

WEST BRANCH-ROSE CITY AREA SCHOOLS
WEST BRANCH, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2024



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 23, 2024

Board of Education
West Branch-Rose City Area Schools
West Branch, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of West Branch-Rose City Area Schools (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 West Branch-Rose City Area Schools 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 U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards (GAAS) 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 U.S. generally accepted accounting principles; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 West Branch-Rose City Area Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West Branch-Rose City Area Schools' ability to continue as a going concern for a reasonable period of time.

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



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

Required Supplementary Information

U.S. generally accepted accounting principles requires that the management's discussion and analysis, budgetary comparison information and pension and OPEB schedules as noted in the table of contents to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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 combining nonmajor fund financial statements, schedule of bonded indebtedness and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for the 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 GAAS. In our opinion, the combining nonmajor fund financial statements, schedule of bonded indebtedness 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 23, 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.

Weinlander Fitzhugh

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Our discussion and analysis of West Branch-Rose City Area Schools' financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2024.

Financial Highlights

The School District's net position increased by \$8,406,153 or 198%. Program revenues were \$12,473,737 or 36% of total revenues, and general revenues were \$22,075,261 or 64%.

The General Fund reported a positive fund balance of \$14,102,878. The 2024 Capital Projects Fund reported a positive fund balance of \$21,600,303.

Using this Annual Financial Report

The annual financial 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* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and 2024 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Pension and OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off 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 manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about 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. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to 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 available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2024

District-wide Financial Analysis

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2024 and 2023:

Exhibit A	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
Assets		
Current and other assets	\$ 47,805,262	\$ 18,292,498
Net OPEB asset	556,014	0
Capital assets - net of accumulated depreciation	29,344,533	25,903,497
Total assets	<u>77,705,809</u>	<u>44,195,995</u>
Deferred Outflows of Resources		
Related to pensions and OPEB	11,089,445	13,350,406
Liabilities		
Current liabilities	7,989,307	5,215,876
Long-term liabilities	57,152,133	39,048,384
Total liabilities	<u>65,141,440</u>	<u>44,264,260</u>
Deferred Inflows of Resources		
Related to refunding	0	11,956
Related to pensions and OPEB	10,996,629	9,019,153
Total deferred inflows of resources	<u>10,996,629</u>	<u>9,031,109</u>
Net Position		
Net investment in capital assets	25,121,130	24,422,414
Restricted	26,160,622	3,724,568
Restricted for net OPEB asset	556,014	0
Unrestricted	<u>(39,180,581)</u>	<u>(23,895,950)</u>
Total net position	<u>\$ 12,657,185</u>	<u>\$ 4,251,032</u>

Exhibit A focuses on net position of the School District. The School District's net position was \$12,657,185 at June 30, 2024. Capital assets, net of related debt totaling \$25,121,130 compares the original costs, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. 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 requirements and legislation that limit the School District's ability to use that net position for day-to-day operations.

The \$(39,180,581) 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.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2024

The School District implemented GASB Statement No. 68 in 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$31,345,053 for 2024 and \$36,631,427 for 2023.

The School District implemented GASB Statement No. 75 in 2018. The effect of this Statement required the School District to report in the summary of net position, an (asset) liability of \$(556,014) for 2024 and \$1,996,176 for 2023.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2024 and 2023.

Exhibit B

	Governmental Activities	
	2024	2023
Revenues		
Program revenue:		
Charges for services	\$ 650,665	\$ 575,270
Grants and categoricals	11,823,072	11,252,460
General revenue:		
Property taxes	9,903,960	9,312,092
State aid	10,566,006	10,241,466
Other	1,605,295	1,152,753
Total revenues	<u>34,548,998</u>	<u>32,534,041</u>
Function/Program Expenses		
Instruction	12,613,751	12,511,463
Support services	8,264,343	9,004,973
Community services	60,089	58,551
Food services	1,821,190	1,755,623
Athletics	553,009	669,081
Student activities	363,871	369,547
Interest on long-term debt	459,524	(51,500)
Issuance costs	136,487	0
Capital outlay	398,059	0
Depreciation (unallocated)	1,494,942	1,317,339
Gain on disposal of assets	(22,420)	0
Loss on disposal of assets	0	24,816
Total expenses	<u>26,142,845</u>	<u>25,659,893</u>
Change in Net Position	<u>\$ 8,406,153</u>	<u>\$ 6,874,148</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2024

As reported in the statement of activities, the cost of all of our governmental activities this year was \$26,142,845. Certain activities were partially funded from those who benefited from the programs, \$650,665, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$11,823,072. We paid for the remaining "public benefit" portion of our governmental activities with \$9,903,960 in taxes, \$10,566,006 in State aid and with our other revenues, such as interest and entitlements.

The School District had an increase in net position of \$8,406,153. This is result of two major reasons. First, the district's revenue was higher than anticipated, but more importantly the expenses were much less than anticipated. The lower than anticipated expenses stem from a conservative budget linked to the start of a major district infrastructure enhancement. Additional funds were placed in the general fund to help begin a building project with reimbursement coming back to the General Fund from a Capital Project fund. Secondly, the district received \$25,738,331.11 from the sale of bonds to fund the infrastructure enhancement identified above.

The School District's Funds

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 accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of \$40,890,621, which is above last year's total of \$14,569,081. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2024 and 2023.

	Fund Balance <u>6/30/2024</u>	Fund Balance <u>6/30/2023</u>	Increase (Decrease)
General	\$ 14,102,878	\$ 10,672,563	\$ 3,430,315
Special Revenue (Food Service)	2,198,233	2,348,330	(150,097)
Special Revenue (Student Activities)	287,455	265,574	21,881
Debt Service	1,012,635	187,475	825,160
Capital Projects	23,289,420	1,095,139	22,194,281
	<u>\$ 40,890,621</u>	<u>\$ 14,569,081</u>	<u>\$ 26,321,540</u>

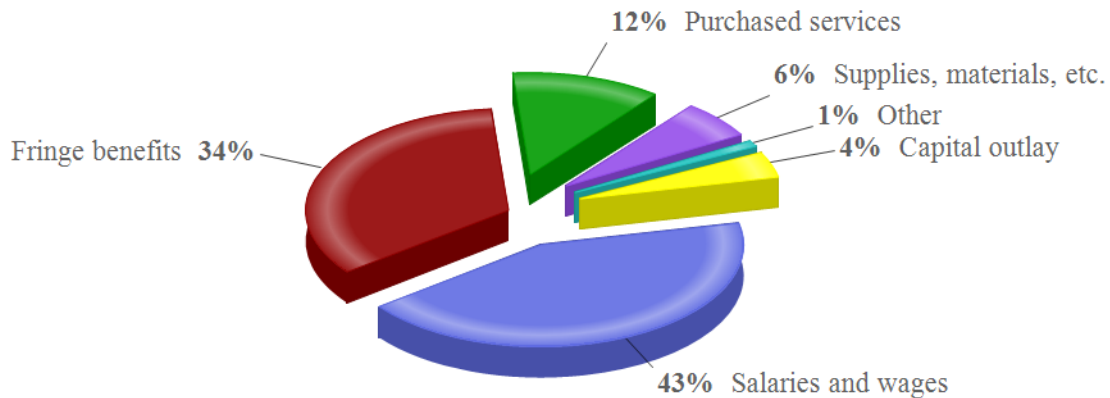
- Our General Fund increased by \$3,430,315 as a result of conservative budgeting related to the commencement of major facility enhancements. Additional funds were budgeted to protect other operations in the event of unforeseen circumstances.
- Our Food Service Fund decreased by \$150,097 due to intentional expenditures of fund balance to purchase kitchen equipment to furnish the new kitchen/serving area.
- Our Student Activities Fund increased by \$21,881 as a result of fundraiser revenue out pacing the expenditures related to the Student Activities.
- Our Debt Service Funds increased by \$825,160 primarily as a result of setting aside \$741,106.67 received from the bond proceeds to cover the first interest installment payment in November 2024 from the sale of the bonds in January 2024.

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Management's Discussion and Analysis
For the Year Ended June 30, 2024

- Our Capital Projects Funds increased by \$22,194,281 due to the sale of bonds to cover a major enhancement of facilities which include a new central office location, additional facilities for our CTE programs, new locker rooms at both Surline Middle School and Ogemaw Heights High School, new bathrooms at OHHS and the remodeling of current OHHS locker rooms.

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.

Expenditures



	<u>2024</u>	<u>2023</u>
Expenditures by Object:		
Salaries and wages	\$ 10,911,424	\$ 10,406,714
Fringe benefits	8,708,602	8,673,906
Purchased services	3,046,217	5,069,119
Supplies, materials, etc.	1,644,065	1,693,965
Capital outlay	972,808	1,392,574
Other	205,527	302,180
Total	<u>\$ 25,488,643</u>	<u>\$ 27,538,458</u>

Expenditures decreased by \$2,049,815 or 8% over the prior year primarily due to purchased services relating to the construction expenses being paid out of General Fund.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2024

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Final budgeted revenues were increased by \$3,841,952 due to primarily the increase in the number of categorical grants from the state of Michigan, anticipated increased federal revenue and additional local revenues anticipated to be received.
- Final budgeted expenditures were increased by \$2,967,470 due to off-set the anticipated additional state grants and increased federal revenues.
- Actual revenues exceeded budgeted revenues by \$269,361 due to better-than-expected local revenues.
- Budgeted expenditures exceeded actual expenditures by \$2,871,616 due to not being able to fill all vacant staffing positions, over estimating the need for the general fund to cover maintenance costs and capital outlay costs, along with general frugal spending of district funds.

Capital Assets

At June 30, 2024, the School District had \$29,344,533 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of 13% from last year.

	2024	2023
Land	\$ 431,424	\$ 431,424
Construction in progress	4,931,324	2,734,774
Buildings and improvements	38,752,242	36,624,392
Buses and other vehicles	2,758,913	3,134,405
Furniture and equipment	13,710,620	13,147,481
Total capital assets	60,584,523	56,072,476
Less accumulated depreciation	31,239,990	30,168,979
Net capital assets	\$ 29,344,533	\$ 25,903,497

This year's addition of \$4,935,978 includes various building improvements, technology upgrades, machinery and equipment and buses.

We anticipate capital additions will continue with the upgrading of boilers, roofs and building systems. We present more detailed information about our capital assets in the notes to the financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Debt

At the end of this year, the School District had \$24,665,000 in bonds outstanding versus \$1,365,000 in the previous year - an increase of 1,707%.

	2024	2023
2024 School Building & Site Bonds	\$ 24,665,000	\$ 0
2015 Refunding School Building & Site Bonds	0	1,365,000
	\$ 24,665,000	\$ 1,365,000

We present more detailed information about our debt in the notes to the financial statements.

Factors Expected to have an Effect on Future Operations

Curriculum and Instruction

The School District has been able to maintain and increase programs, including all Career and Technical Education (CTE) programs at the high school, Advanced Placement courses, and academic support programs.

The Mathematics and Language Arts curricula for grades K-12 are aligned to the Common Core State Standards. Both curricular programs have been updated with the purchase of the Pearson/Savvas Realize materials for English Language Arts in grades K-12 and the College Preparatory Mathematics program for grades 6-8 Algebra, Geometry and Algebra II. The Science curriculum has been aligned to the Next Generation Science Standards. Standards have been organized by discipline and taught using Modeling Instruction. Social Studies follows the newly adopted Michigan Standards with instructional materials from McGraw Hill for 5-12 and K-4 writing teacher created resources and Michigan Open Book.

The School District has been able to maintain programs, including all Fine Arts courses, Career and Technical Education (CTE) programs and Advanced Placement courses. Students continue to take advantage of additional opportunities including online courses through MI Virtual University, participation in dual enrollment, and attending Early Middle College.

Professional development offerings at the local level have continued to increase as staff members strive to improve instructional strategies and support the whole child. The West Branch-Rose City Area Schools staff is commended for the hard work and dedication that is evident on a daily basis. The School District is committed to providing a quality education to all students and sets high academic standards. Teachers are expected to use data on a regular basis to differentiate instruction and increase rigor. Teachers are also expected to make instructional shifts necessary to fully implement new curriculum resources and best practice instructional strategies. Accelerating academic achievement for all students is an expectation at all levels and will be accomplished by strengthening Tier I instruction and providing support for students through frequent progress monitoring, instructional interventions, and extended day and extended year programs.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2024

The School District has invested in technology upgrades including purchase of Chromebooks, BenQ boards, webcams and improved wireless access. Title funding was approved for the purchase of technology to support the needs of our students during remote instruction. We took full advantage of the opportunity granted to us by the state and federal government to increase our technology resources district-wide.

Financially, the district continues to face challenges but has experienced an ease in declining enrollment, however, facility needs are continuing to require attention and need to be addressed.

The biggest challenges to the financial future of the School District are the continuation of declining enrollment, the increase in retirement and other benefit costs and the rapidly increasing inflation. Although with an anticipated decline in enrollment, the relaxing of COVID-19 restriction could lead to a more stable enrollment. Inflation and staff retention/recruitment are challenging for the School District. As the pool of candidates for school position gets tighter, the district must find ways to be more creative in hiring. Typically this comes in the form of competitive wages and benefits which in return stresses the financial future of the district.

The good economic news for the short term of the School District are the sound fiscal management practices. With a little easing up of the finances, a frugal approach is still employed with each decision. This practice is engaged to benefit the long term fiscal stability of the district.

West Branch-Rose City Area School District is proud of the fact that the district is fiscally viable, provides excellent instruction for students, exhibits the organizational commitment to improve, and attract school of choice students, due to quality programs and quality instructors. These goals will continue to be our district's mission.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
West Branch-Rose City Area Schools
P.O. Box 308
West Branch, MI 48661-0308

WEST BRANCH-ROSE CITY AREA SCHOOLS
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 41,541,803
Accounts receivable	226,735
Due from other governmental units	5,741,867
Inventory	208,635
Prepaid expenses	86,222
Capital assets less accumulated depreciation \$31,239,990	29,344,533
Net OPEB Asset	<u>556,014</u>
Total assets	<u>77,705,809</u>
<u>Deferred Outflows of Resources</u>	
Related to pensions	9,012,358
Related to OPEB	<u>2,077,087</u>
Total deferred outflows of resources	<u>11,089,445</u>
<u>Liabilities</u>	
Accounts payable	2,973,123
Accrued interest payable	444,666
Accrued payroll and other liabilities	1,796,769
Unearned revenue	2,144,749
Long-term liabilities:	
Due within one year	630,000
Due in more than one year	25,807,080
Net pension liability	<u>31,345,053</u>
Total liabilities	<u>65,141,440</u>
<u>Deferred Inflows of Resources</u>	
Related to pensions	6,155,874
Related to OPEB	<u>4,840,755</u>
Total deferred inflows of resources	<u>10,996,629</u>
<u>Net Position</u>	
Net investment in capital assets	25,121,130
Restricted for debt service	567,969
Restricted for capital projects	23,289,420
Restricted for food service	2,198,233
Restricted for building trades	105,000
Restricted for net OPEB asset	556,014
Unrestricted	<u>(39,180,581)</u>
Total net position	<u>\$ 12,657,185</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Statement of Activities
For the Year Ended June 30, 2024

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 12,613,751	\$ 0	\$ 9,495,794	\$ (3,117,957)
Support services	8,264,343	74,272	0	(8,190,071)
Community services	60,089	0	0	(60,089)
Food services	1,821,190	133,953	2,327,278	640,041
Athletics	553,009	69,497	0	(483,512)
Student activities	363,871	372,943	0	9,072
Interest on long-term debt	459,524	0	0	(459,524)
Issuance costs	136,487	0	0	(136,487)
Capital outlay	398,059	0	0	(398,059)
Depreciation (unallocated)	1,494,942	0	0	(1,494,942)
Gain on disposal of assets	(22,420)	0	0	22,420
	<u>\$ 26,142,845</u>	<u>\$ 650,665</u>	<u>\$ 11,823,072</u>	<u>(13,669,108)</u>
Total governmental activities				
General revenues:				
Taxes:				
Property taxes, levied for general purposes			7,851,465	
Property taxes, levied for capital projects			583,690	
Property taxes, levied for debt services			1,468,805	
State aid			10,566,006	
Interest and investment earnings			1,248,778	
Other			356,517	
			<u>22,075,261</u>	
Total general revenues				
Change in net position			8,406,153	
Net position - beginning of year			<u>4,251,032</u>	
Net position - end of year			<u>\$ 12,657,185</u>	

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2024

	General	Food Service	2024 Capital Projects	Other Nonmajor Governmental Funds	Total
<u>Assets</u>					
Cash and investments	\$ 11,943,855	\$ 0	\$ 24,557,048	\$ 5,040,900	\$ 41,541,803
Receivables - net:					
Accounts receivable	206,011	0	0	20,724	226,735
Due from other funds	1,024,990	0	0	541,292	1,566,282
Due from other governmental units	5,718,602	0	0	23,265	5,741,867
Inventory	162,499	0	0	46,136	208,635
Prepaid expenditures	9,222	0	0	77,000	86,222
	<u>\$ 19,065,179</u>	<u>\$ 0</u>	<u>\$ 24,557,048</u>	<u>\$ 5,749,317</u>	<u>\$ 49,371,544</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 505,370	\$ 0	\$ 2,062,621	\$ 405,132	\$ 2,973,123
Due to other funds	541,292	0	894,124	130,866	1,566,282
Accrued payroll and other liabilities	1,796,000	0	0	769	1,796,769
Unearned revenue	2,119,639	0	0	25,110	2,144,749
	<u>4,962,301</u>	<u>0</u>	<u>2,956,745</u>	<u>561,877</u>	<u>8,480,923</u>
<u>Fund Balance</u>					
Nonspendable - inventory	162,499	0	0	46,136	208,635
Nonspendable - prepaid	9,222	0	0	77,000	86,222
Restricted for debt service	0	0	0	1,012,635	1,012,635
Restricted for capital projects	0	0	21,600,303	1,689,117	23,289,420
Restricted for food service	0	0	0	2,075,097	2,075,097
Restricted for building trades	105,000	0	0	0	105,000
Committed for student activities	0	0	0	287,455	287,455
Assigned for gym floor replacement	213,500	0	0	0	213,500
Unassigned	13,612,657	0	0	0	13,612,657
	<u>14,102,878</u>	<u>0</u>	<u>21,600,303</u>	<u>5,187,440</u>	<u>40,890,621</u>
Total liabilities and fund balance	<u>\$ 19,065,179</u>	<u>\$ 0</u>	<u>\$ 24,557,048</u>	<u>\$ 5,749,317</u>	<u>\$ 49,371,544</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Reconciliation of Balance Sheet of Governmental Funds
 to the Statement of Net Position
June 30, 2024

Total fund balance - governmental funds	\$ 40,890,621
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	60,584,523
Accumulated depreciation	(31,239,990)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:	
Related to pensions	9,012,358
Related to OPEB	2,077,087
Net OPEB Asset	556,014
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(24,665,000)
Compensated absences	(613,374)
Bond premium	(1,158,706)
Net pension liability	(31,345,053)
Accrued interest payable is included as a liability in governmental activities	(444,666)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:	
Related to pensions	(6,155,874)
Related to OPEB	(4,840,755)
Total net position - governmental activities	<u>\$ 12,657,185</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2024

	General	Food Service	2024 Capital Projects	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>					
Local sources	\$ 8,792,753	\$ 0	\$ 522,063	\$ 2,786,637	\$ 12,101,453
State sources	17,668,400	0	0	251,056	17,919,456
Federal sources	1,779,378	0	0	2,094,268	3,873,646
Interdistrict and other sources	35,007	0	0	0	35,007
Total revenues	<u>28,275,538</u>	<u>0</u>	<u>522,063</u>	<u>5,131,961</u>	<u>33,929,562</u>
<u>Expenditures</u>					
Current:					
Instruction	14,743,702	0	0	0	14,743,702
Support services	10,601,095	0	0	49,950	10,651,045
Community services	60,089	0	0	0	60,089
Capital outlay	83,757	0	3,262,931	0	3,346,688
Food services	0	0	0	2,632,991	2,632,991
Student activities	0	0	0	363,871	363,871
Debt service:					
Principal	0	0	0	1,365,000	1,365,000
Interest and other	0	0	0	68,900	68,900
Bond issuance costs	0	0	136,487	0	136,487
Total expenditures	<u>25,488,643</u>	<u>0</u>	<u>3,399,418</u>	<u>4,480,712</u>	<u>33,368,773</u>
Excess (deficiency) of revenues over expenditures	<u>2,786,895</u>	<u>0</u>	<u>(2,877,355)</u>	<u>651,249</u>	<u>560,789</u>
<u>Other Financing Sources (Uses)</u>					
Transfers in	621,000	0	0	741,107	1,362,107
Transfers out	0	0	(1,260,673)	(101,434)	(1,362,107)
Sale of capital assets	22,420	0	0	0	22,420
Proceeds from issuance of bonds	0	0	25,738,331	0	25,738,331
Total other financing sources (uses)	<u>643,420</u>	<u>0</u>	<u>24,477,658</u>	<u>639,673</u>	<u>25,760,751</u>
Net change in fund balance	<u>3,430,315</u>	<u>0</u>	<u>21,600,303</u>	<u>1,290,922</u>	<u>26,321,540</u>
Fund balance - beginning of year	10,672,563	2,348,330	0	1,548,188	14,569,081
Adjustments to beginning fund balance	<u>0</u>	<u>(2,348,330)</u>	<u>0</u>	<u>2,348,330</u>	<u>0</u>
Fund balance - beginning of year, restated	<u>10,672,563</u>	<u>0</u>	<u>0</u>	<u>3,896,518</u>	<u>14,569,081</u>
Fund balance - end of year	<u>\$ 14,102,878</u>	<u>\$ 0</u>	<u>\$ 21,600,303</u>	<u>\$ 5,187,440</u>	<u>\$ 40,890,621</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2024

Net change in fund balance - total governmental funds	\$ 26,321,540
<p>Amounts reported for governmental activities in the statements of activities are different because:</p>	
<p style="padding-left: 40px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation</p>	
Depreciation expense	(1,494,942)
Capital outlay	4,935,978
<p>Repayment on bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position</p>	
	1,365,000
<p>The issuance of long-term debt (e.g. bonds) provide current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items as follows:</p>	
Proceeds from issuance of debt	(24,665,000)
Premium on issuance of debt	(1,178,345)
Amortization of bond premium	135,722
Amortization of gain on refunding	11,956
<p>Increases in compensated absences are reported as a reduction in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6</p>	
	(192,593)
<p>Accrued interest is reported as a reduction in expenses on the Statement of Activities</p>	
	(433,290)
<p>Some revenues and expenses reported in the statement of activities are not recognized as or require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds</p>	
Pension related items	1,629,108
OPEB related items	1,971,019
	8,406,153
Change in net position of governmental activities	\$ 8,406,153

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Branch-Rose City Area Schools (School District) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The West Branch-Rose City Area Schools (School District) was consolidated in 1966. The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes, intergovernmental payments and other items that are not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Amounts reported as program revenue include; (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

2024 Capital Project Fund - The Capital Projects Fund is used to account for all financial resources, restricted, committed or assigned to expenditures for the acquisition or construction of capital assets of the School District.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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.

Buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	10-50 years
Furniture and fixtures	8-20 years
Technological equipment	5-10 years
Other equipment	5-20 years
Vehicles and buses	5-10 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources

Deferred Outflows - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and other postemployment benefits contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. There are deferred gain on bond refunding and pension and other postemployment benefits contributions reported in the district-wide statement of net position. The School District reports deferred inflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period.

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

Property Taxes - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Aid - For the fiscal year ended June 30, 2024, the State of Michigan adopted 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. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2024, the foundation allowance was based on the average pupil membership counts taken in February 2023 and October 2023.

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 payments from October 2023 - August 2024. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2024 relating to state aid is \$3,202,029.

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 used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Events Occurring After Reporting Date

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 the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 2 - BUDGETS (CONTINUED)

West Branch-Rose City Area Schools follow these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as required supplemental information.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund are noted in the required supplementary information section.

NOTE 3 - CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government
Cash and cash equivalents	\$ <u>41,541,803</u>

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2024, \$42,181,279 of the School District's bank balance of \$42,681,579 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

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

Investment type	Fair value	Weighted average maturity (years)
Huntington Bank - Goldman Sachs Funds	\$ <u>17,024,515</u>	N/A

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating Agency</u>
Huntington Bank - Goldman Sachs Funds	\$ <u>17,024,515</u>	AAAm	Standard & Poor's

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

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the School District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The School District does not have any investments subject to the fair value hierarchy.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The School District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the School District is Huntington Bank - Goldman Sachs funds. Huntington Bank - Goldman Sachs funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximates fair value. The Goldman Sachs funds requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
Huntington Bank - Goldman Sachs Funds	<u>\$ 17,024,515</u>

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2023	Additions	Disposals and Adjustments	Balance June 30, 2024
Assets not being depreciated:				
Land	\$ 431,424	\$ 0	\$ 0	\$ 431,424
Construction in progress	2,734,774	4,192,868	(1,996,318)	4,931,324
Subtotal	3,166,198	4,192,868	(1,996,318)	5,362,748
Capital assets being depreciated:				
Buildings and improvements	36,624,392	2,127,850	0	38,752,242
Buses and other vehicles	3,134,405	48,439	(423,931)	2,758,913
Furniture and equipment	13,147,481	563,139	0	13,710,620
Subtotal	52,906,278	2,739,428	(423,931)	55,221,775
Accumulated depreciation:				
Buildings and improvements	19,405,826	947,830	0	20,353,656
Buses and other vehicles	1,829,260	284,605	(423,931)	1,689,934
Furniture and equipment	8,933,893	262,507	0	9,196,400
Subtotal	30,168,979	1,494,942	(423,931)	31,239,990
Net capital assets being depreciated	22,737,299	1,244,486	0	23,981,785
Net capital assets	<u>\$ 25,903,497</u>	<u>\$ 5,437,354</u>	<u>\$ (1,996,318)</u>	<u>\$ 29,344,533</u>

Depreciation expense for fiscal year ended June 30, 2024 was \$1,494,942. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2024 are as follows:

		<u>Payables</u>					
		General	Food Service	Student Activity	Sinking Fund	2024 Capital Projects	Total
Receivables	General	\$ 0	\$ 93,449	\$ 2,149	\$ 35,268	\$ 894,124	\$ 1,024,990
	Food Service	541,292	0	0	0	0	541,292
		<u>\$ 541,292</u>	<u>\$ 93,449</u>	<u>\$ 2,149</u>	<u>\$ 35,268</u>	<u>\$ 894,124</u>	<u>\$ 1,566,282</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

A summary of interfund transfers made during the year ended June 30, 2024 are as follows:

		Transfers Out			
		Food Service	Sinking Fund	2024 Capital Projects	Total
Transfers In	General	\$ 91,026	\$ 10,408	\$ 519,566	\$ 621,000
	2024 Debt Service	0	0	741,107	741,107
		\$ 91,026	\$ 10,408	\$ 1,260,673	\$ 1,362,107

These interfund receivable and payable 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 interfund transfers resulted from indirect cost reimbursement from Food Service to General Fund, prior years capital project expenditures being paid back to general fund and the sinking fund and the transfer from the 2024 capital project fund to the 2024 debt service fund for the november interest payment.

NOTE 6 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$2,144,749.

NOTE 7 - LONG-TERM OBLIGATIONS

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

	Balance	Additions	Retirements and Payments	Balance	Amount Due Within One Year
	July 1, 2023			June 30, 2024	
General obligation bonds	\$ 1,481,083	\$ 25,843,345	\$ 1,500,722	\$ 25,823,706	\$ 630,000
Compensated absences	420,781	192,593	0	613,374	0
	\$ 1,901,864	\$ 26,035,938	\$ 1,500,722	\$ 26,437,080	\$ 630,000

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Long-term obligations at June 30, 2024 is comprised of the following issues:

General obligation bonds:

\$24,665,000 2024 School Building & Site Bonds due in annual installments of \$630,000 to \$1,205,000 through May 1, 2049; interest at 4.00% to 5.00%	\$ 24,665,000
Bond premium	1,158,706
Total bonded debt	<u>\$ 25,823,706</u>

Compensated absences (unused sick pay) is calculated using the termination payoff rate of half of \$105 for eligible certified personnel for every twelve unused days (maximum 189 days) and 20% of the pay rate for eligible hourly personnel times the number of unused days (maximum of 104 days). At June 30, 2024, the amount of \$613,374 has been recorded in the district-wide financial statements.

The annual debt service requirements on long-term debt as of June 30, 2024, including interest payments are as follows:

<u>Year Ended June 30</u>	General Obligation Bonds		
	Principal	Interest	Total
2025	\$ 630,000	\$ 1,246,407	\$ 1,876,407
2026	630,000	985,400	1,615,400
2027	665,000	960,200	1,625,200
2028	735,000	933,600	1,668,600
2029	765,000	904,200	1,669,200
2030 - 2034	4,305,000	4,037,200	8,342,200
2035 - 2039	5,260,000	3,102,800	8,362,800
2040 - 2044	5,750,000	1,997,000	7,747,000
2045 - 2049	5,925,000	823,050	6,748,050
	\$ 24,665,000	\$ 14,989,857	\$ 39,654,857

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation. Since the School District began participating in the SET-SEG program, settled claims have not exceeded the amount of insurance coverage.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 8 - RISK MANAGEMENT (CONTINUED)

The SET-SEG shared-risk pool program in which the School District participates, operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase workers' compensation excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

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

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

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

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

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

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

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 contribution share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

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

The School District's pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Total pension contributions were approximately \$4,257,000. Of the total pension contributions approximately \$4,151,000 was contributed to fund the Defined Benefit Plan and approximately \$106,000 was contributed to fund the Defined Contribution Plan.

The School District's OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. Total OPEB contributions were approximately \$917,000. Of the total OPEB contributions approximately \$833,000 was contributed to fund the Defined Benefit Plan and approximately \$84,000 was contributed to fund the Defined Contribution Plan.

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers:	September 30, 2023	September 30, 2022
Total Pension Liability	\$ 94,947,828,557	\$ 95,876,795,620
Plan Fiduciary Net Position	\$ 62,581,762,238	\$ 58,268,076,344
Net Pension Liability	\$ 32,366,066,319	\$ 37,608,719,276
Proportionate share	0.09685 %	0.09740 %
Net Pension liability for the School District	\$ 31,345,053	\$ 36,631,427

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

For the year ended June 30, 2024, the School District recognized pension expense of approximately \$3,247,000.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 989,468	\$ (48,016)
Net difference between projected and actual earnings on pension plan investments	0	(641,421)
Changes in assumptions	4,247,397	(2,448,953)
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,121	(1,060,800)
Unearned revenue related to pension portion of section 147 c	0	(1,956,684)
School District's contributions subsequent to the measurement date	<u>3,753,372</u>	<u>0</u>
Total	<u>\$ 9,012,358</u>	<u>\$ (6,155,874)</u>

\$3,753,372, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	<u>Amount</u>
2025	\$ 113,929
2026	165,453
2027	1,255,416
2028	(475,002)
	<u>\$ 1,059,796</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

OPEB (Asset) Liabilities

The net OPEB (asset) liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB (asset) liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers:	September 30, 2023	September 30, 2022
Total OPEB Liability	\$ 11,223,648,949	\$ 12,522,713,324
Plan Fiduciary Net Position	\$ 11,789,347,341	\$ 10,404,650,683
Net OPEB (Asset) Liability	\$ (565,698,392)	\$ 2,118,062,641
Proportionate share	0.09829 %	0.09425 %
Net OPEB (Asset) Liability for the School District	\$ (556,014)	\$ 1,996,176

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

For the year ended June 30, 2024, the School District recognized OPEB expense of approximately \$(1,220,000).

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 0	\$ (4,201,527)
Net difference between projected and actual plan investments	1,695	0
Changes in assumption	1,237,784	(149,053)
Changes in proportion and differences between employer contributions and proportionate share of contributions	167,486	(490,175)
School District's contributions subsequent to the measurement date	<u>670,122</u>	<u>0</u>
Total	<u>\$ 2,077,087</u>	<u>\$ (4,840,755)</u>

\$670,122, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB (asset) liability in the subsequent fiscal year.

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

Year Ended June 30	Amount
2025	\$ (1,172,147)
2026	(1,082,539)
2027	(420,566)
2028	(373,821)
2029	(257,702)
Thereafter	<u>(127,015)</u>
	<u>\$ (3,433,790)</u>

Actuarial Assumptions

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

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

Inflation - 3.0%

Mortality assumptions -

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

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

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

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

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan and OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage 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.

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

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

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

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

Pension discount rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the long-term rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

OPEB discount rate - A single 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 school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was 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 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 single discount rate of 6.00%, 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 than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net pension liability	<u>\$42,347,075</u>	<u>\$31,345,053</u>	<u>\$22,185,472</u>

Sensitivity of the net OPEB (asset) liability to changes in the discount rate - The following presents the School District's proportionate share of the net OPEB (asset) liability calculated using the discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net OPEB (asset) liability	<u>\$576,420</u>	<u>\$(556,014)</u>	<u>\$(1,529,229)</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

	Other postemployment benefit		
	1% Decrease	Current Healthcare cost trend rates	1% Increase
School District's proportionate share of the net OPEB (asset) liability	<u>\$(1,531,656)</u>	<u>\$(556,014)</u>	<u>\$499,950</u>

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2023 Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are included in the financial statements as a liability titled accrued payroll and payroll liabilities. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 10 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 11 - ECONOMIC DEPENDENCY

The School District received approximately 63% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 12 - RECEIVABLES

Receivables at June 30, 2024 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

Federal grants	\$ 1,585,255
State aid and grants	3,202,029
COOR ISD	825,963
Other governments	128,620
	<u>\$ 5,741,867</u>

NOTE 13 - BOND AND SINKING FUND COMPLIANCE

The School District passed in 2018 a sinking fund levy at .67 mills for an eight year period. The activity related to the sinking fund is recorded in the Capital Projects Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2024.

For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

The 2024 Capital Projects Fund includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete, and a subsequent year audit is expected.

NOTE 14 - RELATED PARTY TRANSACTION

The School District purchased a Legend trailer from an individual who is also a part of the administration in the amount of \$10,000 for the year ended June 30, 2024.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 15 - ADJUSTMENTS TO BEGINNING FUND BALANCE

During fiscal year 2024, changes to or within the financial reporting entity and an error correction resulted in adjustments to and restatements of beginning fund balances as follows:

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances			
	General	Food Service	Nonmajor Governmental Funds	Total
Fund balance, as previously reported	\$ 10,672,563	\$ 2,348,330	\$ 1,548,188	\$ 14,569,081
Change from major to nonmajor fund	0	(2,348,330)	2,348,330	0
Fund balance, as restated	\$ 10,672,563	\$ 0	\$ 3,896,518	\$ 14,569,081

NOTE 16 - TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes Abated
City of West Branch	\$ 136,434
City of Rose City	3,704
Ogemaw Township	3,768
West Branch Township	2,298
	\$ 146,204

The taxes abated for the General Fund operating millage is considered by the State of Michigan when determining the School District's section 22 funding of the State School Aid Act.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

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

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

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENT (CONTINUED)

- ii. Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 8,075,551	\$ 8,340,333	\$ 8,792,753	\$ 452,420
State sources	14,583,565	17,634,448	17,668,400	33,952
Federal sources	1,505,109	2,031,396	1,779,378	(252,018)
Interdistrict and other sources	0	0	35,007	35,007
Total revenues	<u>24,164,225</u>	<u>28,006,177</u>	<u>28,275,538</u>	<u>269,361</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	11,005,048	11,629,054	11,450,898	178,156
Added needs	2,910,466	3,863,167	3,292,804	570,363
Support services:				
Pupil	1,332,507	1,331,743	1,195,088	136,655
Instructional staff	1,223,728	1,971,549	1,407,529	564,020
General administrative	465,494	482,750	616,115	(133,365)
School administrative	1,472,763	1,503,236	1,400,857	102,379
Business services	557,273	553,681	540,422	13,259
Operations and maintenance	3,301,971	3,351,994	2,652,346	699,648
Transportation	1,688,282	1,696,625	1,573,230	123,395
Information services	692,730	734,388	662,499	71,889
Athletics	659,626	675,226	553,009	122,217
Community services	82,901	86,904	60,089	26,815
Capital outlay	0	479,942	83,757	396,185
Total expenditures	<u>25,392,789</u>	<u>28,360,259</u>	<u>25,488,643</u>	<u>2,871,616</u>
Excess (deficiency) of revenues over expenditures	<u>(1,228,564)</u>	<u>(354,082)</u>	<u>2,786,895</u>	<u>3,140,977</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	875,000	875,000	621,000	(254,000)
Transfers out	(11,390)	(11,390)	0	11,390
Sale of capital assets	0	0	22,420	22,420
Total other financing sources (uses)	<u>863,610</u>	<u>863,610</u>	<u>643,420</u>	<u>(220,190)</u>
Net change in fund balance	(364,954)	509,528	3,430,315	2,920,787
Fund balance - beginning of year	10,672,563	10,672,563	10,672,563	0
Fund balance - end of year	<u>\$ 10,307,609</u>	<u>\$ 11,182,091</u>	<u>\$ 14,102,878</u>	<u>\$ 2,920,787</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.09685 %	0.09740 %	0.10016 %	0.10348 %	0.10748 %	0.10728 %	0.10660 %	0.10546 %	0.10498 %	0.11020 %
Reporting unit's proportionate share of net pension liability	\$31,345,053	\$36,631,427	\$23,712,798	\$35,545,688	\$35,592,736	\$32,251,591	\$27,624,745	\$26,312,395	\$25,640,257	\$24,273,823
Reporting unit's covered-employee payroll*	\$ 9,882,761	\$ 9,207,962	\$ 8,988,522	\$ 9,059,372	\$ 9,431,041	\$ 9,203,060	\$ 8,957,269	\$ 8,298,261	\$ 8,751,899	\$ 9,352,750
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	31.52893 %	25.13678 %	37.90578 %	25.48656 %	26.49709 %	28.53521 %	32.42480 %	31.53746 %	34.13343 %	38.53019 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	65.91000 %	60.77000 %	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	62.92000 %	66.15000 %

* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 4,151,079	\$ 4,451,580	\$ 3,292,846	\$ 2,965,258	\$ 2,834,660	\$ 2,924,685	\$ 2,719,937	\$ 2,480,787	\$ 2,346,604	\$ 2,044,593
Contributions in relation to statutorily required contributions*	<u>4,151,079</u>	<u>4,451,580</u>	<u>3,292,846</u>	<u>2,965,258</u>	<u>2,834,660</u>	<u>2,924,685</u>	<u>2,719,937</u>	<u>2,480,787</u>	<u>2,346,604</u>	<u>2,044,593</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 10,575,175	\$ 10,111,568	\$ 9,092,964	\$ 8,902,319	\$ 9,213,275	\$ 9,484,733	\$ 9,051,832	\$ 8,826,542	\$ 8,608,188	\$ 9,260,225
Contributions as a percentage of covered-employee payroll	39.25 %	44.02 %	36.21 %	33.31 %	30.77 %	30.84 %	30.05 %	28.11 %	27.26 %	22.08 %

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

** The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pensions and OPEB represents payroll on which contributions to both plans are based.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB (Asset) Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB (asset) liability (%)	0.09829 %	0.09425 %	0.09873 %	0.10170 %	0.10753 %	0.10795 %	0.10648 %
Reporting unit's proportionate share of net OPEB (asset) liability	\$ (556,014)	\$ 1,996,176	\$ 1,507,024	\$ 5,448,338	\$ 7,718,526	\$ 8,580,828	\$ 9,429,582
Reporting unit's covered-employee payroll*	\$ 9,882,761	\$ 9,207,962	\$ 8,988,522	\$ 9,059,372	\$ 9,431,041	\$ 9,203,060	\$ 8,957,269
Reporting unit's proportionate share of net OPEB (asset) liability as a percentage of its covered-employee payroll	(1,777.43024)%	461.28007 %	596.44186 %	166.27772 %	122.18707 %	107.25142 %	94.99116 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	105.04000 %	83.09000 %	87.33000 %	59.44000 %	48.46000 %	42.95000 %	36.39000 %

* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 833,169	\$ 769,466	\$ 712,734	\$ 711,897	\$ 713,819	\$ 767,006	\$ 729,719
Contributions in relation to statutorily required contributions*	<u>833,169</u>	<u>769,466</u>	<u>712,734</u>	<u>711,897</u>	<u>713,819</u>	<u>767,006</u>	<u>729,719</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$10,575,175	\$10,111,568	\$ 9,092,964	\$ 8,902,319	\$ 9,213,275	\$ 9,484,733	\$ 9,051,832
Contributions as a percentage of covered-employee payroll	7.88 %	7.61 %	7.84 %	8.00 %	7.75 %	8.09 %	8.06 %

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

** The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2024

NOTE 1 - PENSION INFORMATION

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

Changes of assumptions: The assumptions changes for 2023 were:

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

NOTE 2 - OPEB INFORMATION

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

Changes of assumptions: The assumptions changes for 2023 were:

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total
	Student Activities	Food Service	2015 Debt Retirement	2024 Debt Retirement	Sinking Fund	
<u>Assets</u>						
Cash and investments	\$ 311,866	\$ 2,011,192	\$ 243,806	\$ 751,500	\$ 1,722,536	\$ 5,040,900
Receivables - net:						
Accounts receivable	0	20,003	721	0	0	20,724
Due from other funds	0	541,292	0	0	0	541,292
Due from other governmental units	0	0	16,608	0	6,657	23,265
Inventory	0	46,136	0	0	0	46,136
Prepaid expenditures	0	77,000	0	0	0	77,000
Total assets	<u>\$ 311,866</u>	<u>\$ 2,695,623</u>	<u>\$ 261,135</u>	<u>\$ 751,500</u>	<u>\$ 1,729,193</u>	<u>\$ 5,749,317</u>
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Accounts payable	\$ 22,262	\$ 378,062	\$ 0	\$ 0	\$ 4,808	\$ 405,132
Due to other funds	2,149	93,449	0	0	35,268	130,866
Accrued payroll and other liabilities	0	769	0	0	0	769
Deferred revenue	0	25,110	0	0	0	25,110
Total liabilities	<u>24,411</u>	<u>497,390</u>	<u>0</u>	<u>0</u>	<u>40,076</u>	<u>561,877</u>
<u>Fund Balance</u>						
Non-spendable - inventory	0	46,136	0	0	0	46,136
Non-spendable - prepaid	0	77,000	0	0	0	77,000
Committed for student activities	287,455	0	0	0	0	287,455
Restricted for debt service	0	0	261,135	751,500	0	1,012,635
Restricted for capital projects	0	0	0	0	1,689,117	1,689,117
Restricted for food service	0	2,075,097	0	0	0	2,075,097
Total fund balance	<u>287,455</u>	<u>2,198,233</u>	<u>261,135</u>	<u>751,500</u>	<u>1,689,117</u>	<u>5,187,440</u>
	<u>\$ 311,866</u>	<u>\$ 2,695,623</u>	<u>\$ 261,135</u>	<u>\$ 751,500</u>	<u>\$ 1,729,193</u>	<u>\$ 5,749,317</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total
	Student Activities	Food Service	2015 Debt Retirement	2024 Debt Retirement	Sinking Fund	
<u>Revenues</u>						
Local sources	\$ 385,752	\$ 246,642	\$ 1,490,323	\$ 10,453	\$ 653,467	\$ 2,786,637
State sources	0	233,010	17,844	0	202	251,056
Federal sources	0	2,094,268	0	0	0	2,094,268
Total revenues	<u>385,752</u>	<u>2,573,920</u>	<u>1,508,167</u>	<u>10,453</u>	<u>653,669</u>	<u>5,131,961</u>
<u>Expenditures</u>						
Current:						
Food services	0	2,632,991	0	0	0	2,632,991
Business services	0	0	667	0	366	1,033
Operations and maintenance	0	0	0	0	48,917	48,917
Student activities	363,871	0	0	0	0	363,871
Debt service:						
Principal	0	0	1,365,000	0	0	1,365,000
Interest and other	0	0	68,840	60	0	68,900
Total expenditures	<u>363,871</u>	<u>2,632,991</u>	<u>1,434,507</u>	<u>60</u>	<u>49,283</u>	<u>4,480,712</u>
Excess (deficiency) of revenues over expenditures	<u>21,881</u>	<u>(59,071)</u>	<u>73,660</u>	<u>10,393</u>	<u>604,386</u>	<u>651,249</u>
<u>Other Financing Sources (Uses)</u>						
Transfers in	0	0	0	741,107	0	741,107
Transfers out	0	(91,026)	0	0	(10,408)	(101,434)
Total other financing sources (uses)	<u>0</u>	<u>(91,026)</u>	<u>0</u>	<u>741,107</u>	<u>(10,408)</u>	<u>639,673</u>
Net change in fund balance	<u>21,881</u>	<u>(150,097)</u>	<u>73,660</u>	<u>751,500</u>	<u>593,978</u>	<u>1,290,922</u>
Fund balance - beginning of year	265,574	0	187,475	0	1,095,139	1,548,188
Adjustment to beginning fund balance	0	2,348,330	0	0	0	2,348,330
Fund balance - beginning of year, restated	<u>265,574</u>	<u>2,348,330</u>	<u>187,475</u>	<u>0</u>	<u>1,095,139</u>	<u>3,896,518</u>
Fund balance - end of year	<u>\$ 287,455</u>	<u>\$ 2,198,233</u>	<u>\$ 261,135</u>	<u>\$ 751,500</u>	<u>\$ 1,689,117</u>	<u>\$ 5,187,440</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Other Supplemental Information
 Schedule of Bonded Indebtedness - 2024 School Building and Site Bonds
 For the Year Ended June 30, 2024

PURPOSE

The School District issued the 2024 General Obligation School Building and Site Bond Issue on February 7th, 2024, in the amount of \$24,665,000. The bond proceeds were used for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, furnishing and re-furnishing, equipping and re-equipping existing school facilities; acquiring, installing and equipping instructional technology for school facilities; and developing and improving sites.

DATE OF ISSUE

January 11, 2024

AMOUNT OF ISSUE

\$ 24,665,000

AMOUNT OF REDEEMED

During prior years	\$	0		
During current year		0		0

BALANCE OUTSTANDING - June 30, 2024

\$ 24,665,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	4.00%	\$ 630,000	\$ 1,246,407	\$ 1,876,407
2026	4.00%	630,000	985,400	1,615,400
2027	4.00%	665,000	960,200	1,625,200
2028	4.00%	735,000	933,600	1,668,600
2029	4.00%	765,000	904,200	1,669,200
2030	4.00%	795,000	873,600	1,668,600
2031	4.00%	825,000	841,800	1,666,800
2032	4.00%	860,000	808,800	1,668,800
2033	4.00%	895,000	774,400	1,669,400
2034	4.00%	930,000	738,600	1,668,600
2035	4.00%	970,000	701,400	1,671,400
2036	4.00%	1,010,000	662,600	1,672,600
2037	4.00%	1,050,000	622,200	1,672,200
2038	4.00%	1,095,000	580,200	1,675,200
2039	4.00%	1,135,000	536,400	1,671,400
2040	4.00%	1,140,000	491,000	1,631,000
2041	4.00%	1,145,000	445,400	1,590,400
2042	4.00%	1,150,000	399,600	1,549,600
2043	4.00%	1,155,000	353,600	1,508,600
2044	4.00%	1,160,000	307,400	1,467,400
2045	4.00%	1,165,000	261,000	1,426,000
2046	4.00%	1,175,000	214,400	1,389,400
2047	4.00%	1,185,000	167,400	1,352,400
2048	5.00%	1,195,000	120,000	1,315,000
2049	5.00%	1,205,000	60,250	1,265,250
		<u>\$ 24,665,000</u>	<u>\$ 14,989,857</u>	<u>\$ 39,654,857</u>



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

October 23, 2024

Board of Education
West Branch-Rose City Area Schools
West Branch, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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 West Branch-Rose City Area Schools (School District), as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise West Branch-Rose City Area Schools' basic financial statements and have issued our report thereon dated October 23, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Branch-Rose City Area Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weinlander Fitzhugh



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

October 23, 2024

Board of Education
West Branch-Rose City Area Schools
West Branch, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited West Branch-Rose City Area Schools' 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 West Branch-Rose City Area Schools' major federal programs for the year ended June 30, 2024. West Branch-Rose City Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, West Branch-Rose City Area Schools complied, in all material respects, with the 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 U.S. generally accepted auditing standards; 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* (CFR) 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 West Branch-Rose City Area Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of West Branch-Rose City Area Schools' compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

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

Auditor's Responsibility 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 West Branch-Rose City Area Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. 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 West Branch-Rose City Area Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. 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 West Branch-Rose City Area Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of West Branch-Rose City Area Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of West Branch-Rose City Area Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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



Report on Internal Control Over Compliance

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

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

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

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

Weinlander Fitzhugh

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

	YES	X	NO
	YES	X	NONE REPORTED
	YES	X	NO

Noncompliance material to financial statements noted?

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

	YES	X	NO
	YES	X	NONE REPORTED

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

Unmodified opinion

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

	YES	X	NO
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Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559, 10.582	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

X	YES		NO
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SECTION II - Financial Statement Findings

There are no matters reported.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2024

There were no matters reported in the prior year's audit.

WEST BRANCH-ROSE CITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2024	Adjustments	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2024
U.S. Department of Agriculture								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
National School Breakfast Program	10.553							
231970		\$ 517,435	\$ 454,917	\$ 11,551	\$ 0	\$ 74,069	\$ 62,518	\$ 0
241970		440,810	0	0	0	373,897	440,810	66,913
			<u>454,917</u>	<u>11,551</u>	<u>0</u>	<u>447,966</u>	<u>503,328</u>	<u>66,913</u>
National School Lunch Program	10.555							
Supply Chain Assistance 220910-2023		41,875	27,872	(14,003)	0	0	14,003	0
Supply Chain Assistance 230910-2023		22,385	0	(22,385)	0	0	22,385	0
231960 - Lunch		1,013,234	882,827	23,271	0	153,678	130,407	0
231980 - Snack		20,062	16,708	129	0	3,483	3,354	0
Supply Chain Assistance 220910-2024		50,325	0	0	0	50,325	27,233	(23,092)
Supply Chain Assistance 240910-2024		2,018	0	0	0	2,018	0	(2,018)
241960 - Lunch		857,696	0	0	0	729,040	857,696	128,656
241980 - Snack		17,823	0	0	0	16,317	17,823	1,506
			<u>927,407</u>	<u>(12,988)</u>	<u>0</u>	<u>954,861</u>	<u>1,072,901</u>	<u>105,052</u>
Non-Cash Assistance (Commodities)	10.555							
Entitlement		143,125	123,725	0	0	143,125	143,125	0
Bonus		591	13,086	0	0	591	591	0
			<u>136,811</u>	<u>0</u>	<u>0</u>	<u>143,716</u>	<u>143,716</u>	<u>0</u>
SFSP Operating	10.559							
230900		163,954	8,162	8,162	0	163,954	155,792	0
240900		32,048	0	0	0	0	32,048	32,048
			<u>8,162</u>	<u>8,162</u>	<u>0</u>	<u>163,954</u>	<u>187,840</u>	<u>32,048</u>
Fresh Fruit and Vegetable Program	10.582							
240950		43,020	0	0	0	11,149	11,149	0
240950-2024-1		10,544	0	0	0	0	10,544	10,544
			<u>0</u>	<u>0</u>	<u>0</u>	<u>11,149</u>	<u>21,693</u>	<u>10,544</u>
Total Child Nutrition Cluster			<u>1,527,297</u>	<u>6,725</u>	<u>0</u>	<u>1,721,646</u>	<u>1,929,478</u>	<u>214,557</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

WEST BRANCH-ROSE CITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2024	Adjustments	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2024
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education:								
CACFP Meals	10.558							
231920		\$ 121,057	\$ 102,278	\$ 1,431	\$ 0	\$ 20,210	\$ 18,779	\$ 0
232010		8,375	7,101	106	0	1,380	1,274	0
241920		126,901	0	0	0	109,084	126,901	17,817
242010		8,401	0	0	0	7,220	8,401	1,181
			<u>109,379</u>	<u>1,537</u>	<u>0</u>	<u>137,894</u>	<u>155,355</u>	<u>18,998</u>
Local Food for Schools	10.185							
230985-2024		9,435	0	0	0	9,435	9,435	0
			<u>0</u>	<u>0</u>	<u>0</u>	<u>9,435</u>	<u>9,435</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>1,636,676</u>	<u>8,262</u>	<u>0</u>	<u>1,868,975</u>	<u>2,094,268</u>	<u>233,555</u>
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education:								
ECIA Title I -								
Improving Basic Programs	84.010							
Project 231530-2223		720,017	609,224	334,140	0	335,935	1,795	0
Project 241530-2324		723,159	0	0	0	0	597,885	597,885
			<u>609,224</u>	<u>334,140</u>	<u>0</u>	<u>335,935</u>	<u>599,680</u>	<u>597,885</u>
Improving Teacher Quality	84.367							
Project 230520-2223		185,211	59,475	47,238	0	91,939	44,701	0
Project 240520-2324		53,677	0	0	0	0	53,677	53,677
			<u>59,475</u>	<u>47,238</u>	<u>0</u>	<u>91,939</u>	<u>98,378</u>	<u>53,677</u>
Title IV Part A:	84.424							
Project 230750-2223		77,621	48,127	16,161	0	17,735	1,574	0
Project 240750-2324		50,987	0	0	0	0	50,987	50,987
			<u>48,127</u>	<u>16,161</u>	<u>0</u>	<u>17,735</u>	<u>52,561</u>	<u>50,987</u>
Title IV Effective use of Technology	84.424A							
Project 220775-2023		19,000	0	0	0	19,000	19,000	0
			<u>0</u>	<u>0</u>	<u>0</u>	<u>19,000</u>	<u>19,000</u>	<u>0</u>
Title V Part B	84.184							
Project 240660-2324		57,555	0	0	0	0	38,811	38,811
			<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38,811</u>	<u>38,811</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

WEST BRANCH-ROSE CITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2024	Adjustments	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2024
<u>U.S. Department of Education</u>								
Passed through Michigan								
Department of Education:								
Education Stabilization Fund								
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula) Project 213782-2223	84.425D	\$ 97,977	\$ 0	\$ 0	\$ 0	\$ 88,194	\$ 88,194	\$ 0
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Project 213713-2122	84.425U	4,513,139	4,178,600	1,193,644	0	1,193,644	334,537	334,537
Total Education Stabilization Fund			4,178,600	1,193,644	0	1,281,838	422,731	334,537
Total programs passed through MDE			4,895,426	1,591,183	0	1,746,447	1,231,161	1,075,897
Passed through COOR ISD:								
Handicapped Preschool & School Program PL 94-142 IDEA Flowthrough 2022-2023	84.027	363,868	273,680	106,223	0	106,223	90,188	90,188
2023-2024		273,479	0	0	0	273,154	433,659	160,505
			273,680	106,223	0	379,377	523,847	250,693
Total programs passed through COOR ISD			273,680	106,223	0	379,377	523,847	250,693
Passed through Ogemaw County:								
Schools and Roads - Grants to States	10.665	24,370	30,528	0	0	24,370	24,370	0
Total programs passed through Ogemaw County			30,528	0	0	24,370	24,370	0
Total U.S. Department of Education			5,199,634	1,697,406	0	2,150,194	1,779,378	1,326,590
			<u>\$ 6,836,310</u>	<u>\$ 1,705,668</u>	<u>\$ 0</u>	<u>\$ 4,019,169</u>	<u>\$ 3,873,646</u>	<u>\$ 1,560,145</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures.

The School District has elected not to use the 10 percent de minimus indirect cost rate to recover costs as allowed under the Uniform Guidance.

The School District does not have any subrecipients.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.