and have issued our report thereon dated December 23, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 and 2024-003 that we consider to be material weakness.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Elk Rapids Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2024-002 and 2024-004.

## ELK RAPIDS SCHOOLS' RESPONSE TO FINDINGS

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

*UHY LLP*

Cadillac, Michigan  
December 23, 2024



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

To the Board of Education  
Elk Rapids Schools  
Elk Rapids, Michigan

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited Elk Rapids Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Elk Rapids Schools' major federal programs for the year ended June 30, 2024. Elk Rapids Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

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

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

RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Elk Rapids Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Elk Rapids Schools' compliance with the requirements of each major federal program as a whole.

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

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

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

#### REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

*UHY LLP*

Cadillac, Michigan  
December 23, 2024

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

FEDERAL AID NUMBER	FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (UNEARNED) REVENUE JULY 1, 2023	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2024	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
10.185	U.S. Department of Agriculture Passed Through Michigan Department of Education Local Food for Schools Cooperative	230985-2023	\$ 5,277	\$ 0	\$ 0	\$ 0	\$ 1,597	\$ 1,597	\$ 0	\$ 0
10.555	Child Nutrition Cluster Non-Cash Assistance (Commodities): National School Lunch Entitlement Commodities Bonus Commodities Total Non-Cash Assistance	N/A N/A	50,736 1,181 51,917	0 0 0	0 0 0	0 0 0	50,736 1,181 51,917	50,736 1,181 51,917	0 0 0	0 0 0
10.553	Cash Assistance: School Breakfast Program School Breakfast Program Total School Breakfast Program	231970 241970	8,588 68,520 77,108	0 0 0	0 0 0	0 0 0	8,588 68,520 77,108	8,588 65,059 73,647	0 3,461 3,461	0 0 0
10.555	National School Lunch Program National School Lunch Program National School Lunch Program - Supply Chain Assistance National School Lunch Program - Supply Chain Assistance Total National School Lunch Program	231960 241960 220910 240910	28,858 206,182 25,896 33,302 294,238	0 0 (25,896) 0 (25,896)	0 0 0 0 0	0 0 0 0 0	28,858 206,182 25,896 26,198 287,134	28,858 197,271 0 33,302 259,431	0 8,911 0 (7,104) 1,807	0 0 0 0 0
10.559	Summer Food Service Program Total Summer Food Service Program	230900	7,904 7,904	0 0	0 0	0 0	7,904 7,904	7,904 7,904	0 0	0 0
10.579	Total Cash Assistance Total Child Nutrition Cluster Passed Through Michigan Department of Education Food Assistance Equipment Grant Total U.S. Department of Agriculture	EAG24	20,000 456,444	0 (25,896)	0 0	0 0	20,000 445,660	20,000 414,496	0 5,268	0 5,268
21.029	U.S. Department of Treasury Passed Through Northwest Education Services COVID-19 Coronavirus State and Local Fiscal Recovery Funds Total U.S. Department of Treasury	225439/2223	58,926 58,926	45,792 45,792	45,792 45,792	0 0	21,552 21,552	67,344 67,344	0 0	0 0
84.010	U.S. Department of Education Passed Through Michigan Department of Education (M.D.E.) Title I, Part A Grants to Local Education Agencies Title I, Part A Grants to Local Education Agencies Total Title I, Part A	231530-2223 241530-2324	138,233 129,390 267,623	122,657 0 122,657	137,483 0 137,483	0 0 0	750 129,390 130,140	123,407 90,414 213,821	0 38,976 38,976	0 0 0
84.365	Title III, Part A English Language Acquisition State Grants	240580-2324	3,815	0	0	0	3,815	3,815	0	0
84.367	Title II, Part A - Supporting Effective Instruction State Grants Title II, Part A - Supporting Effective Instruction State Grants Total Title IIA, Part A	230520-2223 240520-2324	52,794 28,698 81,492	23,800 0 23,800	23,800 0 (4,000)	(4,000) 0 (4,000)	0 25,912 25,912	19,800 22,689 42,489	0 3,223 3,223	0 0 0
84.424	Title IV, Part A Student Support & Academic Enrichment Title IV, Part A Student Support & Academic Enrichment Total Title, IV Part A	230750-2223 240750-2324	20,152 40,215	0 0	0 0	0 0	999 29,153	999 21,062	0 8,091	0 8,091

The accompanying notes are an integral part of this schedule.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ALN NUMBER	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (UNEARNED) REVENUE		(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2024	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
				JULY 1, 2023	JUNE 30, 2024						
Education Stabilization Funds											
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	438,833	7,912	438,833	0	0	7,912	0	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP Homeless Children and Youth Formula Funds)	84.425W	211012-2122	13,987	0	0	0	11,799	11,799	0	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	986,256	329,828	786,828	0	199,428	529,256	0	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III 11T)	84.425U	213723-2122	383,852	161,202	161,202	0	222,650	383,852	0	0	0
Total Education Stabilization Fund			1,822,928	498,942	1,386,863	0	433,877	932,819	0	0	0
Passed Through Northwest Education Services Special Education Cluster											
Special Education - Preschool Grants (IDEA Preschool)	84.173A	221285-2122	14,364	869	869	0	0	869	0	0	0
Special Education - Preschool Grants (IDEA Preschool)	84.173A	230460-2223	19,276	19,276	19,276	0	0	19,276	0	0	0
Special Education - Preschool Grants (IDEA Preschool)	84.173A	240460-2324	21,267	0	0	0	21,267	21,267	0	0	0
Total Special Education Cluster and Preschool Grants (IDEA Preschool)			54,907	20,145	20,145	0	21,267	41,412	0	0	0
<b>Total U.S. Department of Education</b>			2,270,980	665,544	1,568,291	(4,000)	644,164	1,255,418	50,290	0	0
U.S. Department of Health and Human Services											
Passed Through Northwest Education Services Medicaid Cluster											
Medicaid Administrative Outreach	93.778	N/A	6,738	0	0	0	6,738	4,004	2,734	0	0
<b>Total U.S. Department of Health and Human Services</b>			6,738	0	0	0	6,738	4,004	2,734	0	0
<b>Total Federal Financial Assistance</b>			\$ 2,793,088	\$ 685,440	\$ 1,614,083	\$ (4,000)	\$ 1,118,114	\$ 1,741,262	\$ 58,292	\$ 0	\$ 0

(C) (D) (E)

The accompanying notes are an integral part of this schedule.



ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**(A) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule” or “SEFA”) includes the federal grant activity of Elk Rapids Schools under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Elk Rapids Schools, it is not intended to and does not present the financial position or changes in net position of Elk Rapids Schools.

The District does not qualify for low-risk auditee status. Management has utilized the NexSys, Cash Management System, and the Grant Auditor Report in preparing the schedule of Expenditures of Federal Awards.

**(B) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass through entity identifying numbers are presented where available. Elk Rapids Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**(C) Adjustments**

**Title II, Part A**

There is an adjustment of \$4,000 reported on the SEFA. This adjustment is related to the prior SEFA having more in expenditures than the federal government would reimburse. Expenditures were disallowed and were corrected on this year’s SEFA.

**(D) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs**

Revenues from Federal Sources - Per Statement of Revenues,	
Expenditures and changes in Fund Balances	<u>\$ 1,118,114</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,118,114</u>

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**(E) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards**

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

Current Cash Payments per Grant Auditor Report		\$ 1,591,411
Add Items Not on CMS Report:		
Amounts Received as Pass Through from Northwest Education Services		
Special Education - IDEA Flowthrough	\$ 41,412	
Great Start Readiness Program	67,344	
Medicaid Administrative Outreach	4,004	
Amounts Received as Pass Through from Food Distribution Program		
Entitlement Commodities	50,736	
Bonus Commodities	<u>1,181</u>	164,677
Subtract Items on CMS Report Reported on Prior SEFA:		
June 2023 National School Lunch and Breakfast Program		<u>(14,826)</u>
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards		<u><u>\$ 1,741,262</u></u>

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**Financial Statement Findings**

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2023-001 Lack of Segregation of Duties (repeat)

Type: Material Weakness

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

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

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

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

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

View of Responsible Officials: The School District has evaluated the manner in which they segregate duties and has implemented certain measures. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.

Status: Corrected

2023-002 Preparation of Financial Statements and Schedule of Expenditure of Federal Awards

Type: Material Weakness

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

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

Recommendation: Once a draft of financial statements is available, the School District should perform a detailed review of the draft to address any questions or discrepancies from their internal books and records. Upon completion, the School District should approve the financial statements and notes to accept responsibility for their content. Additionally, management should be proactive to enhance their training to demonstrate their ability to accept responsibility for the financial statements and notes.

View of Responsible Officials: The School District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements and Schedule of Expenditures of Federal Awards in accordance with GAAP, and determined that it is in the best interests of the School District to outsource this task to its external auditors and to carefully review the draft financial statements, footnotes and Schedule of Federal Awards prior to approving them and accepting responsibility for their content and presentation.

Status: Corrected

2023-003 Accounting Transaction Not Recorded Timely

Type: Material Weakness

Criteria: Properly designed control procedures include recording accounting transactions and preparation of account balance reconciliations for comparison of assets and liabilities with underlying accounting records. The recording of transactions should be completed in a timely manner.

Condition and Context: The School District did not record accounting transactions or reconcile accounts in a timely manner.

Cause: Turnover in the accounting department led to accounting transactions not being recorded timely and account reconciliations not being performed timely throughout the year.

Effect: As a result of this condition, accounting transactions and account reconciliations were not recorded on a timely basis throughout the year, which significantly delayed completion of the annual financial audit. Consequently, the audit was filed late with the Department of Education.

Recommendation: Implement and adhere to procedures whereby accounting transactions are recorded timely and accounts are reconciled throughout the year.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

View of Responsible Officials: Management agrees that accounting transactions and account reconciliations were not recorded timely the 2022-23 fiscal year on a timely basis. We are in the process of catching up the accounting transactions and accounting reconciliations. In the current year, the accounting transactions for expenses are up to date. We are working on the revenues, updating grants, and balancing out accounts. The Central Office is upgrading processes and procedures.

Status: Uncorrected

2023-004 Late Submission of Audit Package to the Michigan Department of Education

Type: Material Noncompliance

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

Condition and Context: The School District did not file the audit package with the Michigan Department of Education by November 1, 2023.

Cause: The audit was not complete and available for submission by November 1 because the School District was working on recording accounting transactions and account reconciliations after year-end and was not ready for the audit to commence in a timely manner.

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

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

View of Responsible Officials: Management agrees that the delay is unacceptable. At this time the 2023-24 reports to the Michigan Department of Education and Northwest Education Services agency are current. We are working on the 2023-24 fiscal year to get financial information entered and balanced. The Director of Finance and Superintendent have implemented a monthly financial statement for the Board of Education.

Status: Uncorrected

2023-005 Excess Fund Balance – Food Service Fund

Type: Immaterial Noncompliance

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

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

Effect: As a result of this condition, the School District is not in compliance with the Net Cash Resources per 7 CFR 210.19(a)(1).

Recommendation: The School District should implement a plan throughout the school year to ensure that an excess fund balance will not occur in the future by monitoring fund balance (Net Cash Resources) and proactively investing profit in the food service program to avoid an excess fund balance and findings.

View of Responsible Officials: The “excess funds” in the food service program is difficult to predict based on the Michigan Department of Education changing the type of funding and the numbers of district students taking Free and Reduced breakfasts and lunches. In 2023-24, they are changing food service programs in the district with free breakfast and lunch for all students. Elk Rapids Schools had an MDE waiver for the “excess funds” for the 2022-23 fiscal year. In 2023-24, Elk Rapids Schools purchased a dishwasher for Cherryland Middle School with a grant and food service “excess” funding. The food service wages were increased to be competitive. In 2023-24, we requested a waiver for the three-month “excess cash” requirement with MDE. It is our intent to update equipment with these funds; however, based on the expense of the equipment we may need another year to have funds available for the purchase. We need to keep the three-month fund balance in food service to handle costs of annual startup and delay in receiving state aid funding. Elk Rapids Schools food service program is in the process of funding equipment upgrades with “excess” funds.

Status: Per the State of Michigan this finding has been reduced to a management comment.

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**Federal Award Findings and Questioned Costs**

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2023-006 U.S. DEPARTMENT OF EDUCATION

Program Title: Education Stabilization Fund  
CFDA Number(s): 84.425U  
Federal Award Number: 213713-2122 (COVID-19)  
Federal Award Year: July 1, 2022 to June 30, 2023  
Pass-Through Entity: Passed-Through Michigan Department of Education  
Type of Compliance: Allowable Costs/Cost Principles – Documentation of Employee Time and Effort  
Finding Type: Material Weakness & Material Noncompliance

Criteria: Per Federal Regulations CFR Title 2, Part 200 Section 200.430(i)(1), charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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Condition: The School District did not maintain time and effort distribution records for employees whose salaries, wages and benefits were charged to the federal award program.

Cause: Accounting department turnover lead to incomplete record keeping and lack of knowledge on the federal requirement requiring accounting records to support salary, wage and benefit allocations.

Effect: As a result of this condition, salaries, wages and benefits may be charged to federal award program that are not supported by time and effort distributions.

Questioned Costs: Known questioned costs are \$77,244, and likely questioned costs are \$130,610.

Perspective Information: This finding relates to two employees whose salary, wages and benefits are charged 100% to this federal award program, however, the School District did not obtain an after-the-fact determination of their time and effort in accordance with the federal requirements.

Recommendations: Salaries, wages and benefits allocations must be supported by time and effort documentation. This can be accomplished by obtaining semi-annual certifications, personal activity reports or weekly timecards from employees. We recommend management review employee allocations to ensure an after-the-fact determination of actual time spent is obtained from all employees charged to federal award programs.

Views of Responsible Officials: In 2022-23, all staff salary, wages and benefits were updated to the work completed and charged to the appropriate grants. The funding for the District changed during the year, and PARs were not updated. When MDE finalized allocations, the Director of Finance updated the sources staff were paid from based on the work performed. In 2023-24, the district will have staff paid with federal funds sign a PAR each semester they were paid with federal dollars.

Person Responsible: Laurie McCann, Director of Finance

Anticipated Completion Date: January 2024

Status: Corrected

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

*Unmodified*

Internal Control over financial reporting:

Material weakness(es) identified:

  X   Yes             No

Significant deficiency(ies) identified?

       Yes        X   None Reported

Noncompliance material to financial statements noted?

  X   Yes             No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified:

       Yes        X   No

Significant deficiency(ies) identified?

       Yes        X   None Reported

Type of auditor's report issued on compliance for major programs:

*Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

       Yes        X   No

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010 10.553, 10.555, 10.559	Title I, Part A Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee under Title 2 CFR Section 200.520?

       Yes        X   No



ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**Section II - Financial Statement Findings**

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2024-001 Accounting Transaction Not Recorded Timely (Repeat)

Type: Material Weakness

Criteria: Properly designed control procedures include recording accounting transactions and preparation of account balance reconciliations for comparison of assets and liabilities with underlying accounting records. The recording of transactions should be completed in a timely manner.

Condition and Context: The School District did not record accounting transactions or reconcile accounts in a timely manner.

Cause: Turnover in the accounting department and focusing on other areas not related to the day-to-day general ledger led to accounting transactions not being recorded timely and account reconciliations not being performed timely throughout the year.

Effect: As a result of this condition, accounting transactions and account reconciliations were not recorded on a timely basis throughout the year, which significantly delayed completion of the annual financial audit. Consequently, the audit was filed late with the Department of Education.

Recommendation: Implement and adhere to procedures whereby accounting transactions are recorded timely and accounts are reconciled throughout the year.

View of Responsible Officials: Management agrees that accounting transactions and account reconciliations were not recorded timely the 2023-24 fiscal year on a timely basis. We are in the process of catching up the accounting transactions and accounting reconciliations. In the current year, the accounting transactions for expenses are up to date. We are working on the revenues, updating grants, and balancing out accounts. The Central Office is upgrading processes and procedures.

2024-002 Late Submission of Audit Package to the Michigan Department of Education (Repeat)

Type: Material Noncompliance

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

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

Cause: The audit was not complete and available for submission by November 1 because the School District was working on recording accounting transactions and account reconciliations after year-end and was not ready for the audit to commence in a timely manner.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

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

View of Responsible Officials: Management agrees that the delay is unacceptable. At this time the 2024-25 reports to the Michigan Department of Education and Northwest Education Services agency are current. We are working on the 2024-25 fiscal year to get financial information entered and balanced. The Director of Finance and Superintendent have implemented a timeline of procedures to adhere to monthly.

2024-003 Auditor Identified Material Adjusting Journal Entries

Type: Material Weakness

Criteria: The District is responsible for making adjusting journal entries as needed to prepare financial statements under Generally Accepted Accounting Principles.

Condition and Context: During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances.

Cause: Multiple balance sheet accounts were not properly reconciled at the end of the year, and the prior year's closing did not match the prior audit's financial statements.

Effect: The external auditors were relied upon to identify material journal entries in order to properly reflect year end balances, which was not identified in our initial risk assessment of the District.

Recommendation: We recommend the District implement procedures to properly reconcile all balance sheet accounts on a monthly basis to warrant accurate financial records.

View of Responsible Officials: The District is working to implement new procedures and protocols to adhere to as a monthly close out system that will provide the Board accurate financial information to make more informed decisions on behalf of the District.

2024-004 Material Unfavorable Budget Variance

Type: Material Noncompliance

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Condition and Context: The District had adopted budget items that were exceeded by actual expenditures by a material amount.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Cause: The condition was caused by the District neglecting to review the Student Activities Fund budget throughout the year after the original budget was approved.

Effect: The District was not in compliance with the budgeting act.

Recommendation: The District should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed as well as ensuring all expenditure accounts are encompassed in the budget template used for board adoption of the budget.

View of Responsible Officials: The District will begin to take this budget into consideration more carefully with the amount of expenditures that run through the fund.

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**Section III –Federal Award Findings and Questioned Costs**

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None Reported



Bryan McKenna, Interim Superintendent/Lakeland Principal, 231-264-8692  
Jack Young, High School Principal, 231-264-8108  
Brett Graham, AP/AD Elk Rapids High School,  
231-264-8108  
Josh Haggerty, Cherryland Middle School Principal, 231-264-8991  
Kimberly Kramer, Mill Creek Elementary Principal, 231-267-9955

Elk Rapids Schools  
308 Meguzee Point Rd  
Elk Rapids, MI 49629

Phone: 231-264-8692  
Fax: 231-264-6538  
<https://www.erschools.com>

## **CORRECTIVE ACTION PLAN**

**JUNE 30, 2024**

**Finding 2024-001:** Material Weakness Financial Statement Finding (Repeat)

**Condition:** The School District did not record accounting transactions or reconcile accounts in a timely manner.

**Corrective Steps Taken:** The District has implemented monthly procedures to follow to keep up with the reconciliation processes.

**Corrective Steps to be Taken:** The monthly procedures will be reviewed by the superintendent and reports will be generated for the Board with more accurate financial information.

**Monitoring:** The District will continue to monitor monthly processes to not fall behind in preparation for the upcoming audit.

**Name of Responsible Person for Further Information:** Bryan McKenna, Superintendent

**Questioned Costs Related to this Finding:** None.

**Finding 2024-002:** Material Noncompliance Financial Statement Finding (Repeat)

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

**Corrective Steps Taken:** At this time, no corrective steps have been taken.

**Corrective Steps to be Taken:** The District and the board will continue to monitor progress to be more prepared for the next upcoming audit.

**Monitoring:** The District should continue to monitor monthly processes to make sure accounting records and reconciliations are up to date.

**Name of Responsible Person for Further Information:** Laurie McCann, Finance Director

**Questioned Costs Related to this Finding:** None.

**Finding 2024-003:** Material Weakness Financial Statement Finding



Bryan McKenna, Interim Superintendent/Lakeland Principal, 231-264-8692  
Jack Young, High School Principal, 231-264-8108  
Brett Graham, AP/AD Elk Rapids High School,  
231-264-8108  
Josh Haggerty, Cherryland Middle School Principal, 231-264-8991  
Kimberly Kramer, Mill Creek Elementary Principal, 231-267-9955

Elk Rapids Schools  
308 Meguzee Point Rd  
Elk Rapids, MI 49629

Phone: 231-264-8692  
Fax: 231-264-6538  
<https://www.erschools.com>

**Condition:** During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances.

**Corrective Steps Taken:** At this time, no corrective steps have been taken.

**Corrective Steps to be Taken:** The District will reach out to the regional intermediate school district for any assistance with any material adjustments and balance sheet reconciliations.

**Monitoring:** The District will continue to monitor monthly processes to not fall behind in preparation for the upcoming audit. The District will reach out to the regional ISD for any assistance.

**Name of Responsible Person for Further Information:** Laurie McCann, Finance Director

**Questioned Costs Related to this Finding:** None.

**Finding 2024-004:** Material Noncompliance Financial Statement Finding

**Condition:** The District had adopted budget items that were exceeded by actual expenditures by a material amount.

**Corrective Steps Taken:** At this time, there have been some corrective steps taken to limit this from happening again. The cause of the budget overage has been identified as a simple computer error.

**Corrective Steps to be Taken:** The District and the board will continue to review the budget throughout the year to limit a potential mistake from happening again. Going forward the District will be more cautious reviewing certain budgets.

**Monitoring:** The District should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed as well as ensuring all expenditure accounts are encompassed in the budget template used for board adoption of the budget.

**Name of Responsible Person for Further Information:** Laurie McCann, Finance Director

**Questioned Costs Related to this Finding:** None.



