

**MARQUETTE AREA PUBLIC SCHOOLS
MARQUETTE, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Marquette Area Public Schools
1201 West Fair Avenue
Marquette, Michigan 49855

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 Marquette Area Public Schools (the School District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about School

To the Board of Education of
Marquette Area Public Schools

District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is

To the Board of Education of
Marquette Area Public Schools

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Other Supplemental Information, as listed in the table of contents, 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 Other Supplemental Information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 31, 2024

Marquette Area Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Marquette Area Public Schools (School District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2024. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for the School District as a whole was reported at (\$9,094,048). Net position is comprised of 100% governmental activities.
- During the year, the School District's expenses were \$43,629,264, while revenues from all sources totaled \$52,693,711, resulting in an increase in net position of \$9,064,447.
- The General Fund reported a net increase of \$2,660,192. This is \$810,206 more than the forecasted increase of \$1,849,986. This was a result of revenues being \$272,577 more than forecasted, expenses being \$509,992 less than forecasted, other financing sources being \$24,786 more than forecasted, and other financing uses being \$2,851 less than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* Statement of Net Position and the Statement of Activities (as listed in the table of contents) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start as listed in the table of contents. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds, as listed in the notes to the financial statements, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the School District as a whole begins below. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

These two statements report the School District's net position and changes in it. The School District's net position – the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position – as reported in the Statement of Activities – is an indicator of whether its financial health *is* improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do.

One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on the pages below. The fund financial statements begin as listed in the table of contents and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board of Education has established other funds to help it control and manage money for particular purposes. The School District has only governmental funds which use the following accounting method.

- *Governmental Funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The School District as a Whole

Table 1 provides a summary of the School District’s net position as of June 30:

Table 1 Net Position		
	Governmental Activities – 2024	Governmental Activities – 2023
Current and other assets	\$32,554,750	\$27,963,365
Capital assets, net	24,509,901	23,160,259
Total Assets	<u>57,064,651</u>	<u>51,123,624</u>
Deferred outflows of resources	<u>22,571,373</u>	<u>27,943,632</u>
Current liabilities	6,279,861	5,505,237
Long-term liabilities	66,178,064	81,655,933
Total Liabilities	<u>72,457,925</u>	<u>87,161,170</u>
Deferred inflows of resources	<u>16,272,147</u>	<u>10,064,581</u>
Net Position:		
Net investment in capital assets	20,735,557	18,820,768
Restricted	2,156,712	2,478,370
Unrestricted	(31,986,317)	(39,457,633)
Total Net Position	<u>(\$9,094,048)</u>	<u>(\$18,158,495)</u>

The School District’s net position was (\$9,049,048) as of June 30, 2024. Net investment in capital assets of \$20,735,557, compares the original cost, less depreciation of the School District’s capital assets to long-term debt, used to finance the acquisition of those assets. The school District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the School District’s investments in its capital assets is reported debt of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District’s ability to use those net position for day-to-day operations. There is an unrestricted net position balance of (\$31,986,317).

The (\$31,986,317) in unrestricted net position of governmental activities represents the accumulated results of all past years’ operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year’s operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2024 and 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 2
Statement of Activities**

	Governmental Activities – 2024	Governmental Activities – 2023
Revenues:		
Program Revenues:		
Charges for services	\$701,137	\$883,232
Operating grants and contributions	18,126,360	18,857,532
Capital grants and contributions	-	-
General Revenues:		
Property taxes	10,610,828	10,281,847
State sources not restricted to specific program	22,124,258	20,707,984
Investment earnings	1,078,306	521,998
Gain (loss) on sale of fixed assets	-	1,032
Miscellaneous	52,822	56,697
Total Revenues	<u>52,693,711</u>	<u>51,310,322</u>
Program Expenses:		
Instruction	23,072,655	23,145,334
Supporting services	15,801,986	14,926,715
Food services	1,608,707	1,336,995
Athletics	818,290	655,457
School activities	374,658	414,904
Community services	354,617	523,484
Other	-	1,717
Interest on long-term debt	81,478	92,244
Depreciation – unallocated	1,516,873	1,365,956
Total Expenses	<u>43,629,264</u>	<u>42,462,806</u>
Increase (decrease) in net position	<u>9,064,447</u>	<u>8,847,516</u>
Net position, beginning	(18,158,495)	(26,935,850)
Prior period adjustment(s)	-	(70,161)
Net position, beginning, as restated	<u>(18,158,495)</u>	<u>(27,006,011)</u>
Net Position, Ending	<u>(\$9,094,048)</u>	<u>(\$18,158,495)</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$43,629,264. Certain activities were partially funded from those who benefited from the programs \$701,137 or by other governments and organizations that subsidized certain programs with grants and contributions \$18,126,360. We paid for the remaining “public benefit” portion of our governmental activities with \$10,610,828 in property taxes, \$22,124,258 in State Aid, and \$1,131,128 in other revenues, such as interest, gain on sales of fixed assets, and general entitlements.

The School District experienced an increase in net position of \$9,064,447 for the year.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Key reasons for the change in net position were as follows:

- Net change in governmental fund balances of \$3,823,836
- Depreciation charged to expense of (\$1,516,873)
- Purchase of capital assets in the amount of \$2,866,515
- Net book value of disposed assets of \$-0-
- Change in pledges receivable of \$-0-
- Change from internal service fund of \$4,951
- Proceeds from issuance of debt in the amount of \$-0-
- Principal payments on debt in the amount of \$555,000
- Change in accrued interest of \$1,850
- Deferred amounts on debt in the amount of \$10,147
- Change in pension and OPEB expense related to timing of contributions \$3,289,765
- Change in employee benefit obligations of \$29,256

Table 3 presents the cost of each of the School District’s largest activities as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District’s operation.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost (Benefit) of Services
Instruction	\$23,072,655	\$9,102,879
Supporting services	15,801,986	13,895,775
Food services	1,608,707	(307,092)

The net cost shows the financial burden that was placed on the State and the School District’s taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District’s operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District’s Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being wise with the resources taxpayers and others provide to it and provides accountability and insight into the School District’s overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet as listed on the table of contents) reported a combined fund balance of \$26,184,807, an increase of \$3,823,836 from the beginning of the year. The General Fund had an increase in the current year of \$2,660,192; a portion of this increase is due various federal and state sources of revenue which were received by the School District to respond to the negative impacts of the COVID-19 pandemic on students including funding specifically related to learning loss seen as a result of the pandemic as well as increases for mental health and school safety.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The School District budgeted for a spend down of its excess fund balance in the School Lunch Fund of approximately \$200,000 to be in compliance with the School Meals program due to the School District having Excess Fund Balance in the prior fiscal year. Despite making several investments into its food service program in the current year, the School Lunch Fund ended with an increase in fund balance of \$28,405. At June 30, 2024 the School Lunch Fund has a fund balance of \$746,329 with an Allowable Fund Balance of approximately \$585,000 (as determined by taking total program costs not including capital outlay, divided by nine (9) months and multiplied by three (3) months). For the upcoming fiscal year the School District is projecting a decrease in fund balance of approximately \$50,000.

The Capital Projects Fund had a change in fund balance of \$1,420,837. This is due mainly to a transfer from the General Fund of \$1.15 million in the current year. The School District had an assessment performed on the condition of the various buildings and structures within the School District which identified a large number of projects that will likely need to be addressed in future years to maintain the functionality of the aging infrastructure. The School District is preemptively setting aside funds to help offset the cost of these future improvements.

The Capital Projects Sinking Fund had a change in fund balance of (\$270,340) due to the current year’s operations. The District had several improvement projects throughout the various buildings that were funded with Sinking Fund tax dollars. The main project were HVAC improvements at Bothwell Middle School, beginning renovations of the science labs at the high school, and entryway repairs at Graveraet. In May 2022, the sinking fund millage was renewed for an additional ten-year term. The new millage was first levied December 1, 2023.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Board of Education to approve the original budget for the upcoming fiscal year prior to the start of its fiscal year, which is July 1. Over the course of the year, the School District’s Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. For fiscal year 2024, the budget was amended in December 2023, March 2024 and again in June 2024. A schedule showing the School District’s original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

BUDGETED REVENUES

General Fund revenues changed from original to final budget during the year as follows:

	Original Budget	Final Budget	Increase / (Decrease)	
			Amount	Percentage
Total revenues	<u>\$43,625,673</u>	<u>\$48,160,592</u>	<u>\$4,534,919</u>	10.40%

General Fund revenues were originally budgeted for \$43.6 million and were amended to be \$48.2 million, significant amendments were made to the original budget to account for additional interdistrict (local) sources, state funding, and draw downs on various federal grants that were not known at the time the original budget was adopted. The School District takes a conservative approach to budgeting for revenues as there is always a level of uncertainty related to funding levels from the State as the School District is required to adopt its budget in June, which is prior

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

to that State’s budget process being completed. The original budget assumed a per pupil state aid foundation of \$9,600, which was \$8 lower than the final approved per pupil state aid foundation allowance of \$9,608. Other areas of state funding were originally conservatively budgeted as uncertainty existed around state funding levels during and after the pandemic.

BUDGETED EXPENDITURES

General Fund expenditures changed from the original to final budget during the year as follows:

	Original Budget	Final Budget	Increase / (Decrease)	
			Amount	Percentage
Total expenditures	<u>\$44,244,177</u>	<u>\$45,210,163</u>	<u>\$965,986</u>	2.18%

Expenditures were initially budgeted at approximately \$44.2 million and were amended to \$45.2 million. As can be noted by comparing the relative increase in budgeted amounts between revenues (10.40% increase) versus expenditures (2.18% increase), the School District continues its conservative budgeting approach. As much as possible the School District attempts to account for all potential uses of funds for its educational and operational purposes. The most notable increase to budgeted expenditures was in the areas of basic instruction and supporting services related to pupil services, instructional staff and operations and maintenance. This is mainly due to the Board of Education approving stipends to staff in December 2023, and the investment in additional school buses.

ACTUAL REVENUES

General Fund actual revenues differed from the final budget as follows:

	Revenues		Budget Variance Positive / (Negative)	
	Final Budget	Actual	Amount	Percentage
Total revenues	<u>\$48,160,592</u>	<u>\$48,433,169</u>	<u>\$272,577</u>	0.57%

General Fund revenues were \$272,577 more than the final revenue budget due mainly to an additional distribution from the State of Michigan for funding of the Michigan Public School Employees’ Retirement System (MPSERS) normal cost offset along with defined contribution funding.

ACTUAL EXPENDITURES

General Fund actual expenditures differed from the final budget as follows:

	Expenditures		Budget Variance Positive / (Negative)	
	Final Budget	Actual	Amount	Percentage
Total expenditures	<u>\$45,210,163</u>	<u>\$44,700,171</u>	<u>\$509,992</u>	1.13%

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

During the year the School District expended slightly less than expected for salaries and benefits. Additionally, a roofing project that was budgeted for the current school year ran over into the following year. In the end, the General Fund saw an increase in fund balance of over \$2.66 million as a result of this year’s operations. This is after an additional transfer out to the Capital Projects Fund of \$1 million to help fund various future improvements planned throughout the district.

Enrollment

The School District’s 2023-2024 State Aid blended membership enrollment from the fall count totaled 3,204. This is an increase of 103 students from the previous year. Enrollment changes over the last five years can be illustrated as follows:

Fiscal Year	Fall Student FTE	Increase/ (Decrease)
2023-2024	3,204	103
2022-2023	3,101	(13)
2021-2022	3,114	63
2020-2021	3,051	(70)
2019-2020	3,121	(37)

Student enrollment is important to the financial health of the School District because state funding is based on a per pupil formula.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2024, the School District had \$24,509,901 invested in a variety of capital assets including land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and buses and other vehicles. (See Table 4 below)

Table 4
Capital Assets at Year-End
(Net of depreciation)

	Governmental Activities – 2024	Governmental Activities – 2023
Land	\$822,392	\$822,392
Construction in progress	2,105,093	969,868
Land improvements	4,050,628	4,130,688
Buildings and improvements	15,130,438	15,345,019
Furniture and equipment	1,221,972	1,194,017
Buses	1,054,124	634,031
Other vehicles	125,254	64,244
Total	\$24,509,901	\$23,160,259

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Current year additions were approximately \$2.8 million. Much of the current year’s additions are related to the initial stages of various improvements throughout the district that are reported as construction in progress at the end of the year due to the timing of the construction season and the School District’s year end. Some of these projects include PA system upgrades throughout the District to increase safety, upgrades to the HVAC system at Bothwell Middle School, Science Lab renovations and boiler repairs.

In addition to the projects noted above, the School District continued with its plans to replace its aging bus fleet with the purchase of three new buses and two used buses in the current year. This is a necessary endeavor as many of the School District’s buses are over 8 years old and are having more issues requiring costly repairs.

Future projects include creating a college and career readiness space at Vandeen Alternative High School, an elementary school roof, and upgrades to elementary playgrounds.

Further information on capital assets can be found in the notes to the financial statements.

Debt

At the end of this year, the School District had \$3,705,000 in bonds outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year End

	Governmental Activities – 2024	Governmental Activities – 2023
General obligation bonds	\$3,705,000	\$4,260,000

During the year the School District did not issue any debt and made principal payments on debt of \$555,000.

Further information on debt can be found in the notes to the financial statements.

Economic Factors and Next Year’s Budgets

Our elected officials and administration consider many key factors when setting the School District’s fiscal 2025 budget. One of the most important factors affecting the budget is pupil enrollment count. Each December, the School District obtains enrollment projections to build the following year’s budget assumptions. This number becomes the base for the state revenue calculation. The state foundation revenue is determined by multiplying the blended student count by the state foundation allowance per pupil. This amount is then reduced by the local tax effort based upon 18.0000 operating mills levied on non-homestead properties. This local portion is approximately 20% of the revenue budget with the state foundation contributing 42%. As the School District cannot assess additional tax revenue for general obligations per state law, the amount of state foundation allowance which provides less than half of the School District’s revenue is significant to the budget. The state aid foundation for fiscal 2025 has been established, and the School District was awarded \$9,608 per pupil for fiscal 2025, which is \$241 less than the budgeted foundation allowance of \$9,849. State economic factors and legislation continue to be of concern for state funding to K-12 districts.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Initial enrollment counts for fiscal 2025 are encouraging as, for a third year in a row, the School District had a high level of kindergarten enrollments that exceeded projections. The School District will continue to amend budgets as variables become known and to be conservative in spending where possible.

The School District's center of focus is our children and staff who we place at the highest level of safety and concern.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers and parents with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Marquette Area Public Schools, 1201 West Fair Avenue, Marquette, Michigan 49855. For more information on contracts, insurance plans, board adopted budgets, and past audits please visit the district's website: www.mapsnet.org.

Marquette Area Public Schools

STATEMENT OF NET POSITION

June 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,350,605
Investments	17,700,492
Investments - restricted	5,589,883
Receivables:	
Accounts receivable	147,584
Due from other governmental units	7,368,198
Other current assets	397,988
Non-current Assets:	
Land and construction in progress	2,927,485
Other capital assets, net	<u>21,582,416</u>
TOTAL ASSETS	<u>57,064,651</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of related to proportionate share of net pension liability	11,290,494
District's contributions made subsequent to pension measurement date	7,196,087
Deferred outflows of related to proportionate share of net OPEB liability	2,849,905
District's contributions made subsequent to OPEB measurement date	<u>1,234,887</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>22,571,373</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	313,313
Accrued liabilities	4,489,684
Due to other governmental units	284
Accrued interest	13,729
Unearned revenue	1,462,851
Non-current Liabilities:	
Portion due or payable within one year	
Bonds payable	575,000
Compensated absences	42,405
Portion due or payable after one year	
Bonds payable	3,199,344
Compensated absences	311,329
Net pension liability	63,159,595
Net OPEB liability/(benefit)	<u>(1,109,609)</u>
TOTAL LIABILITIES	<u>72,457,925</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to proportionate share of net pension liability	7,186,854
Deferred inflows related to proportionate share of net OPEB liability	9,085,293
Unavailable revenue - Planetarium project	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>16,272,147</u>
NET POSITION	
Net investment in capital assets	20,735,557
Restricted	2,156,712
Unrestricted	<u>(31,986,317)</u>
TOTAL NET POSITION	<u>\$ (9,094,048)</u>

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

Marquette Area Public Schools

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 23,072,655	\$ -	\$ 13,969,776	\$ (9,102,879)
Support services	15,801,986	314,015	1,592,196	(13,895,775)
Food services	1,608,707	80,023	1,835,776	307,092
Athletics	818,290	307,099	-	(511,191)
School activities	374,658	-	487,184	112,526
Community services	354,617	-	241,428	(113,189)
Other	-	-	-	-
Interest on long-term debt	81,478	-	-	(81,478)
Depreciation- unallocated	1,516,873	-	-	(1,516,873)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 43,629,264	\$ 701,137	\$ 18,126,360	(24,801,767)
General revenues:				
Taxes				
Property taxes, levied for general purposes				8,752,004
Property taxes, levied for debt				612,981
Property taxes, levied for capital projects				1,245,843
Unrestricted State Aid				22,124,258
Interest and investment earnings				1,078,306
Gain/(loss) on sale of assets				-
Miscellaneous				52,822
				<u>33,866,214</u>
				TOTAL GENERAL REVENUES
				9,064,447
				CHANGES IN NET POSITION
Net Position, July 1				<u>(18,158,495)</u>
				NET POSITION, JUNE 30
				<u>\$ (9,094,048)</u>

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

Marquette Area Public Schools

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2024

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 366,468	\$ 984,137	\$ 1,350,605
Investments	17,641,100	-	17,641,100
Investments - restricted	-	5,589,883	5,589,883
Receivables:			
Accounts receivable	128,613	18,971	147,584
Due from other governmental units	7,355,604	12,594	7,368,198
Due from other funds	142,521	1,492,429	1,634,950
Inventories	-	32,852	32,852
Prepays	365,136	-	365,136
	<u>25,999,442</u>	<u>8,130,866</u>	<u>34,130,308</u>
TOTAL ASSETS			
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 25,999,442</u>	<u>\$ 8,130,866</u>	<u>\$ 34,130,308</u>
LIABILITIES			
Accounts payable	\$ 293,867	\$ 19,446	\$ 313,313
Accrued liabilities	4,487,331	-	4,487,331
Due to other government units	167	117	284
Due to other funds	1,539,201	142,521	1,681,722
Unearned revenue	1,373,613	89,238	1,462,851
	<u>7,694,179</u>	<u>251,322</u>	<u>7,945,501</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Planetarium project	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Non-spendable	365,136	32,852	397,988
Restricted	-	2,137,589	2,137,589
Committed	4,954,812	500,000	5,454,812
Assigned	2,181,050	5,209,103	7,390,153
Unassigned	10,804,265	-	10,804,265
	<u>18,305,263</u>	<u>7,879,544</u>	<u>26,184,807</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 25,999,442</u>	<u>\$ 8,130,866</u>	<u>\$ 34,130,308</u>

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

Marquette Area Public Schools

GOVERNMENTAL FUNDS

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

June 30, 2024

Total Fund Balances for Governmental Funds \$ 26,184,807

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Cost of capital assets, not being depreciated	\$ 2,927,485	
Cost of capital assets, being depreciated	47,319,286	
Accumulated depreciation	<u>(25,736,870)</u>	24,509,901

The focus of governmental funds is on short-term financings, some assets are
not available to pay for current expenditures. Those assets (i.e., receivables) are
offset by deferred inflows of resources in the governmental funds, and therefore,
are not included in fund balance.

Deferred pledges receivable - Planetarium Project		-
---	--	---

Net pension liability is not due and payable in the current period and is not
reported in the funds.

Deferred outflows related to proportionate share of net pension liability	11,290,494	
Deferred outflows made subsequent to pension measurement date	7,196,087	
Proportionate share of net pension liability	(63,159,595)	
Deferred inflows related to proportionate share of net pension liability	<u>(7,186,854)</u>	(51,859,868)

Net OPEB liability is not due and payable in the current period and is not
reported in the funds.

Deferred outflows related to proportionate share of net OPEB liability	2,849,905	
Deferred outflows made subsequent to OPEB measurement date	1,234,887	
Proportionate share of net OPEB liability	1,109,609	
Deferred inflows related to proportionate share of net OPEB liability	<u>(9,085,293)</u>	(3,890,892)

Internal service funds are used by the District to charge individual funds
the cost of retirement and unemployment benefits. The assets and
liabilities of the internal service funds are included in the governmental
activities in the statement of net position.

16,642

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of:

Bonds payable - current portion	(575,000)	
Bonds payable - long-term portion	(3,130,000)	
Unamortized bond premium	(69,344)	
Accrued interest	(13,729)	
Compensated absences - long-term portion	<u>(266,565)</u>	<u>(4,054,638)</u>

Net Position of Governmental Activities \$ (9,094,048)

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

Marquette Area Public Schools

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2024

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
REVENUES:			
Local sources	\$ 14,868,354	\$ 2,424,766	\$ 17,293,120
State sources	32,513,861	832,495	33,346,356
Federal sources	1,050,954	1,003,281	2,054,235
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	48,433,169	4,260,542	52,693,711
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Instruction	25,704,982	-	25,704,982
Support services	18,601,190	117,131	18,718,321
Food service	-	1,810,528	1,810,528
Community services	371,533	-	371,533
Capital outlay	22,466	1,593,570	1,616,036
Debt Service:			
Principal	-	555,000	555,000
Interest and fees	-	93,475	93,475
Other financial transactions	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	44,700,171	4,169,704	48,869,875
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,732,998	90,838	3,823,836
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	-	-	-
Other financing sources - leases	-	-	-
Transfer in	104,786	1,177,592	1,282,378
Transfer (out)	(1,177,592)	(104,786)	(1,282,378)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(1,072,806)	1,072,806	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	2,660,192	1,163,644	3,823,836
	<hr/>	<hr/>	<hr/>
Fund balance, July 1	15,645,071	6,715,900	22,360,971
	<hr/>	<hr/>	<hr/>
FUND BALANCE, JUNE 30	\$ 18,305,263	\$ 7,879,544	\$ 26,184,807
	<hr/>	<hr/>	<hr/>

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

Marquette Area Public Schools

GOVERNMENTAL FUNDS

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

For the Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds \$ 3,823,836

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	\$ (1,516,873)	
Capital Outlay	2,866,515	
Net book value of disposed assets	-	1,349,642

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Change in deferred pledges receivable - Planetarium Project -

Internal service funds are used by the District to charge individual funds the cost of retirement and unemployment benefits. The net expense of the funds is reported with governmental activities.

4,951

Proceeds from the issuance of debt (including lease transactions) are an other financing source in the governmental funds, but it increases long-term liabilities on the statement of net position

-

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.

555,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

1,850

Premium on bonds are recognized in the financial statements as other financing sources or uses but, they are amortized over the term of the bonds in the government-wide financial statements.

10,147

Increase in net pension liability and net OPEB liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it comes due for payment.

Pension expense	(170,153)	
OPEB expense	3,459,918	3,289,765

In the statement of activities, certain operating expenses related to compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This is the amount paid leave exceeded the amount earned.

29,256

Change in Net Position of Governmental Activities \$ 9,064,447

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

Marquette Area Public Schools

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities
	Internal Service Fund
	<hr/>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ -
Investments	59,392
Due from other funds	46,772
	<hr/>
TOTAL ASSETS	106,164
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	-
	<hr/>
LIABILITIES	
Current Liabilities:	
Accrued liabilities	2,353
Due to other funds	-
Non-current Liabilities:	
Portion due or payable within one year	
Compensated absences	42,405
Portion due or payable after one year	
Compensated absences	44,764
	<hr/>
TOTAL LIABILITIES	89,522
	<hr/>
DEFERRED INFLOWS OF RESOURCES	-
	<hr/>
NET POSITION	
Restricted	16,642
	<hr/>
TOTAL NET POSITION	\$ 16,642
	<hr/> <hr/>

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

Marquette Area Public Schools

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2024

	Governmental Activities
	Internal Service Fund
	<hr/>
OPERATING REVENUES:	
Reimbursement for payments	\$ -
	<hr/>
TOTAL OPERATING REVENUES	-
	<hr/>
OPERATING EXPENSES:	
Compensated absences	-
Payroll taxes	-
	<hr/>
TOTAL OPERATING EXPENSES	-
	<hr/>
OPERATING INCOME (LOSS)	-
	<hr/>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	4,951
Transfers in	-
Transfers (out)	-
	<hr/>
TOTAL NON-OPERATING REVENUES	4,951
	<hr/>
CHANGE IN NET POSITION	4,951
	<hr/>
Net Position, July 1	11,691
	<hr/>
NET POSITION, JUNE 30	\$ 16,642
	<hr/> <hr/>

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

Marquette Area Public Schools

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2024

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from interfund services and reimbursements	\$ -
Cash payments to employees for benefits	<u>(11,523)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(11,523)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
(Increase) decrease in due from other funds	(5,718)
Increase (decrease) in due to other funds	-
Transfers in (out)	<u>-</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>(5,718)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	4,951
(Purchase) sale of investments	<u>12,290</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>17,241</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
Cash and cash equivalents, July 1	<u>-</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	<u>\$ -</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase (decrease) in accrued liabilities	2,353
Increase (decrease) in compensated absences liabilities	<u>(13,876)</u>
TOTAL ADJUSTMENTS	<u>(11,523)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (11,523)</u></u>

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

Marquette Area Public Schools

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2024

	<u>Custodial Funds</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 79,918
Accounts receivable	2,535
Due from other funds	-
	<hr/>
TOTAL ASSETS	82,453
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	-
	<hr/>
LIABILITIES	
Current Liabilities:	
Accounts payable	22,970
	<hr/>
TOTAL LIABILITIES	22,970
	<hr/>
DEFERRED INFLOWS OF RESOURCES	-
	<hr/>
NET POSITION	
Restricted	59,483
	<hr/>
TOTAL NET POSITION	<u>\$ 59,483</u>

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

Marquette Area Public Schools

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2024

	Custodial Funds
ADDITIONS:	
Private donations and contributions	<u>\$ 60,643</u>
TOTAL ADDITIONS	<u>60,643</u>
OPERATING EXPENSES:	
Payments to groups	<u>59,251</u>
TOTAL OPERATING EXPENSES	<u>59,251</u>
CHANGE IN NET POSITION	1,392
Net Position, July 1	<u>58,091</u>
NET POSITION, JUNE 30	<u><u>\$ 59,483</u></u>

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

MARQUETTE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Marquette Area Public Schools (School District) provides elementary and secondary education for the residents of the City of Marquette, Marquette Township, Chocolay Township, and Sands Township. A seven-member Board of Education elected by the public has oversight responsibility over all operations of the School District. The School District operates under a Board-Superintendent form of government.

The accounting policies of the School District conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

FINANCIAL REPORTING ENTITY

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units by applying the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the basic financial statements of the School District contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The available resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major fund categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its only major governmental funds in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

The focus of the governmental funds' measurement is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the School District:

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The School Lunch fund and Scholarship Fund are special revenue funds for the School District.

Debt Service Funds – The debt service funds are used to account for debt service expenditures. The debt service funds for the School District are the 2016 Debt Retirement Fund.

Capital Projects Funds – The capital projects funds are used to account for financial resources of major capital expenditures, including equipment. In May 2022, the constituents of the School District approved a ten-year millage of 0.9500 mills for a Sinking Fund set to expire in 2033. Taxes collected related to the millage are accounted for in the Sinking Fund and may only be used for activities in compliance with provisions of §1212 of the Revised School Code.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Proprietary Funds

The focus of proprietary funds' measurement is upon the determination of operating income, changes in net position, financial position, and cash flows. The following is a description of the Proprietary Funds of the School District:

Internal Service Funds – The internal service fund is used to account for the payment of early retirement incentives, unused sick leave reimbursement plan payments for retirees and is reimbursed by other funds for these payments.

Fiduciary Fund Types

Custodial Fund – The Custodial Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds. Non-major funds by category are summarized into a single column for presentation. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of either fund category or the governmental combined) for the determination of major funds.

The School District's Internal Service Fund is presented in the Proprietary Funds' financial statements. Because the principal users of the services are the School District's governmental activities, the financial statements are consolidated into the governmental activities column when presented in the government-wide financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (a) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting

In the district-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, sets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Government activities in district-wide financial statements and proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Cash Equivalents

The School District considers cash and cash equivalents as reported in the Statement of Net Position are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less. The fair value measurement of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset’s fair value.

Investments

Investments are carried at market value.

Restricted Investments

The unspent bond proceeds and related interest of the capital projects funds require amounts to be set aside for construction. In addition, the unspent property taxes levied in the debt service funds and sinking fund are required to be set aside for future bond principal and interest and approved sinking fund projects, respectively.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables consist primarily of state school aid payments from the State of Michigan and federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for uncollectible accounts.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Inventory

Inventories are valued at cost using the first-in, first-out method. Inventories consist primarily of food, cafeteria supplies and teaching supplies held for sale or consumption. USDA donated commodities in the food service fund are recorded at fair value. The amount is recorded as an expenditure when consumed or sold rather than when purchased. Reported inventories are equally offset by nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Prepays

Payments made to vendors for services that will benefit future periods are reported as prepaid items. Prepaid items are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets

Capital assets, which include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, buses and vehicles, are reported in the applicable governmental activities' column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

The School District does not have infrastructure-type assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	10 – 20 years
Buildings and improvements	5 – 10 years
Furniture and equipment	5 – 45 years
Buses and other vehicles	5 – 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports the following in this category:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

On the district-wide financial statements, changes in assumptions, differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions for the pension plan and/or the OPEB plan create a deferred outflow of resources.

On the district-wide financial statements, the School District's contributions made into the pension plan and/or the OPEB plan subsequent to the plans' fiscal year end creates a deferred outflow of resources.

Salaries Payable and Related Accrued Liabilities

In the fund financial statements, governmental fund types recognized bond premiums and discounts during the current period. The face amount of debt issued is reported as an other financing source. Discounts and premiums on debt issuances are reported as other financing uses and sources, respectively.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The School District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

Long-Term Liabilities

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

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses.

Compensated Absences (Unused Sick and Vacation Leave) and Early Termination Benefits

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for unused accumulated vacation and sick leave benefits has been calculated using the vesting method, in which leave amounts for employees who are expected to become eligible in the future to receive such payments upon normal retirement are recorded based on the probability that the School District will compensate the employees upon retirement. The liability for these compensated absences is recorded as long-term debt in the Internal Service Fund.

Amounts due to employees who are currently eligible to receive termination payments (retired employees) are reported as a liability in the Internal Service Fund. This liability includes the known liability for accumulated vacation and sick leave benefits.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

Postemployment Benefits Other Than Pensions

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government reports the following in this category:

On the district-wide financial statements, the net difference between projected and actual pension plan and/or OPEB plan investment earnings, differences between expected and actual experience, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions create a deferred inflow of resources.

Equity Classification

District-Wide Statements

Equity is classified as net position and displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.
3. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Governmental Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned, if appropriate.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity, and are classified as either program revenue or general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general-purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the School District by various taxing units and are payable without penalty by February 28. The School District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year.) Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type) and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Position.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budgets and Budgetary Accounting

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

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for all governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as approved and amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year-end.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 31, 2024, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2024, the School District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Primary Government	Fiduciary Funds	Total
Cash and cash equivalents:			
Unrestricted	\$1,350,605	\$79,918	\$1,430,523
Restricted	-	-	-
Subtotal	<u>1,350,605</u>	<u>79,918</u>	<u>1,430,523</u>
Investments:			
Unrestricted	17,700,492	-	17,700,492
Restricted	5,589,883	-	5,589,883
Subtotal	<u>23,290,375</u>	<u>-</u>	<u>23,290,375</u>
Total	<u>\$24,640,980</u>	<u>\$79,918</u>	<u>\$24,720,898</u>

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. State law does not require it, but the School District has a deposit policy for custodial credit risk. The carrying amounts of the School District’s deposit with financial institutions were \$1,430,523 and the bank balance was \$2,214,309. The bank balance is categorized as follows:

Amount insured by the FDIC	\$250,000
Amount uncollateralized and uninsured	1,964,309
Total	<u>\$2,214,309</u>

Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2024, the School District had the following investments:

		Investment Maturities (in years)					
		Level	Fair Value	Less than 1	1-5	6-10	More than 10
Primary Government:							
Unrestricted:							
	MILAF	2	\$17,700,492	\$17,700,492	\$-	\$-	\$-
Restricted:							
	MILAF	2	5,589,883	5,589,883	-	-	-
	TOTAL		<u>\$23,290,375</u>	<u>\$23,290,375</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School District’s investments. The School District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the School District to invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill, or notes shall be at the option of the holder upon not more than 90 days’ notice or, if not so payable, shall have a maturity dates not more than 5 years after the purchase dates.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this State.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

Investment pools, as authorized by the surplus investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The School District does not have an investment policy that would further limit its investment choices. Ratings are not required for the School District's investment in Treasury Notes. As of June 30, 2024, the School District's investment in the above investments are rated as AAA.

The School District's investments are in accordance with statutory authority.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments totaled \$7,368,198. Of that balance \$6,126,548 is due from the State of Michigan for State Aid, \$863,378 from federal government grants, and \$378,272 is due from other governmental units.

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The School District reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows.

The amounts of interfund receivables and payables as of June 30, 2024 are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Fund</u>	<u>Due To</u>
		School Lunch Fund	\$121,513
		Scholarship Fund	1,500
		Capital Projects Fund	19,508
General Fund	<u>\$142,521</u>	Subtotal	<u>142,521</u>

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued):

<u>Fund</u>	<u>Due From</u>	<u>Fund</u>	<u>Due To</u>
School Lunch Fund	\$217,429		
Capital Projects Fund	1,275,000		
Internal Service Fund	<u>46,772</u>		
Subtotal	<u>1,539,201</u>	General Fund	<u>\$1,539,201</u>
Total	<u>\$1,681,722</u>	Total	<u>\$1,681,722</u>

All internal balances resulted 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.

The amounts transferred to and from individual funds for the year ended June 30, 2024 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General Fund	\$104,786	School Lunch Fund	\$104,786
School Lunch Fund	27,592		
Capital Projects Fund	<u>1,150,000</u>		
Subtotal	<u>1,177,592</u>	General Fund	<u>1,177,592</u>
Total	<u>\$1,282,378</u>	Total	<u>\$1,282,378</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE E – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$822,392	\$-	\$-	\$822,392
Construction in progress	969,868	1,135,225	-	2,105,093
Subtotal	<u>1,792,260</u>	<u>1,135,225</u>	<u>-</u>	<u>2,927,485</u>
Capital assets being depreciated:				
Land improvements	6,851,551	183,230	(288,735)	6,746,046
Buildings and improvements	34,457,809	575,989	(7,700)	35,026,098
Furniture and equipment	4,383,018	321,440	(1,850,892)	2,853,566
Buses	2,128,802	575,819	(240,694)	2,463,927
Other vehicles	154,837	74,812	-	229,649
Subtotal	<u>47,976,017</u>	<u>1,731,290</u>	<u>(2,388,021)</u>	<u>47,319,286</u>
Total Capital Assets	<u>49,768,277</u>	<u>2,866,515</u>	<u>(2,388,021)</u>	<u>50,246,771</u>
Less accumulated depreciation:				
Land improvements	(2,720,863)	(263,290)	288,735	(2,695,418)
Buildings and improvements	(19,112,790)	(790,570)	7,700	(19,895,660)
Furniture and equipment	(3,189,001)	(293,485)	1,850,892	(1,631,594)
Buses	(1,494,771)	(155,726)	240,694	(1,409,803)
Other vehicles	(90,593)	(13,802)	-	(104,395)
Total Accumulated Depreciation	<u>(26,608,018)</u>	<u>(1,516,873)</u>	<u>2,388,021</u>	<u>(25,736,870)</u>
Capital Assets, Net	<u>\$23,160,259</u>	<u>\$1,349,642</u>	<u>\$-</u>	<u>\$24,509,901</u>

Depreciation expense charged to governmental activities was \$1,516,873.

Construction In Progress

During the year, the School District continued various projects that were started prior to the beginning of the fiscal year.

As of the end of the fiscal year, the School District started work on various projects throughout the District. An upgrade to various building PA systems was underway in an effort to increase safety and security. A project at Superior Hills Elementary School to construct an Outdoor Learning system began. Work started on the High School to renovate numerous science labs as well as an upgrade to the boilers in an effort to increase its useful life. Lastly, due to supply issues the work to complete the replacement of the Bothwell Middle School HVAC system continued. All of these projects are expected to be completed during the 2025 fiscal year.

NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities as of June 30, 2024 is as follows:

	Governmental Activities
Accrued wages	\$2,307,321
Accrued fringes	1,463,387
Other accrued	718,976
Total	<u>\$4,489,684</u>

NOTE G – LONG-TERM OBLIGATIONS:

A summary of long-term obligations and transactions related thereto for the year then ended is as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
<i>GOVERNMENTAL ACTIVITIES</i>					
Bonds:					
2016 Capital Projects Bonds	\$4,260,000	\$-	(\$555,000)	\$3,705,000	\$575,000
Premium 2016 School Bonds	79,491	-	(10,147)	69,344	-
Total Bonds Payable	<u>4,339,491</u>	<u>-</u>	<u>(565,147)</u>	<u>3,774,344</u>	<u>575,000</u>
Employee Benefits:					
Compensated absences	295,821	-	(29,256)	266,565	-
Terminal leave	101,045	2,774	(16,650)	87,169	42,405
Subtotal	<u>396,866</u>	<u>2,774</u>	<u>(45,906)</u>	<u>353,734</u>	<u>42,405</u>
TOTAL LONG-TERM DEBT	<u>\$4,736,357</u>	<u>\$2,774</u>	<u>(\$611,053)</u>	<u>\$4,128,078</u>	<u>\$617,405</u>

The annual debt service requirements for the School District’s debt (excluding compensated absences) are as follows:

BONDS PAYABLE

The 2016 Capital Projects Bond (\$6,285,000) dated June 28, 2016 mature annually on May 1st, with interest at a rate varying from 2.000% to 2.750% per annum. The primary revenue source for making the debt service payment on these Bonds will be property taxes, which are levied through a voted millage within the authorized constitutional and statutory tax limitations.

**2016 Capital Projects Bonds
June 30, 2024**

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
2025	\$41,188	\$41,188	\$575,000	\$657,376
2026	35,438	35,438	485,000	555,876
2027	30,588	30,588	500,000	561,176
2028	25,588	25,588	510,000	561,176
2029	20,488	20,488	525,000	565,976
2030-2031	22,350	22,350	1,110,000	1,154,700
Total	<u>\$175,640</u>	<u>\$175,640</u>	<u>\$3,705,000</u>	<u>\$4,056,280</u>

NOTE G – LONG-TERM OBLIGATIONS (Continued):

As of June 30, 2024, the aggregate maturities of long-term debt are as follows:

Fiscal Year	Interest	Principal	Total
2025	\$82,376	\$575,000	\$657,376
2026	70,876	485,000	555,876
2027	61,176	500,000	561,176
2028	51,176	510,000	561,176
2029	40,976	525,000	565,976
2030-2031	44,700	1,110,000	1,154,700
Total	<u>\$351,280</u>	<u>\$3,705,000</u>	<u>\$4,056,280</u>

NOTE H – EMPLOYEE BENEFITS PAYABLE:

The School District accrues the liability for earned sick leave based on the vesting method. The liability is accrued as benefits are earned if it is probable that the School District will compensate the employees conditioned upon retirement. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement at which time 100% of the unused accumulated sick days up to a maximum of two hundred are converted to terminal leave pay. The School District has provided early retirement incentives. Employee benefits payable are recorded in the financial statements as follows:

	Unused Sick Leave	Terminal Leave	Total
MAEA	\$159,544	\$78,503	\$238,047
MESPA I	39,467	-	39,467
MESPA II	67,554	8,666	76,220
Total	<u>\$266,565</u>	<u>\$87,169</u>	<u>\$353,734</u>

The liability has been recognized as follows:

Current portion	\$42,405
Long-term portion	311,329
Total	<u>\$353,734</u>

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS:

Under GASB 54, fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of Education. Board of Education is the highest level of decision-making authority for the School District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Education.

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the School District’s adopted policy, only the Superintendent or the Board of Education may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of June 30, 2024, fund balances are composed of the following:

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
Non-spendable:					
Inventories	\$-	\$32,852	\$-	\$-	\$32,852
Prepays	365,136	-	-	-	365,136
Subtotal	<u>365,136</u>	<u>32,852</u>	<u>-</u>	<u>-</u>	<u>397,988</u>
Restricted:					
Shiras Planetarium	-	-	-	-	-
Food service	-	663,175	-	-	663,175
Scholarships	-	291,286	-	-	291,286
Debt service	-	-	186,099	-	186,099
Sinking fund millage	-	-	-	930,727	930,727
FY24/25 budgeted shortfall	-	66,302	-	-	66,302
Subtotal	<u>-</u>	<u>1,020,763</u>	<u>186,099</u>	<u>930,727</u>	<u>2,137,589</u>
Committed:					
Contingency	4,317,766	-	-	-	4,317,766
Student groups	637,046	-	-	-	637,046
Capital projects	-	-	-	500,000	500,000
Subtotal	<u>4,954,812</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>5,454,812</u>
Assigned:					
MTSS Implementation	1,300,000	-	-	-	1,300,000
School Buses & comm.	881,050	-	-	-	881,050
Capital projects	-	-	-	5,209,103	5,209,103
FY24/25 budgeted shortfall	-	-	-	-	-
Subtotal	<u>2,181,050</u>	<u>-</u>	<u>-</u>	<u>5,209,103</u>	<u>7,390,153</u>
Unassigned:					
	<u>10,804,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,804,265</u>
Total Fund Balance	<u>\$18,305,263</u>	<u>\$1,053,615</u>	<u>\$186,099</u>	<u>\$6,639,830</u>	<u>\$26,184,807</u>

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Superintendent or the Assistant Superintendent through amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

NOTE J – ECONOMIC DEPENDENCY:

The School District received approximately 67 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Marquette and surrounding townships. The School District's Foundation Allowance is set by the state and includes the local contribution from Non-Homestead taxes. Increases in the local Non-Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

NOTE K – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenue from state sources is 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 school districts. For the year ended June 30, 2024, the foundation allowance was based on the pupil membership counts taken in February and October.

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 (currently the fiscal year) and is funded through 11 payments from October 2023 - August 2024.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE L – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$112,432 during fiscal year 2023-24 in revenues and expenditures for USDA commodities.

NOTE M – PROPERTY TAXES:

The taxable value of real and personal property located in the School District for the 2023 tax year which represents approximately 50% of the estimated current value, totaled \$1,413,960,496 (\$796,941,565 designated as Homestead, \$159,100 as industrial personal property, \$556,045,356 designated as Non-Homestead, and \$60,814,475 designated as Commercial personal property). The total tax levy consists of 18.0000 mills on all non-homestead property (one mill is equal to \$1.00 per \$1,000 of taxable value), 6.0000 mills on all commercial personal property for the General Fund. For the 2016 Debt Retirement Fund the total tax levy consisted of 0.4200 mills and 0.9336 mills for the Sinking Fund.

NOTE N – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District, together with approximately 334 other school districts in the State, participates in the MASB-SEG Property/Casualty Pool, Inc., (Pool) a governmental group property and casualty self-insurance pool. The School District pays an annual premium to the Pool for its general insurance, workers' compensation, and errors and omissions coverage. Members' contributions to the Pool may assess members a supplemental assessment in the event of deficiencies.

The Pool limits the maximum net loss that may arise from large risks or risks in concentrated areas of exposure by re-insuring certain levels of risk with other insurers or re-insurers. The School District's comprehensive and fleet insurance coverage is limited to a maximum of \$1,000,000 per occurrence of all claims. The School District also maintains an additional \$2,000,000 per occurrence for excess liability coverage. The Pool is responsible for paying costs up to the insurance limits with any additional costs covered by the School District.

Management is unaware of any pending or threatened claims that are not covered by the Pool that would be material to the financial statements.

NOTE O – SINKING FUND COMPLIANCE:

The Sinking Fund records capital project activities funded with the Sinking Fund millage. For this fund, the millage was authorized as a straight renewal of the millage originally authorized prior to March 16, 2017. Therefore, the Sinking Fund does not receive the additional benefit of being able to utilize its funds to offset various technology and school security improvements.

For this fund, the School District has complied with the applicable provisions of §1212 of the Revised School Code.

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Plan Description

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

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

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

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

Benefits Provided

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

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

Contributions

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

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

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

actuarial accrued liability as of the Sept. 30, 2022, valuation will be amortized over a 16-year period beginning Oct. 1, 2022 and ending Sept. 30, 2038.

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

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

Required contributions to the pension plan from the School District were \$7,033,113 for the year ended September 30, 2023.

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

At June 30, 2024, the School District reported a liability of \$63,159,595 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the School District's proportion was 0.19514140 percent, which was an increase of 0.00146246 percent from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the School District recognized pension expense of \$7,975,449. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$1,993,756	(\$96,750)
Changes of assumptions	8,558,413	(4,934,586)
Net difference between projected and actual earnings on pension plan investments	-	(1,292,450)
Changes in proportion and differences between the employer contributions and proportionate share of contributions	738,325	(863,068)
Subtotal	11,290,494	(\$7,186,854)
Employer contributions subsequent to the measurement date	7,196,087	
Total	\$18,486,581	

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)	
Year Ended	
September 30	Amount
2024	\$1,423,995
2025	848,887
2026	2,718,407
2027	(887,649)
2028	-
Thereafter	-
Total	\$4,103,640

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

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

Notes:

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

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Discount Rate

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

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

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

1% Decrease	Current Single Discount Rate Assumption	1% Increase (Non-Hybrid/Hybrid)
<u>5.00% / 5.00% / 5.00%*</u>	<u>6.00% / 6.00% / 6.00%*</u>	<u>7.00% / 7.00% / 7.00%*</u>
\$85,328,428	\$63,159,595	\$44,703,204

* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus Plan, and Pension Plus 2 Plan

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

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

Payables to the Michigan Public Schools Employees’ Retirement System (MPERS)

At June 30, 2024, the School District reported a payable of \$686,449 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2024.

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS:

Employees of the School District who began working for a Michigan public school July 1, 2010, or later, are members of the Pension Plus plan or Defined Contribution (DC) plan, defined contribution pension plans. Under Public Act 300 of 2012, eligible members of MPERS had the option to increase, maintain, or stop their contributions to the pension fund as of the transition date. Members of MPERS who elected to stop their contributions became participants in the DC plan as of their transition date.

**NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS
(Continued):**

Pension Plus Plan

The Pension Plus Plan is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Within the plan employees have three options to choose from: 1) Pension Plus with Premium Subsidy, 2) Pension plus to DC with PHF, and 3) Basic/MIP to DC with Premium Subsidy. The School District's required to contribute ranges 1% to 4% of annual salary for plan members based on the type of plan the employee is participating in. Employees are permitted to make contributions up to applicable Internal Revenue Service Code limits. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits from the Plan in accordance with IRS regulations for 401(k) plans.

Defined Contribution Plan

The Defined Contribution Plan is a defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Employee contributions are 8% of wages with the employer matching contributions dollar for dollar on the first 2% of wages and 50 cents on the dollar on the next 6% of wages. Employee contributions are made into the 457 Plan while employer matching contributions are made in other 401(k) Plan. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

The total amount contributed to the Plan for the year ended June 30, 2024 was \$965,404 which consisted of \$271,505 from the School District and \$693,899 from employees.

Personal Healthcare Fund

The Personal Healthcare Fund (PHF) is a personal, portable defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Employee contributions are 2% of wages with the employer matching 2%. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

The total amount contributed to the Plan for the year ended June 30, 2024 was \$345,996 which consisted of \$172,998 from the School District and \$172,998 from employees.

NOTE R – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

Plan Description

The MPSERS Plan, as previously described in the Defined Benefit Plan footnote, includes an Other Post-Employment Benefits component as part of the cost of the Plan. The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended). All information related to the OPEB component of the Plan is the same except as noted below:

NOTE R – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

Benefits Provided

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

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

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

Contributions

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

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

NOTE R – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

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

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

Required contributions to the OPEB plan from the School District were \$1,527,988 for the year ended September 30, 2023.

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

At June 30, 2024, the School District reported a liability/(benefit) of (\$1,109,609) for its proportionate share of the MPSERS net OPEB liability/(benefit). The net OPEB liability/(benefit) was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability/(benefit) was determined by an actuarial valuation rolled forward from September 2022. The School District's proportion of the net OPEB liability/(benefit) was determined by dividing each employers' statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the School District's proportion was 0.19614851 percent, which was an increase of 0.00354765 percent from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the School District recognized OPEB expense/(contract expense) of (\$1,932,695). At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$-	(\$8,384,775)
Changes of assumptions	2,470,183	(297,457)
Net difference between projected and actual earnings on OPEB plan investments	3,383	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	376,339	(403,061)
Subtotal	<u>2,849,905</u>	<u>(\$9,085,293)</u>
Employer contributions subsequent to the measurement date	<u>1,234,887</u>	
Total	<u><u>\$4,084,792</u></u>	

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

NOTE R – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

**Deferred (Inflows) and Deferred Outflows
of Resources by Year (to Be Recognized
in Future OPEB Expenses)**

Year Ended September 30	Amount
2024	(\$1,985,590)
2025	(1,905,219)
2026	(757,119)
2027	(763,186)
2028	(551,239)
Thereafter	(273,035)
Total	(\$6,235,388)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2022	
Actuarial Cost Method:	Entry Age, Normal	
Wage Inflation Rate:	2.75%	
Investment Rate of Return:	6.00% net of investment expenses	
Projected Salary Increases:	2.75% - 11.55%, including wage inflation at 2.75%	
Healthcare Cost Trend Rate:	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 5.25% Year 1 graded to 3.5% Year 15	
Mortality:	Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
	Active:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
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NOTE R – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree’s death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2023 valuation. The total OPEB liability as of Sept. 30, 2023, is based on the results of an actuarial valuation date of Sept. 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.5099
- Recognition period for assets in year is 5.0000
- Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

Rate of Return

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

Discount Rate

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

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability/(Benefit) to Changes in the Discount Rate

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

1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$1,150,332	(\$1,109,609)	(\$3,051,806)

NOTE R – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability/(Benefit) to Healthcare Cost Trend Rate

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

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
(\$3,056,649)	(\$1,109,609)	\$9,997,726

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2023 MPERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

NOTE S – SINGLE AUDIT:

The School District’s schedule of expenditures of federal awards reports a total of \$2,054,235 in federal expenditures. As the amount is more than the single audit threshold of \$750,000, the School District is therefore required to have an audit in accordance with the Uniform Guidance for the fiscal year ended June 30, 2024.

NOTE T – TAX ABATEMENTS:

For financial reporting purposes, GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The Statement requires disclosure of tax abatement information about a reporting government’s own tax abatement agreements and about tax abatement agreements entered into by other governments that reduce the reporting government’s tax revenues.

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax (IFT) exemptions, Brownfield exemptions, Neighborhood Enterprise Zone (NEZ) exemptions, Obsolete Property Rehabilitation Act (OPRA) exemptions, Renaissance Zones, and Eligible Manufacturing Personal Property (EMPP) exemptions granted by the townships, cities, and/or counties within the district in accordance with State laws. These tax exemptions are intended to promote economic development and/or growth within the issuing government’s jurisdiction.

For purposes of disclosure under GASB 77, the School District discloses tax abatements by issuing government and type greater than \$10,000 in the aggregate. Information relevant to tax abatements within the School District for the year ended June 30, 2024 are as follows:

NOTE T – TAX ABATEMENTS (Continued):

<u>Issuing Government</u>	<u>Type of Tax Abatement Agreement</u>	<u>Tax Abated</u>	<u>Gross Amount Abated in Fiscal Year</u>
City of Marquette	CFT	Prop. Tax	\$365,553
City of Marquette	Brownfield	Prop. Tax	306,726
			<u>\$672,279</u>

For the fiscal year ended June 30, 2024, there were no significant tax abatements made by the School District.

NOTE U – NEW GASB STANDARDS:

Management of the School District has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the School District by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

Recently Issued and Adopted Accounting Pronouncements

None.

Other Recently Issued Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Stmt No. 62*. GASB 100 will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). This statement is effective for periods beginning after June 15, 2023. The School District does not have activities that meet the criteria for GASB 100; therefore, GASB 100 is not applicable to the Agency.

NOTE V – LITIGATION:

On December 19, 2023, the School District contacted the Marquette Police Department concerning possible embezzlement. On January 19, 2024 the Marquette County Prosecutor’s Office issued a warrant for the arrest of a suspect for embezzlement of \$100,000 or more. The School District filed a claim with its insurance company in order to receive reimbursement for some of the lost funds. Monies received from the insurance company have been included as unearned revenue as of June 30, 2024. The case is now being pursued by the State and is ongoing.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Marquette Area Public Schools

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**

For the Plan Year Ended September 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability	0.19514%	0.19368%	0.19780%	0.19460%	0.19209%	0.19219%	0.19548%	0.19136%	0.18320%	0.17249%
District's proportionate share of net pension liability	\$ 63,159,595	\$ 72,840,169	\$ 46,829,900	\$ 66,846,059	\$ 63,614,028	\$ 57,774,948	\$ 50,657,663	\$ 47,743,907	\$ 44,746,947	\$ 37,994,108
District's covered-employee payroll	\$ 19,750,319	\$ 18,867,942	\$ 18,206,406	\$ 17,462,220	\$ 17,123,977	\$ 16,215,019	\$ 16,437,561	\$ 16,011,467	\$ 15,343,152	\$ 14,064,634
District's proportionate share of net pension liability as a percentage of covered-employee payroll	319.79%	386.05%	257.22%	382.80%	371.49%	356.31%	308.18%	298.19%	291.64%	270.14%
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%

Notes to Required Supplementary Information:

Changes in benefit terms:	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE
Changes in assumptions:	2023	2022	2021	2020	2019	2018	NONE	NONE	NONE	NONE

2023 - Recognition period for liabilities increased from 4.3922 to 4.4406

2022 - Investment rate of return for MIP and Basic Plans reduced from 6.80% to 6.00%
 - Investment rate of return for Pension Plus reduced from 6.80% to 6.00%
 - Recognition period for liabilities increased from 4.4367 to 4.3922

2021 - Recognition period for liabilities decreased from 4.4892 to 4.4367

2020 - Recognition period for liabilities decreased from 4.4977 to 4.4892

2019 - Investment rate of return for MIP and Basic Plans reduced from 7.05% to 6.80%
 - Recognition period for liabilities decreased from 4.5304 to 4.4977

2018 - Investment rate of return for MIP and Basic Plans reduced from 7.50% to 7.05%
 - Projected salary increases reduced to 2.75% - 11.55%, including wage inflation at 2.75%
 - Mortality tables updated to RP-2014 Male and Female Healthy Annuitant
 - Recognition period for liabilities increased from 4.5188 to 4.5304

Marquette Area Public Schools

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Fiscal Year Ended June 30

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 8,026,888	\$ 7,177,780	\$ 6,599,655	\$ 5,933,215	\$ 5,427,812	\$ 5,119,719	\$ 5,320,448	\$ 4,586,852	\$ 4,372,055	\$ 3,325,282
Contributions in relation to statutorily required contributions	<u>8,026,888</u>	<u>7,177,780</u>	<u>6,599,655</u>	<u>5,933,215</u>	<u>5,427,812</u>	<u>5,119,719</u>	<u>5,320,448</u>	<u>4,586,852</u>	<u>4,372,055</u>	<u>3,325,282</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 20,669,111	\$ 19,592,844	\$ 18,877,989	\$ 17,969,726	\$ 17,664,528	\$ 16,997,058	\$ 16,551,440	\$ 16,477,929	\$ 15,852,960	\$ 14,624,457
Contributions as a percentage of covered-employee payroll	38.84%	36.63%	34.96%	33.02%	30.73%	30.12%	32.14%	27.84%	27.58%	22.74%

Marquette Area Public Schools

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**

For the Plan Year Ended September 30

	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	0.19615%	0.19260%	0.20025%	0.19610%	0.19524%	0.18998%	0.01958%
District's proportionate share of net OPEB liability/(benefit)	\$ (1,109,609)	\$ 4,079,407	\$ 3,056,513	\$ 10,505,391	\$ 14,013,720	\$ 15,101,765	\$ 17,342,990
District's covered-employee payroll	\$ 19,750,319	\$ 18,867,942	\$ 18,206,406	\$ 17,462,220	\$ 17,123,977	\$ 16,215,019	\$ 16,437,561
District's proportionate share of net OPEB liability/(benefit) as a percentage of covered-employee payroll	(5.62%)	21.62%	16.79%	60.16%	81.84%	93.13%	105.51%
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%

Notes to Required Supplementary Information:

Changes in benefit terms:	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
Changes in assumptions:	<i>2023</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>NONE</i>

2023 - Healthcare Cost Trend Rate decreased from 7.75% to 7.50% for Pre-65; Post-65 had no change
- Recognition period for liabilities increased from 6.2250 to 6.5099

2022 - Recognition period for liabilities increased from 6.1312 to 6.2250
- Investment rate of return decreased from 6.95% to 6.00%

2021 - Healthcare Cost Trend Rate increased from 7.0% to 7.75% for Pre-65; Post-65 had rate of 5.25%
- Recognition period for liabilities increased from 5.6018 to 6.1312

2020 - Healthcare Cost Trend Rate decreased from 7.5% to 7.0%
- Recognition period for liabilities decreased from 5.7101 to 5.6018

2019 - See pension assumptions
- Investment rate of return reduced from 7.15% to 6.95%
- Recognition period for liabilities increased from 5.6018 to 5.7101

2018 - See pension assumptions
- Healthcare Cost Trend rate 7.5% Year 1 graded to 3.0% Year 12 (compared to 3.5% Year 12)
- Recognition period for liabilities increased from 5.4744 to 5.6018

Marquette Area Public Schools

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Fiscal Year Ended June 30

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>			
Statutorily required contributions	\$ 1,535,012	\$ 1,536,738	\$ 1,431,722	\$ 1,433,976	\$ 1,355,337	\$ 1,308,541	\$ 1,205,578			
Contributions in relation to statutorily required contributions	1,535,012	1,536,738	1,431,722	1,433,976	1,355,337	1,308,541	1,205,578			
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
District's covered-employee payroll	\$ 20,669,111	\$ 19,592,844	\$ 18,877,989	\$ 17,969,726	\$ 17,664,528	\$ 16,997,058	\$ 16,551,440			
Contributions as a percentage of covered-employee payroll	7.43%	7.84%	7.58%	7.98%	7.67%	7.70%	7.28%			

Marquette Area Public Schools

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 14,009,158	\$ 14,849,627	\$ 14,868,354	\$ 840,469	\$ 18,727
State sources	28,759,604	32,259,519	32,513,861	3,499,915	254,342
Federal sources	856,911	1,051,446	1,050,954	194,535	(492)
TOTAL REVENUES	43,625,673	48,160,592	48,433,169	4,534,919	272,577
EXPENDITURES:					
Instruction:					
Basic	18,487,511	18,893,000	18,849,625	(405,489)	43,375
Added needs	7,443,570	7,108,034	6,855,357	335,536	252,677
Total Instruction	25,931,081	26,001,034	25,704,982	(69,953)	296,052
Support Services:					
Pupil services	4,083,380	4,584,973	4,443,209	(501,593)	141,764
Instructional staff services	1,491,863	1,647,232	1,569,801	(155,369)	77,431
General administration services	588,646	684,336	672,229	(95,690)	12,107
School administration services	2,422,971	2,366,154	2,357,722	56,817	8,432
Business services	631,944	635,139	771,813	(3,195)	(136,674)
Operations and maintenance	4,165,615	4,416,020	4,238,218	(250,405)	177,802
Pupil transportation	2,465,612	2,033,619	2,057,270	431,993	(23,651)
Central services	1,070,259	1,122,457	1,139,905	(52,198)	(17,448)
Other support services	1,102,741	1,398,950	1,351,023	(296,209)	47,927
Total Support Services	18,023,031	18,888,880	18,601,190	(865,849)	287,690
Community Services	256,577	294,255	371,533	(37,678)	(77,278)
Capital outlay	28,014	22,520	22,466	5,494	54
Other financing transactions	5,474	3,474	-	2,000	3,474
TOTAL EXPENDITURES	44,244,177	45,210,163	44,700,171	(965,986)	509,992
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(618,504)	2,950,429	3,732,998	3,568,933	782,569
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	-	-	-	-
Other financing sources - leases	-	-	-	-	-
Transfer in	80,000	80,000	104,786	-	24,786
Transfer (out)	(157,407)	(1,180,443)	(1,177,592)	(1,023,036)	2,851
TOTAL OTHER FINANCING SOURCES (USES)	(77,407)	(1,100,443)	(1,072,806)	(1,023,036)	27,637
NET CHANGE IN FUND BALANCE	(695,911)	1,849,986	2,660,192	2,545,897	810,206
Fund Balance, July 1	15,645,071	15,645,071	15,645,071	-	-
FUND BALANCE, JUNE 30	\$ 14,949,160	\$ 17,495,057	\$ 18,305,263	\$ 2,545,897	\$ 810,206

**OTHER SUPPLEMENTAL
INFORMATION**

Marquette Area Public Schools
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2024

	<u>Special Revenue Funds</u>		<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total</u>
	<u>School Lunch Fund</u>	<u>Scholarship Fund</u>	<u>2016 Debt Retirement Fund</u>	<u>Capital Projects Fund</u>	<u>Sinking Fund</u>	
ASSETS						
Cash and cash equivalents	\$ 627,414	\$ 356,723	\$ -	\$ -	\$ -	\$ 984,137
Investments	-	-	-	-	-	-
Investments - restricted	-	-	186,099	4,453,611	950,173	5,589,883
Receivables:						
Accounts receivable	18,971	-	-	-	-	18,971
Due from other governmental units	12,594	-	-	-	-	12,594
Due from other funds	217,429	-	-	1,275,000	-	1,492,429
Inventories	32,852	-	-	-	-	32,852
TOTAL ASSETS	909,260	356,723	186,099	5,728,611	950,173	8,130,866
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 909,260	\$ 356,723	\$ 186,099	\$ 5,728,611	\$ 950,173	\$ 8,130,866
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 19,446	\$ 19,446
Accrued liabilities	-	-	-	-	-	-
Due to other government units	117	-	-	-	-	117
Due to other funds	121,513	1,500	-	19,508	-	142,521
Unearned revenue	41,301	47,937	-	-	-	89,238
TOTAL LIABILITIES	162,931	49,437	-	19,508	19,446	251,322
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-
FUND BALANCES						
Non-spendable	32,852	-	-	-	-	32,852
Restricted	713,477	307,286	186,099	-	930,727	2,137,589
Committed	-	-	-	500,000	-	500,000
Assigned	-	-	-	5,209,103	-	5,209,103
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	746,329	307,286	186,099	5,709,103	930,727	7,879,544
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 909,260	\$ 356,723	\$ 186,099	\$ 5,728,611	\$ 950,173	\$ 8,130,866

Marquette Area Public Schools

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2024

	Special Revenue Funds		Debt Service	Capital Projects		Total
	School Lunch Fund	Scholarship Fund	2016 Debt Retirement Fund	Capital Projects Fund	Sinking Fund	
REVENUES						
Local sources	\$ 80,351	\$ 118,766	\$ 631,582	\$ 290,345	\$ 1,303,722	\$ 2,424,766
State sources	832,495	-	-	-	-	832,495
Federal sources	1,003,281	-	-	-	-	1,003,281
TOTAL REVENUES	1,916,127	118,766	631,582	290,345	1,303,722	4,260,542
EXPENDITURES						
Supporting service	-	116,631	500	-	-	117,131
Food service	1,810,528	-	-	-	-	1,810,528
Capital outlay	-	-	-	19,508	1,574,062	1,593,570
Debt service activities						
Principal	-	-	555,000	-	-	555,000
Interest and fees	-	-	93,475	-	-	93,475
Other financial transaction	-	-	-	-	-	-
TOTAL EXPENDITURES	1,810,528	116,631	648,975	19,508	1,574,062	4,169,704
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	105,599	2,135	(17,393)	270,837	(270,340)	90,838
OTHER FINANCING SOURCES (USES):						
Transfers in	27,592	-	-	1,150,000	-	1,177,592
Transfers (out)	(104,786)	-	-	-	-	(104,786)
TOTAL OTHER FINANCING SOURCES (USES)	(77,194)	-	-	1,150,000	-	1,072,806
NET CHANGE IN FUND BALANCE	28,405	2,135	(17,393)	1,420,837	(270,340)	1,163,644
Fund Balance, July 1	717,924	305,151	203,492	4,288,266	1,201,067	6,715,900
FUND BALANCE, JUNE 30	\$ 746,329	\$ 307,286	\$ 186,099	\$ 5,709,103	\$ 930,727	\$ 7,879,544

COMPLIANCE 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 GOVERNMENT AUDITING STANDARDS**

To the Board of Education of
Marquette Area Public Schools
1201 West Fair Avenue
Marquette, Michigan 49855

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 Marquette Area Public Schools (the School District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 31, 2024.

Report on Internal Control over Financial Reporting

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

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

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

To the Board of Education of the
Marquette Area Public Schools

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 31, 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 of
Marquette Area Public Schools
1201 West Fair Avenue
Marquette, Michigan 49855

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Marquette Area Public Schools' (the School District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2024. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit 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 the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

To the Board of Education of the
Marquette Area Public Schools

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain 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 the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did

To the Board of Education of the
Marquette Area Public Schools

identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

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.

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

The School District is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The School District's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 31, 2024

MARQUETTE AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2023	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2024	Current Year Amount Transferred to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE:								
Child Nutrition Cluster:								
School Breakfast Program:								
<i>Passed through the Michigan Department of Education:</i>								
221970	10.553	\$ 9,988	\$ 9,988	\$ -	\$ -	\$ -	\$ -	\$ -
231970	10.553	14,292	94,126	-	14,292	14,292	-	-
241970	10.553	145,511	-	-	145,511	145,511	-	-
Total School Breakfast Program		<u>169,801</u>	<u>104,114</u>	<u>-</u>	<u>159,803</u>	<u>159,803</u>	<u>-</u>	<u>-</u>
National School Lunch Program:								
<i>Direct award:</i>								
Non-Cash Entitlement Commodities	10.555	112,432	93,171	-	112,432	112,432	-	-
Non-Cash Entitlement Bonus Commodities	10.555	-	6,055	-	-	-	-	-
<i>Passed through the Michigan Department of Education:</i>								
National School Lunch Program:								
Supply Chain Assistance								
220910 2023	10.555	64,128	64,128	-	-	-	-	-
230910	10.555	34,495	34,495	-	-	-	-	-
240910	10.555	85,322	-	-	85,322	85,322	-	-
Lunch								
221960	10.555	57,767	57,767	-	-	-	-	-
231960	10.555	64,148	472,376	-	64,148	64,148	-	-
241960	10.555	487,901	-	-	487,901	487,901	-	-
Total National School Lunch Program		<u>906,193</u>	<u>727,992</u>	<u>-</u>	<u>749,803</u>	<u>749,803</u>	<u>-</u>	<u>-</u>
Summer Food Service Program for Children:								
<i>Passed through the Michigan Department of Education:</i>								
Summer Food Service Program for Children:								
220900	10.559	13,449	13,449	-	-	-	-	-
230900	10.559	81,081	19,540	19,540	81,081	100,621	-	-
240900	10.559	12,594	-	-	12,594	-	12,594	-
Total Summer Food Service Program for Children		<u>107,124</u>	<u>32,989</u>	<u>19,540</u>	<u>93,675</u>	<u>100,621</u>	<u>12,594</u>	<u>-</u>
Total Child Nutrition Cluster		<u>1,183,118</u>	<u>865,095</u>	<u>19,540</u>	<u>1,003,281</u>	<u>1,010,227</u>	<u>12,594</u>	<u>-</u>
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant:								
<i>Passed through the Michigan Department of Education:</i>								
220980	10.649	3,135	3,135	-	-	-	-	-
Total State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant		<u>3,135</u>	<u>3,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>1,186,253</u>	<u>868,230</u>	<u>19,540</u>	<u>1,003,281</u>	<u>1,010,227</u>	<u>12,594</u>	<u>-</u>
FEDERAL COMMUNICATIONS COMMISSION:								
Emergency Connectivity Fund Program								
<i>Passed through the Universal Service Administrative Company:</i>								
COVID-19 - Emergency Connectivity Fund	32.009	269,073	186,985	-	72,877	72,877	-	-
Total Emergency Connectivity Fund		<u>269,073</u>	<u>186,985</u>	<u>-</u>	<u>72,877</u>	<u>72,877</u>	<u>-</u>	<u>-</u>
TOTAL FEDERAL COMMUNICATIONS COMMISSION		<u>269,073</u>	<u>186,985</u>	<u>-</u>	<u>72,877</u>	<u>72,877</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

MARQUETTE AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2023	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2024	Current Year Amount Transferred to Subrecipients
DEPARTMENT OF EDUCATION:								
Title I, Part A:								
<i>Passed through Michigan Department of Education:</i>								
221530 2122	84.010	\$ 339,319	\$ 3,703	\$ -	\$ -	\$ -	\$ -	\$ -
231530 2223	84.010	489,111	420,133	420,133	11,086	431,219	-	-
241530 2324	84.010	465,132	-	-	407,239	-	407,239	-
241530 2324 - Carryover	84.010	-	-	-	57,893	-	57,893	-
<i>Passed through Marquette-Alger Regional Educational Service Agency:</i>								
231580	84.010A	25,322	4,000	-	-	-	-	-
	Total Title I, Part A	<u>1,318,884</u>	<u>427,836</u>	<u>420,133</u>	<u>476,218</u>	<u>431,219</u>	<u>465,132</u>	<u>-</u>
Special Education Cluster:								
<i>Passed through Marquette-Alger Regional Educational Service Agency:</i>								
<i>IDEA Part B Mandated Activities Projects:</i>								
230470/2D33	84.027A	4,896	4,896	-	-	-	-	-
<i>P.L. 94-142 Flow Through:</i>								
220450 2122	84.027A	85,912	-	-	-	-	-	-
230450 2223	84.027A	107,210	107,210	107,210	(2,230)	104,980	-	-
240450 2324	84.027A	57,474	-	-	57,474	-	57,474	-
<i>COVID-19 — Special Education ARP - Flowthrough</i>								
221280 2122	84.027X	2,901	-	-	-	-	-	-
<i>Special Education - Preschool Grants</i>								
230460 2223	84.173A	2,230	-	-	2,230	2,230	-	-
240460 2324	84.173A	11,167	-	-	11,167	-	11,167	-
	Total Special Education Cluster	<u>271,790</u>	<u>112,106</u>	<u>107,210</u>	<u>68,641</u>	<u>107,210</u>	<u>68,641</u>	<u>-</u>
Perkins:								
<i>Passed through Marquette-Alger Regional Educational Service Agency:</i>								
233520	84.048A	21,421	21,421	-	-	-	-	-
243520	84.048A	25,993	-	-	25,993	25,993	-	-
	Total Perkins	<u>47,414</u>	<u>21,421</u>	<u>-</u>	<u>25,993</u>	<u>25,993</u>	<u>-</u>	<u>-</u>
Indian Education:								
<i>Direct Award:</i>								
S060A220067	84.060A	53,797	55,928	55,928	-	55,928	-	-
S060A230067	84.060	57,257	-	-	57,257	57,257	-	-
	Total Indian Education	<u>111,054</u>	<u>55,928</u>	<u>55,928</u>	<u>57,257</u>	<u>113,185</u>	<u>-</u>	<u>-</u>
Title II, Part A:								
<i>Passed through Michigan Department of Education:</i>								
220520 2122	84.367	146,240	2,450	-	(1,893)	(1,893)	-	-
230520 2223	84.367	145,100	114,674	114,674	3,050	117,724	-	-
240520 2324	84.367	100,952	-	-	42,184	-	42,184	-
240520 2324 - carryover	84.367	-	-	-	27,377	-	27,377	-
	Total Title II, Part A	<u>392,292</u>	<u>117,124</u>	<u>114,674</u>	<u>70,718</u>	<u>115,831</u>	<u>69,561</u>	<u>-</u>
Title IV, Part A:								
<i>Passed through Michigan Department of Education:</i>								
220750 2122	84.424	23,196	300	-	-	-	-	-
230750 2223	84.424	23,386	20,669	20,669	410	21,079	-	-
240750 2324	84.424	33,981	-	-	31,674	-	31,674	-
240750 2324 - carryover	84.424	-	-	-	2,307	-	2,307	-
	Total Title IV, Part A	<u>80,563</u>	<u>20,969</u>	<u>20,669</u>	<u>34,391</u>	<u>21,079</u>	<u>33,981</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

MARQUETTE AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2023	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2024	Current Year Amount Transferred to Subrecipients
DEPARTMENT OF EDUCATION (Continued):								
Education Stabilization Fund:								
<i>Passed through Michigan Department of Education:</i>								
Elementary and Secondary School Emergency Relief (ESSER II):								
COVID-19 - 213722 2122	84.425D	\$ 124,300	\$ 3,391	\$ -	\$ -	\$ -	\$ -	\$ -
COVID-19 - 213742 2122	84.425D	36,850	5,484	-	-	-	-	-
COVID-19 - 213782 2223	84.425D	122,672	81,370	81,370	31,390	112,760	-	-
Elementary and Secondary School Emergency Relief (ESSER III):								
COVID-19 - 213713 2122	84.425U	2,477,105	1,754,573	1,754,573	153,832	1,754,573	153,832	-
COVID-19 - 213723 2122	84.425U	1,038,781	1,018,213	1,018,213	20,568	1,018,213	20,568	-
American Rescue Plan - Homeless II:								
COVID-19 - 211012 2122	84.425W	20,289	-	-	9,321	-	9,321	-
Total Education Stabilization Fund		<u>3,819,997</u>	<u>2,863,031</u>	<u>2,854,156</u>	<u>215,111</u>	<u>2,885,546</u>	<u>183,721</u>	<u>-</u>
TOTAL DEPARTMENT OF EDUCATION		<u>6,041,994</u>	<u>3,618,415</u>	<u>3,572,770</u>	<u>948,329</u>	<u>3,700,063</u>	<u>821,036</u>	<u>-</u>
DEPARTMENT OF HEALTH & HUMAN SERVICES								
LEA Medicaid Outreach								
<i>Passed through Marquette-Alger Regional Educational Service Agency:</i>								
Fiscal year 22-23	93.778	19,811	19,811	-	-	-	-	-
Fiscal year 23-24	93.778	29,748	-	-	29,748	-	29,748	-
Total LEA Medicaid Outreach		<u>49,559</u>	<u>19,811</u>	<u>-</u>	<u>29,748</u>	<u>-</u>	<u>29,748</u>	<u>-</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES		<u>49,559</u>	<u>19,811</u>	<u>-</u>	<u>29,748</u>	<u>-</u>	<u>29,748</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 7,546,879</u>	<u>\$ 4,693,441</u>	<u>\$ 3,592,310</u>	<u>\$ 2,054,235</u>	<u>\$ 4,783,167</u>	<u>\$ 863,378</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

MARQUETTE AREA PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2024

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the School District 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the 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 on the schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C – INDIRECT COST RATE:

The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – OVERSIGHT AGENCY:

The Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the School District's federal financial assistance.

NOTE E – FINAL COST REPORT – FORM DS4044:

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current audit figures combined.

MARQUETTE AREA PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2024

NOTE F – SCHEDULE OF FEDERAL AWARDS:

The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Federal Awards as follows:

Current Payments per Grant Auditor Report:		\$4,351,470
Plus: Payments not on Grant Auditor Report:		
Passed through MARESA	\$133,203	
Passed through USAC	72,877	
Title VII	113,185	
Food distribution commodities	<u>112,432</u>	431,697
Less: Accrued revenue at the beginning of the year:		
MARESA	(107,210)	
Michigan Department of Education	(3,429,172)	
Title VII	<u>(55,928)</u>	(3,592,310)
Plus: Accrued (deferred) revenue at the end of the year:		
MARESA	98,389	
Michigan Department of Education	764,989	
Title VII	<u>-</u>	863,378
Rounding		<u>-</u>
	PER THE SCHEDULE OF FEDERAL EXPENDITURES	<u><u>\$2,054,235</u></u>

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue recognized is as follows:

Total Federal Revenue Sources reported in the financial statements:		
General Fund		\$1,050,954
School Lunch Fund		1,003,281
Reconciling Items:		
Child Care Relief Fund federal revenue not reported on SEFA		-
Rounding		<u>-</u>
	TOTAL FEDERAL AWARD EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS	<u><u>\$2,054,235</u></u>

MARQUETTE AREA PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

SECTION I – SUMMARY OF AUDITORS’ RESULTS:

Financial Statements

- Type of auditor’s report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified
- Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u>	None reported
- Material noncompliance identified? Yes X No

Federal Awards

- Type of auditor’s report issued on compliance with major federal programs: Unmodified
- Internal control over major federal programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified?	<u> X </u>	Yes	<u> </u>	None reported
- Audit findings required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Major Programs

- The program(s) tested as a major program were:

Name of Federal Program or Cluster	Assistance Listing Number(s)
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
- Dollar threshold used to distinguish between Type A and Type B Programs: *\$750,000*
- Auditee qualified as low-risk auditee? *NO.*

MARQUETTE AREA PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS:

- None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

2024-001 – Payments to Vendors

Federal Agency: U.S. Department of Agriculture

Federal Program: Child Nutrition Cluster

ALN(s): 10.553, 10.555, 10.559

Pass-through Agency: Michigan Department of Education

Grant Number(s): 231970, 241970, 240910, 231960, 241960, 230900, 240900

Criteria: Board Policy 6111 states that “internal controls must provide reasonable assurance that transactions are properly recorded and accounted for in order to permit the preparation of reliable financial statements and federal reports.” Payments to vendors should be substantiated by appropriate invoices that include details of the service provided for whom, when, how much, and other details required by the contracts and purchase orders.

Condition: One transaction selected for testing included an invoice related to another entity; this invoice was erroneously paid in conjunction with an appropriate invoice.

Cause: The vendor erroneously sent an incorrect invoice to the School District and the error was not noticed when the payment was authorized or when the payment was processed.

Effect: The School District made a payment to a vendor for an unallowable expenditure.

Perspective: The invoice erroneously paid totaled \$144.14. This is approximately one percent error rate within the sample selection, which extrapolated out to the total population tested equates to approximately \$1,305.

Recommendation: The School District should follow up with the vendor to correct the billing and review its invoice approval and payment process to ensure that only legitimate bills get processed.

MARQUETTE AREA PUBLIC SCHOOLS

1201 WEST FAIR AVENUE
MARQUETTE, MICHIGAN 49855
TELEPHONE (906) 225-4200
FAX (906) 225-5340
WEBSITE www.mapsnet.org

Zack Sedgwick, Superintendent

James Lampman, Assistant Superintendent

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2024

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

2024-001 – Payments to Vendors

Corrective Action Plan: The School District is committed to following policy and producing the most accurate financial data possible. Once this error was identified, management quickly investigated the cause and has worked to resolve the problem. The vendor has subsequently issued a credit to the district's account. Management has and will continue to review and train with staff on proper internal controls to prevent or lessen the possibility of error in the future.

Responsible Party(ies): Assistant Superintendent

Anticipated Date of Completion: November 30, 2024

Mission Statement

*With an exemplary staff and rigorous curriculum, our mission is to maximize the academic potential of every child.
(Adopted 1/28/2013)*

MARQUETTE AREA PUBLIC SCHOOLS

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Zack Sedgwick, Superintendent

James Lampman, Assistant Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS:

2023-001 – Non-Contract Special Pay Items

Finding Type: Significant Deficiency in Internal Control over Financial Reporting.

Status: Corrective Action was taken.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

2023-002 – Tracking of Employee Grant-related Activities

Finding Type: Significant Deficiency in Internal Control over Federal Programs.

Status: Corrective Action was taken.

Mission Statement

*With an exemplary staff and rigorous curriculum, our mission is to maximize the academic potential of every child.
(Adopted 1/28/2013)*

COMMUNICATIONS SECTION



Marquette Area Public Schools
Report to Management
For the Year Ended June 30, 2024

To the Board of Education and Management of the
Marquette Area Public Schools
1201 W. Fair Avenue
Marquette, Michigan 49855

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette Area Public Schools (the School District) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was , the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies in internal control presented in the accompanying schedule of findings and questioned costs to be significant deficiencies, item 2024-001.

The School District's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To the Board of Education and Management of the
Marquette Area Public Schools

This communication is intended solely for the information and use of management, Board of Education, and others within the School District, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 31, 2024



Marquette Area Public Schools
Communication with Those Charged with Governance
For the Year Ended June 30, 2024

October 31, 2024

To the Board of Education of the
Marquette Area Public Schools
2101 W. Fair Avenue
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette Area Public Schools (the School District) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 6, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the accumulated depreciation is based on historical cost. Depreciation is calculated using the straight-line method. We evaluated the methods, assumptions, and data used to develop the current year's depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management's estimate of employee benefit obligations is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the methods, assumptions, and data used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the School District's proportionate share of Net Pension Liability and Net OPEB Liability is based on an actuarial performed for the Michigan Public Employees' Retirement System (MPERS) to determine its liability. We evaluated the methods, assumptions, and data used to develop the School District's proportionate share of Net Pension Liability and Net OPEB Liability, based on information provided by the Michigan Department of Technology, Management and Budget Office of Retirement Services, in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's allocation of the School District's pension and OPEB contributions subsequent to the measurement date are based contribution rates set by the Office of Retirement Services. We evaluated the methods, assumptions, and data used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the School District's proportionate share of the Defined Benefit Pension and OPEB Plan includes significant actuarial assumptions used in calculating the valuation. Gabriel, Roeder, Smith & Company was the actuarial company hired by the Retirement Board of the Michigan Public Employees' Retirement System (MPERS) and the Michigan Department of Technology, Management and Budget Office of Retirement Services for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MPERS' Annual Comprehensive Financial Report of the Fiscal Year Ended September 30, 2023.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in a separate letter 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

Upcoming Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) has recently released new standards that may be applicable to the School District in the future. We encourage management to review the information included in the Attachment and determine which standard(s) may be applicable to the School District.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI), as listed in the table of contents. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company, PLLC
Certified Public Accountants

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ATTACHMENT – UPCOMING GASB STANDARDS
For the Year Ended June 30, 2024

The Governmental Accounting Standards Board (the Board) routinely issues pronouncements to enhance accounting and financial reporting. Below are synopses of currently issued standards that may be applicable to the School District in the future. More information related to these standards can be found at www.gasb.org including full copies of the standards along with implementation guides and technical bulletins. We encourage management to review the following pronouncements to determine which standard(s) may be applicable to the School District.

GASB 101: Compensated Absences

Effective for fiscal years beginning after December 15, 2023 (School District's fiscal year 2025)

The Board believes the unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

We do not expect this standard to have any significant effect on the School District's financial statements.

GASB 102: Certain Risk Disclosures

Effective for fiscal years beginning after June 15, 2024 (School District's fiscal year 2025)

The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt 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.

The Board believes the requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that

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make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

We do not expect this standard to have any significant effect on the School District's financial statements.

GASB 103: Financial Reporting Model Improvements

Effective for fiscal years beginning after June 15, 2025 (School District's fiscal year 2026)

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed and avoid "boilerplate" discussions. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows. The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources.

This Statement 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. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability.

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The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements. The requirement for presentation of major component unit information will improve comparability.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability.

We expect this standard to have a significant effect on the presentation of the School District's financial statements.