

Anchor Bay School
District



Year Ended
June 30, 2024

Financial
Statements and
Single Audit Act
Compliance

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ANCHOR BAY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

October 15, 2024

Board of Education
Anchor Bay School District
Casco Township, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Anchor Bay School District** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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



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

Independent Auditors' 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 auditors' 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 the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of outstanding bond indebtedness but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024, on our consideration of the 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 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

As management of Anchor Bay School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024.

Financial Highlights

· Total net position (deficit)	\$ (85,509,123)
· Change in total net position	20,707,389
· Fund balances, governmental funds	31,423,080
· Change in fund balances, governmental funds	(7,869,043)
· Unassigned fund balance, general fund	13,630,144
· Change in fund balance, general fund	2,879,803
· General obligation bonds outstanding	151,490,000
· Change in general obligation bonds	(7,630,000)
· Capital assets, net	162,346,728

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the net reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, supporting services, community service, food service and student operations.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$85,509,123 at the close of the most recent fiscal year.

Net position invested in capital assets, net of related outstanding debt used to acquire those assets, amounted to \$22,314,620 at June 30, 2024. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

	Net Position	
	Governmental Activities	
	2024	2023
Current and other assets	\$ 46,899,088	\$ 49,374,224
Capital assets, net	162,346,728	153,823,814
Total assets	<u>209,245,816</u>	<u>203,198,038</u>
Deferred outflows of resources	<u>42,317,795</u>	<u>51,903,886</u>
Long-term liabilities	288,147,517	327,565,513
Current and other liabilities	14,161,383	10,852,813
Total liabilities	<u>302,308,900</u>	<u>338,418,326</u>
Deferred inflows of resources	<u>34,763,834</u>	<u>22,900,110</u>
Net position:		
Net investment in capital assets	22,314,620	17,332,647
Restricted	3,531,866	1,213,165
Unrestricted (deficit)	(111,355,609)	(124,762,324)
Total net position	<u>\$ (85,509,123)</u>	<u>\$ (106,216,512)</u>

The District is required to report its proportionate share of the MPSERS net pension liability of \$112,586,844 and net other postemployment benefits asset of \$1,999,775 as presented on the statement of net position. This requirement directly effects the District's net position as of year end, which was a deficit of \$85,509,123.

Restricted net position represents amounts subject to external restrictions such as amounts restricted for food service. The District also reported a deficit of \$111,355,609 as unrestricted net position. The negative balance is mainly related to the District's proportionate share of the MPSERS net pension liability, net other postemployment benefit asset, related deferred amounts, and the school loan revolving fund.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

	Changes in Net Position	
	Governmental Activities	
	2024	2023
Program revenues:		
Charges for services	\$ 4,555,484	\$ 5,240,481
Operating grants and contributions	28,831,630	28,803,972
General revenues:		
Property taxes	21,752,230	20,147,362
Unrestricted state aid	47,475,149	45,109,199
Other general revenues	2,677,194	511,959
Total revenues	<u>105,291,687</u>	<u>99,812,973</u>
Expenses:		
Instruction	39,781,969	41,824,366
Supporting services	26,819,956	25,815,152
Community service	765,934	1,145,356
Food service	3,616,194	2,776,976
Student operations	2,237,067	2,179,448
Interest on long-term liabilities	5,428,315	4,185,932
Unallocated depreciation/amortization	5,934,863	5,494,214
Total expenses	<u>84,584,298</u>	<u>83,421,444</u>
Change in net position	20,707,389	16,391,529
Net position (deficit), beginning of year	<u>(106,216,512)</u>	<u>(122,608,041)</u>
Net position (deficit), end of year	<u>\$ (85,509,123)</u>	<u>\$ (106,216,512)</u>

The District's net position increased by \$20,707,389 during the current year as compared to an increase of \$16,391,529 in the previous year. The increase in net position when compared to last fiscal year was largely related to an increase in revenues. The property tax revenues increased approximately \$1,600,000 over last year due to rising property tax values within the district boundaries. Additionally, unrestricted state aid increased by about \$2,400,000 due to an increase in the foundation allowance of \$458 per student. Finally, other general revenues saw an increase due to the District earning approximately \$1,500,000 more in interest income than last fiscal year due to earnings on bond proceeds.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$31,423,080, a decrease of \$7,869,043 in comparison with the prior year. Approximately 43.38% of this total amount (\$13,630,144) is unassigned fund balance. The remainder of fund balance is nonspendable because the underlying assets are included in inventory and prepaid items, is committed for student activities or student operations, or is restricted for food service, capital projects or debt service, and not available for current expenditure.

General Fund. The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$13,630,144, while the total fund balance for the general fund was \$14,000,942. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 17.49% of total general fund expenditures. This percentage is higher than in 2022-2023.

The fund balance of the District's general fund increased by \$2,879,803, during the current fiscal year. The unassigned fund balance increased by \$3,156,545. The current fiscal year increase to the district's fund balance was largely a result of the \$458 per pupil increase to the foundation allowance, continued federal ESSER funding as well as increased state categorical grant funding that was not available in the prior fiscal year.

2023 Capital Projects Fund. Fund balance for this fund was \$14,521,730, decreasing by \$11,077,192 from the prior year. The decrease in the 2023 Capital Projects Fund is a result of spending the bond proceeds to purchase school buses, increased security measures and capital expenditures for additions/renovations of the high school.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

General Fund Budgetary Highlights

The District revises its budget throughout the school year to reflect changes in the assumptions made during budget development when actual data becomes available for both revenue and expenditures. Typically, budget adjustments are required to reflect changes in student counts, staffing levels, unanticipated changes in costs, and grant award assumptions. These preliminary assumptions are incorporated into the budget that is required by state law to be approved by the Anchor Bay School District, Board of Education by July 1 of each year. The State Legislatures' fiscal year does not begin until October 1 of that same year. This discrepancy makes it difficult to approve a budget without all of the necessary information for the budget development process.

Our elected District officials and school administration must account for many factors during the development of the District budget. Over the course of the year, the School District revises its budget to reflect changes as actual data becomes available. State Law requires that budget amendments be formally adopted to ensure that expenditures do not exceed appropriations. The School District amended the budget during the 2023/2024 fiscal year. The final amendment to the Budget was adopted in June 2024. A statement showing the District's original and final budget amounts compared to actual is provided in the financial statements with the accompanying notes as required.

The general fund actual revenue and other financing sources was \$80,815,600, which is less than the final budget estimate of \$81,091,545 by \$275,945, or 0.34%.

The actual expenditures and other financing uses of the general fund were \$77,935,797, which is less than the final budget estimate of \$79,428,618 by \$1,492,821, or -1.88%. The Primary contributing factors underlying the variances on expenditures relate to overestimating the costs related to the retirement expense and spending in operations and maintenance were less than estimated due to timing. The District generally takes a conservative approach to budgeting expenditures to ensure the District avoids overspending its available resources.

Revenues increased by \$4,824,093 between the original and final budgets during the year. The amount budgeted for state revenue increased \$4,815,613 from the original budget to the final budget. The primary reason for the increase in budgeted revenues was the increase in state revenues. The District is required to develop and approve the original budget no later than June 30th of the preceding fiscal year. Unfortunately, at that time, the State had not approved the school aid budget which includes the foundation allowance and many other categorical funds. Once approved by the State, the District amended the budget to include such.

Expenditures were increased by \$4,316,316 between the original and final budgets during the year. The increase in budgeted expenditures was made to the budget once it was determined that adequate revenues existed to support the increase in expenditures.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2024, amounted to \$162,346,728 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, site improvements, furniture and equipment, buses, vehicles and leased equipment. This reflects an increase of \$8,522,914 from the previous year.

Depreciation/amortization expense was recognized in the amount of \$5,934,863 and shown as unallocated on the statement of activities.

Significant capital asset additions include; school buses, security upgrades and additions/renovations to the high school building.

	Capital Assets (Net of Depreciation/Amortization)	
	2024	2023
Capital assets not being depreciated:		
Land	\$ 4,627,859	\$ 4,096,511
Construction in progress	11,596,817	1,093,998
Capital assets being depreciated/amortized:		
Buildings and improvements	139,313,910	142,018,979
Site improvements	1,560,960	1,360,451
Furniture and equipment	2,961,591	2,792,955
Buses	1,852,020	2,106,916
Vehicles	298,259	269,066
Leased equipment	135,312	84,938
Total capital assets, net	\$ 162,346,728	\$ 153,823,814

Additional information on the District's capital assets can be found in Note 6 to the financial statements.

Long-term Debt. At the end of the current fiscal year, the District had total general obligation bonds outstanding of \$151,490,000 in addition to borrowings from the School Loan Revolving Fund of \$19,366,600.

As of June 2024, Standard & Poor's Ratings Services rating was AA. This rating reflects the stable financial position of the District and represents the capacity of the District to meet its financial obligations. The District is committed to the strong financial management practices and shared fiscal responsibilities by its elected officials and district administration.

The District's total bonded long-term debt decreased by \$7,630,000 (approximately 4.80%) during the current fiscal year primarily due to the scheduled debt service payments made during the fiscal year. In addition the School Bond Loan and Revolving fund decreased by \$3,643,702 due to regular debt service payments.

Additional information on the District's long-term debt can be found in Note 9 to the financial statements.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

Factors Bearing on the District's Future

Anchor Bay School District has improved its financial position considerably over the last four years. The total general fund available fund balance is \$14,000,942 or approximately 18% of the 2024 expenditures. The 2024-25 fiscal year budget anticipates that the District will add roughly \$2,855,000 to the fund balance. Currently, the District has all of its unionized labor groups under contract for the 2024-25 fiscal year. Prudent fiscal responsibility will remain critical to the District's ability to operate effectively.

The following factors were also considered in preparing the District's budget for the 2024-25 fiscal year:

- The District's revenue is heavily dependent on state funding and the financial growth of the State's School Aid Fund to support school district operations. At the time of the budget adoption the State School Aid Act for 2024-2025, still had not been approved, so the Board of Education along with District administration had to make many reasonable assumptions while developing the 2024-2025 original budget. These assumptions were considered while taking into account proposals from the Governor, the House, and the Senate, as well as information provided from the May Consensus Revenue Estimating Conference (CREC), along with financial updates given by the Michigan Department of Education (MDE) and the Michigan School Business Officials (MSBO).
- One of the primary assumptions in the budget is the foundation allowance or per pupil revenue paid by the State. The administration and Board of Education agreed to budget an increase to the foundation allowance of \$241 per pupil for the 2024-25 fiscal year. Raising the budgeted foundation allowance to \$9,849 per pupil. The foundation allowance approved in the 2024-2025 School Aid Act budget received no increase and remained the same at \$9,608 per student.
- Another primary assumption is the pupil count. The fall count, held in early October of each year, represents 90% of the blended pupil count. The remaining 10% of the blended count is derived from the spring count in February of each fiscal year. The District created its 2024-2025 budget based on a blended pupil count of 5,352 pupils, which reflects a loss of 50 students from the 2023-2024 fiscal year.
- Expenditures for the 2024-2025 fiscal year are budgeted at \$79.4 million and include previously bargained wage increases for all unionized labor units associated with instructional staffing models that align to the anticipated pupil enrollment. Additionally, increases for required public employer retirement contributions have been included in the budget. Finally, inflation continues to be a challenge to the District and has a significant impact on the costs related to employer paid healthcare, utilities, essential school supplies, student services and the overall cost to maintain the District's facilities.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, 5201 County Line Road, Suite 100, Casco, Michigan 48064.

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BASIC FINANCIAL STATEMENTS

ANCHOR BAY SCHOOL DISTRICT

Statement of Net Position

June 30, 2024

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 495,379
Investments	29,546,701
Receivables	14,433,436
Prepaid items and other assets	423,797
Net other postemployment benefit asset	1,999,775
Capital assets not being depreciated	16,224,676
Capital assets being depreciated/amortized, net	<u>146,122,052</u>
Total assets	<u>209,245,816</u>
Deferred outflows of resources	
Deferred charge on refunding	1,181,844
Deferred pension amounts	33,194,610
Deferred other postemployment benefit amounts	<u>7,941,341</u>
Total deferred outflows of resources	<u>42,317,795</u>
Liabilities	
Accounts payable and accrued liabilities	10,986,953
State aid note payable	176,882
Unearned revenue	2,997,548
Bonds, notes and other long-term liabilities:	
Due within one year	8,371,453
Due in more than one year	167,189,220
Net pension liability (due in more than one year)	<u>112,586,844</u>
Total liabilities	<u>302,308,900</u>
Deferred inflows of resources	
Deferred lease amounts	66,903
Deferred pension amounts	17,226,467
Deferred other postemployment benefit amounts	<u>17,470,464</u>
Total deferred inflows of resources	<u>34,763,834</u>
Net position	
Net investment in capital assets	22,314,620
Restricted for:	
Food service	1,532,091
Other postemployment benefits	1,999,775
Unrestricted (deficit)	<u>(111,355,609)</u>
Total net position	<u>\$ (85,509,123)</u>

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

ANCHOR BAY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2024

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 39,781,969	\$ 722,187	\$ 24,710,414	\$ (14,349,368)
Supporting services	26,819,956	542,886	152,780	(26,124,290)
Community service	765,934	561,521	-	(204,413)
Food service	3,616,194	424,900	3,968,436	777,142
Student operations	2,237,067	2,303,990	-	66,923
Interest on long-term debt	5,428,315	-	-	(5,428,315)
Unallocated depreciation/amortization	5,934,863	-	-	(5,934,863)
Total governmental activities	<u>\$ 84,584,298</u>	<u>\$ 4,555,484</u>	<u>\$ 28,831,630</u>	<u>(51,197,184)</u>
General revenues				
Property taxes				21,752,230
Unrestricted state aid				47,475,149
Unrestricted investment earnings				1,991,099
Other				686,095
Total general revenues				<u>71,904,573</u>
Change in net position				20,707,389
Net position (deficit), beginning of year				<u>(106,216,512)</u>
Net position (deficit), end of year				<u>\$ (85,509,123)</u>

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

ANCHOR BAY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2024

	General Fund	2023 Capital Projects Fund	Nonmajor Governmental Funds	Totals
Assets				
Cash and cash equivalents	\$ 243,352	\$ -	\$ 252,027	\$ 495,379
Investments	9,761,518	17,523,775	2,261,408	29,546,701
Accounts receivable	50,572	-	-	50,572
Leases receivable	66,903	-	-	66,903
Due from other governments	14,011,385	-	304,576	14,315,961
Due from other funds	-	-	118,705	118,705
Inventory	-	-	52,999	52,999
Prepaid items	370,798	-	-	370,798
Total assets	\$ 24,504,528	\$ 17,523,775	\$ 2,989,715	\$ 45,018,018
Liabilities				
Accounts payable	\$ 290,653	\$ 3,002,045	\$ 1,460	\$ 3,294,158
Accrued liabilities	1,878,069	-	5,307	1,883,376
Salaries and benefits payable	3,992,443	-	29,308	4,021,751
Due to other governments	1,035,615	-	-	1,035,615
Due to other funds	118,705	-	-	118,705
State aid note payable	176,882	-	-	176,882
Unearned revenue	2,944,316	-	53,232	2,997,548
Total liabilities	10,436,683	3,002,045	89,307	13,528,035
Deferred inflows of resources				
Deferred lease amounts	66,903	-	-	66,903
Fund balances				
Nonspendable:				
Inventory	-	-	52,999	52,999
Prepaid items	370,798	-	-	370,798
Restricted for:				
Food service	-	-	1,497,467	1,497,467
Capital projects	-	14,521,730	457	14,522,187
Debt service	-	-	497,821	497,821
Committed for:				
Student activities	-	-	720,759	720,759
Student operations	-	-	130,905	130,905
Unassigned	13,630,144	-	-	13,630,144
Total fund balances	14,000,942	14,521,730	2,900,408	31,423,080
Total liabilities, deferred inflows of resources and fund balances	\$ 24,504,528	\$ 17,523,775	\$ 2,989,715	\$ 45,018,018

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

ANCHOR BAY SCHOOL DISTRICT

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2024

Fund balances - total governmental funds \$ 31,423,080

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

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

Capital assets not being depreciated	16,224,676
Capital assets being depreciated/amortized, net	146,122,052

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Bonds, notes and other long-term liabilities	(170,993,655)
Unamortized deferred charge on refunding	1,181,844
Unamortized bond premium	(4,183,144)
Unamortized bond discount	74,060
Accrued interest on bonds payable	(752,053)
Compensated absences	(457,934)

Certain pension and other postemployment benefit-related amounts, such as the net pension liability, the net other postemployment benefit asset, and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(112,586,844)
Net other postemployment benefit asset	1,999,775
Deferred outflows related to the net pension liability	33,194,610
Deferred inflows related to the net pension liability	(17,226,467)
Deferred outflows related to the net other postemployment benefit asset	7,941,341
Deferred inflows related to the net other postemployment benefit asset	(17,470,464)

Net position of governmental activities \$ (85,509,123)

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

ANCHOR BAY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2024

	General Fund	2023 Capital Projects Fund	Nonmajor Governmental Funds	Totals
Revenues				
Local sources	\$ 8,204,004	\$ 1,260,627	\$ 19,321,469	\$ 28,786,100
State sources	62,689,051	-	2,127,895	64,816,946
Federal sources	6,454,685	-	1,993,321	8,448,006
Other sources	3,105,897	134,738	-	3,240,635
Total revenues	80,453,637	1,395,365	23,442,685	105,291,687
Expenditures				
Current:				
Instruction	46,201,124	-	-	46,201,124
Student services	4,818,625	-	-	4,818,625
Instructional support	3,288,449	-	-	3,288,449
General administration	1,067,710	-	-	1,067,710
School administration	5,283,511	-	-	5,283,511
Business administration	924,516	-	-	924,516
Operation and maintenance	8,561,346	-	-	8,561,346
Transportation	3,599,772	-	-	3,599,772
Support services - other	2,017,135	-	-	2,017,135
Community service	829,589	-	-	829,589
Food service	-	-	3,856,684	3,856,684
Student operations	-	-	62,106	62,106
Student activities	-	-	2,174,961	2,174,961
Debt service:				
Principal	58,924	-	10,465,965	10,524,889
Interest and fiscal charges	3,340	14,904	5,749,004	5,767,248
Capital outlay	1,281,756	12,457,653	605,619	14,345,028
Total expenditures	77,935,797	12,472,557	22,914,339	113,322,693
Revenues over (under) expenditures	2,517,840	(11,077,192)	528,346	(8,031,006)
Other financing sources (uses)				
Issuance of bonds, notes, and other long-term liabilities	140,680	-	-	140,680
Proceeds from sale of capital assets	21,283	-	-	21,283
Transfers in	200,000	-	-	200,000
Transfers out	-	-	(200,000)	(200,000)
Total other financing sources (uses)	361,963	-	(200,000)	161,963
Net change in fund balances	2,879,803	(11,077,192)	328,346	(7,869,043)
Fund balances, beginning of year	11,121,139	25,598,922	2,572,062	39,292,123
Fund balances, end of year	\$ 14,000,942	\$ 14,521,730	\$ 2,900,408	\$ 31,423,080

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

ANCHOR BAY SCHOOL DISTRICT

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds \$ (7,869,043)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital assets purchased/constructed	14,506,642
Depreciation/amortization	(5,934,863)
Loss on disposal of capital assets	(27,581)
Proceeds from sale of capital assets	(21,283)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of bonds, notes, and other long-term liabilities	(140,680)
Amortization of premium	469,863
Amortization of discount	(3,222)
Amortization of deferred charge on refunding	(111,424)
Principal payments on bonds, notes and other long-term liabilities	10,524,889

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

Change in net pension liability and related deferred amounts	2,208,983
Change in net other postemployment benefit asset and related deferred amounts	6,432,202
Change in accrued interest payable on bonds and loans	(16,284)
Change in the accrual for compensated absences and employee severance plan	689,190

Change in net position of governmental activities \$ 20,707,389

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

ANCHOR BAY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Local sources	\$ 7,550,672	\$ 8,299,264	\$ 8,204,004	\$ (95,260)
State sources	58,127,621	62,943,234	62,689,051	(254,183)
Federal sources	7,306,401	6,546,682	6,454,685	(91,997)
Other sources	3,061,475	3,081,082	3,105,897	24,815
Total revenues	76,046,169	80,870,262	80,453,637	(416,625)
Expenditures				
Current:				
Instruction	44,143,896	46,681,145	46,201,124	(480,021)
Student services	4,394,674	4,836,211	4,818,625	(17,586)
Instructional support	4,005,002	3,482,957	3,288,449	(194,508)
General administration	1,164,074	1,087,674	1,067,710	(19,964)
School administration	5,323,238	5,397,950	5,283,511	(114,439)
Business administration	944,895	932,173	924,516	(7,657)
Operation and maintenance	7,861,219	8,881,028	8,561,346	(319,682)
Transportation	4,071,679	3,817,299	3,599,772	(217,527)
Support services - other	1,944,010	2,181,903	2,017,135	(164,768)
Community service	785,104	908,369	829,589	(78,780)
Debt service:				
Principal	18,751	34,135	58,924	24,789
Interest and fiscal charges	132	1,275	3,340	2,065
Capital outlay	444,575	1,175,446	1,281,756	106,310
Total expenditures	75,101,249	79,417,565	77,935,797	(1,481,768)
Revenues over expenditures	944,920	1,452,697	2,517,840	1,065,143
Other financing sources (uses)				
Issuance of bonds, notes, and other long-term liabilities	-	-	140,680	140,680
Proceeds from sale of capital assets	898	21,283	21,283	-
Transfers in	100,000	200,000	200,000	-
Transfers out	(29,730)	(11,053)	-	(11,053)
Total other financing sources	71,168	210,230	361,963	129,627
Net change in fund balance	1,016,088	1,662,927	2,879,803	1,216,876
Fund balance, beginning of year	11,121,139	11,121,139	11,121,139	-
Fund balance, end of year	\$ 12,137,227	\$ 12,784,066	\$ 14,000,942	\$ 1,216,876

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

NOTES TO FINANCIAL STATEMENTS

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Anchor Bay School District (the "District") is governed by an elected seven-member Board of Education. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. The District has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary 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. The District had no business-type activities during the current year.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

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

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

The District reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *2023 capital projects fund* is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *debt service funds* are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

The *capital projects fund* is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

Amounts reported as *program revenues* 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 revenues rather than as program revenues. Likewise, general revenues include all taxes.

The effect of interfund activity has been eliminated from the government-wide financial statements.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, except for the District's investments in the Michigan Liquid Assets Fund (MILAF), which are recorded at amortized cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

The District follows the practice of recording revenues that have been earned but not yet received as receivables. Receivables consist primarily of State Aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

Inventory and Prepaid Items

Inventories are stated at cost using the first-in, first-out method, and consist primarily of food, cafeteria supplies and teaching supplies. USDA donated commodities in the food service fund are recorded at fair value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	25-50
Site improvements	20-50
Furniture and equipment	5-10
Vehicles and buses	5-10

Leases

Lessee. The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor. The District is a lessor for a noncancellable lease of a building. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the charge on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit asset. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Unearned Revenue

The District reports unearned revenue on its governmental funds balance sheet. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and the balance sheet and revenue is recognized.

Compensated Absences and Early Retirement Benefits

Sick days are earned by most employees at the rate of one day per month. The quantity of sick days an employee may accumulate is determined by their job category, ranging from eighteen to seventy-five days. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category. There is no contractual provision for payment of unused vacation, other than the payment of prorated used vacation days earned during the year of the termination.

The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation, sick leave, and severance benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts are included both for employees who are currently eligible to receive termination payments and for other employees who are expected to become eligible in the future to receive such payments upon termination.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Amounts due to retired employees who are currently eligible to receive early retirement incentives are reported as a liability on the statement of net position. The early retirement benefits consist of early retirement incentive cash payments provided to eligible employees for five years following retirement.

Long-term Obligations

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources are related to the net pension liability and the net other postemployment benefit asset. The statement of net position and governmental funds balance sheet report deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance*, if any, is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or his/her designee. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net position.

Pensions and Other Postemployment Benefits

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis. All annual appropriations lapse at fiscal year end.

3. COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

During the year ended June 30, 2024, the District incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Final Budget	Actual	Variance
General fund			
Debt service:			
Principal	\$ 34,135	\$ 58,924	\$ 24,789
Interest and fiscal charges	1,275	3,340	2,065
Capital outlay	1,175,446	1,281,756	106,310

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

2019 and 2023 Capital Projects Funds

The 2019 and 2023 capital projects funds account for activities funded by school building and site bonds. For these projects, the District has complied with the applicable provisions of Section 1351a of the Revised School Code. The 2023 capital projects fund is not yet considered substantially complete and a subsequent year audit is expected.

Beginning with the year of bond issuance, the school district has reported the annual construction activity related to the 2019 bonds in the 2019 Capital Projects Fund. The project for which the *2019 School Building and Site Bonds, Series II*, were issued was considered complete on June 30, 2024 and the cumulative expenditures recognized for the construction period were \$11,834,745.

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Statement of Net Position

Cash and cash equivalents	\$ 495,379
Investments	<u>29,546,701</u>

Total \$ 30,042,080

Deposits and investments

Cash on hand	\$ 2,000
Bank deposits (checking/savings accounts and CD's)	493,379
Investments	<u>29,546,701</u>

Total \$ 30,042,080

Statutory Authority

State statutes authorize the District to invest in:

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

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

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

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

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

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

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specific identification. As of year end, the District had the following investments:

Investment	Fair Value/ Amortized Cost
Michigan Liquid Asset Fund (MILAF)	\$ 12,158,595
First American Government Obligation Fund	686,096
U.S. treasuries	2,792,826
U.S. agencies	13,909,184
	<u>13,909,184</u>
	<u>\$ 29,546,701</u>

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments held at year end with stated maturity dates are summarized as follows:

Investment	Due in less than 1 year	Due in 1-5 years	Total
U.S. treasuries	\$ 2,723,482	\$ 69,344	\$ 2,792,826
U.S. agencies	13,106,248	802,936	13,909,184
	<u>15,829,730</u>	<u>872,280</u>	<u>16,702,010</u>

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end. As of June 30, 2024, the District's investments were rated by Standard & Poors as follows:

AAAm	\$ 12,158,595
AA+	13,909,184
Not rated	<u>3,478,922</u>
	<u>\$ 29,546,701</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$1,338,962 of the District's bank balance of \$1,588,962 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The investments listed above are not subject to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All of the District's investments are identified above.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The District's recurring fair value measurement as of June 30, 2024 for its investments in U.S. treasuries and U.S. agencies are valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs).

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

5. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Nonmajor Governmental Funds	Totals
Accounts receivable	\$ 50,572	\$ -	\$ 50,572
Leases receivable	66,903	-	66,903
Due from other governments	14,011,385	304,576	14,315,961
	<u>\$ 14,128,860</u>	<u>\$ 304,576</u>	<u>\$ 14,433,436</u>

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 4,096,511	\$ 531,348	\$ -	\$ -	\$ 4,627,859
Construction in progress	1,093,998	10,814,646	(48,864)	(262,963)	11,596,817
	<u>5,190,509</u>	<u>11,345,994</u>	<u>(48,864)</u>	<u>(262,963)</u>	<u>16,224,676</u>
Capital assets being depreciated/amortized:					
Buildings and improvements	225,042,552	1,966,528	-	48,917	227,057,997
Site improvements	1,706,621	220,229	-	74,650	2,001,500
Furniture and equipment	6,800,306	560,813	(232,359)	100,053	7,228,813
Buses	4,162,413	211,679	(338,217)	-	4,035,875
Vehicles	444,587	51,351	(25,856)	39,343	509,425
Leased equipment (Note 11)	111,323	150,048	(60,661)	-	200,710
	<u>238,267,802</u>	<u>3,160,648</u>	<u>(657,093)</u>	<u>262,963</u>	<u>241,034,320</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(83,023,574)	(4,720,513)	-	-	(87,744,087)
Site improvements	(346,170)	(94,370)	-	-	(440,540)
Furniture and equipment	(4,007,351)	(492,230)	232,359	-	(4,267,222)
Buses	(2,055,497)	(466,575)	338,217	-	(2,183,855)
Vehicles	(175,521)	(61,501)	25,856	-	(211,166)
Leased equipment (Note 11)	(26,385)	(99,674)	60,661	-	(65,398)
	<u>(89,634,498)</u>	<u>(5,934,863)</u>	<u>657,093</u>	<u>-</u>	<u>(94,912,268)</u>
Total capital assets being depreciated/amortized, net	<u>148,633,304</u>	<u>(2,774,215)</u>	<u>-</u>	<u>262,963</u>	<u>146,122,052</u>
Governmental activities capital assets, net	<u>\$ 153,823,813</u>	<u>\$ 8,571,779</u>	<u>\$ (48,864)</u>	<u>\$ -</u>	<u>\$ 162,346,728</u>

Depreciation/amortization expense of \$5,934,863 is reported as "unallocated depreciation/ amortization" and not allocated to individual functions.

As of June 30, 2024, the District had \$4,741,829 in construction commitments related to the *2023 School Building and Site and Refunding Bonds* projects.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year end for the District’s individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	2023 Capital Projects Fund	Nonmajor Governmental Funds	Totals
Fund Financial Statements:				
Accounts payable	\$ 290,653	\$ 3,002,045	\$ 1,460	\$ 3,294,158
Accrued liabilities	1,878,069	-	5,307	1,883,376
Salaries and benefits payable	3,992,443	-	29,308	4,021,751
Due to other governments	1,035,615	-	-	1,035,615
	<u>\$ 7,196,780</u>	<u>\$ 3,002,045</u>	<u>\$ 36,075</u>	10,234,900
			Government-wide Financial Statements -	
			Accrued interest on long-term debt	<u>752,053</u>
				<u>\$ 10,986,953</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2024, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 118,705
Nonmajor governmental funds	118,705	-
	<u>\$ 118,705</u>	<u>\$ 118,705</u>

The District reports interfund balances between certain funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily 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.

For the year ended June 30, 2024, interfund transfers consisted of the following:

	Transfers out	Transfers in
General fund	\$ -	\$ 200,000
Nonmajor governmental funds	200,000	-
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

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

For the year ended June 30, 2024, the District transferred funds from the food service fund to the general fund for indirect costs.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

9. BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

Bonds, notes, and other long-term liabilities activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 159,120,000	\$ -	\$ (7,630,000)	\$ 151,490,000	\$ 7,840,000
Direct borrowings/placements -					
School bond loan and revolving funds	22,060,795	949,507	(3,643,702)	19,366,600	-
Leases payable (Note 11)	55,299	140,680	(58,924)	137,055	40,128
Unamortized bond premium	4,653,007	-	(469,863)	4,183,144	265,578
Unamortized bond discount	(77,282)	-	3,222	(74,060)	(3,220)
Employee Severance Plan	678,642	-	(678,642)	-	-
Compensated absences	468,482	351,362	(361,910)	457,934	228,967
Total long-term debt	\$ 186,958,943	\$ 1,441,549	\$ (12,839,819)	\$ 175,560,673	\$ 8,371,453

General obligation bonds payable consist of the following issues:

General obligation bonds

2016 Bond Refunding Serial Bonds A, final installment of \$2,515,000 due May 1, 2025, interest at 5.00%.	\$ 2,515,000
2017 School Building and Site Bonds, due in semi-annual installments of \$510,000 to \$715,000 with payments commencing November 1, 2021 and final payment due May 1, 2047, interest at 3.00% to 3.38%.	8,295,000
2019 School Building and Site Bonds, due in annual installments of \$370,000 to \$1,095,000 with payments commencing May 1, 2023 and final payment due May 1, 2048, interest at 3.00% to 5.00%.	8,395,000
2020 Bond Refunding Serial Bonds, due in semi-annual installments of \$5,325,000 to \$10,355,000 with payments commencing November 1, 2021 and final payment due May 1, 2034, interest at 1.00% to 2.31%.	85,110,000
2023 School Building and Site and Refunding Bonds, due in semi-annual installments of \$1,000,000 to \$4,895,000 with payments commencing May 1, 2026 and final payment due May 1, 2044, interest at 4.13% to 5.00%.	47,175,000
Total general obligation bonds	\$ 151,490,000

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ 7,840,000	\$ 4,474,172	\$ 12,314,172
2026	9,000,000	4,326,419	13,326,419
2027	11,105,000	4,161,733	15,266,733
2028	11,055,000	3,897,029	14,952,029
2029	12,605,000	3,624,432	16,229,432
2030-2034	59,535,000	12,710,852	72,245,852
2035-2039	15,680,000	6,887,481	22,567,481
2040-2044	19,465,000	3,194,985	22,659,985
2045-2048	5,205,000	400,126	5,605,126
Totals	\$ 151,490,000	\$ 43,677,229	\$ 195,167,229

School Loan Revolving Fund

The School Loan Revolving Fund represents amounts borrowed from the State of Michigan School Loan Revolving Program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the School Loan Revolving Fund for the year ended June 30, 2024, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 22,018,601	\$ 42,194	\$ 22,060,795
Additions	-	949,507	949,507
Deductions	(2,835,965)	(807,737)	(3,643,702)
Ending balance	\$ 19,182,636	\$ 183,964	\$ 19,366,600

Employee Severance Plan

The District has an Employee Severance Plan with teachers and administrators. Plan participants shall receive a severance incentive of \$1,333, per month for a period of five years. The District made its last payment on the Employee Severance Plan on September 15, 2023. The District had no remaining cutoff severance incentive liability at June 30, 2024.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

10. STATE AID NOTE PAYABLE

During the year, the District financed some of its operations through the issuances of State Aid Anticipation Notes. These notes were issued for terms of less than one year, and accordingly are recorded as liabilities of the respective funds from which they were issued. The District borrowed \$1,200,000 on August 21, 2023 with an interest rate of 3.46%, maturing on July 22, 2024.

Changes in short-term state aid notes for the year ended June 30, 2024, were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	\$ 1,136,182	\$ 1,238,175	\$ (2,197,475)	\$ 176,882

11. LEASES

Lessee - The District is involved in several agreements as a lessee that qualify as long-term lease agreements. Below is a summary of the nature of these agreements. These agreements qualify as intangible, right-to-use assets and not a financed purchase, as the District will not own the asset at the end of the contract term and the noncancelable term of the agreement surpasses one year.

The right-to-use-assets and the related activity are included in Note 6, Capital Assets. The lease liability and related activity are presented in Note 9, Bonds, Loans and Other Long-term Liabilities.

Asset Type	Remaining Term of Agreements
Equipment	1-4 years

The net present value of future minimum payments as of June 30, 2024, were as follows:

Year Ended June 30,	Principal	Interest
2025	\$ 40,128	\$ 3,937
2026	35,228	2,749
2027	31,078	1,645
2028	30,621	570
Total	<u>\$ 137,055</u>	<u>\$ 8,901</u>

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Lessor - The District is involved in two agreements as a lessor that qualifies as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the District will not surrender control of the assets at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended June 30, 2024 was \$30,550.

Asset Type	Remaining Term of Agreements
Buildings	3-5 years

12. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2024, was as follows:

Capital assets:	
Capital assets not being depreciated	\$ 16,224,676
Capital assets being depreciated/amortized, net	<u>146,122,052</u>
	<u>162,346,728</u>
Related debt:	
Capital related bonds and other long-term liabilities outstanding	151,627,055
Unamortized bond premium	4,183,144
Unamortized bond discount	(74,060)
Unspent bonded capital projects proceeds	(14,522,187)
Deferred charge on refunding	<u>(1,181,844)</u>
	<u>140,032,108</u>
Net investment in capital assets	<u><u>\$ 22,314,620</u></u>

13. RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and worker’s compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District’s management believes that participation in this pool provides sufficient coverage to protect the district from significant adverse financial impact.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

14. PROPERTY TAXES

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1, and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14, and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

The District received reduced property tax revenues during 2024 as a result of industrial facilities tax exemptions (IFT's) agreements entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements were not material to the District for the fiscal year.

15. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

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

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

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

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Pension Benefits Provided

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

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

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Other Postemployment Benefits Provided

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

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

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

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Contributions

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

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

The table below summarizes pension contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	20.16% - 23.03%
Member Investment Plan (MIP)	3.00% - 7.00%	20.16% - 23.03%
Pension Plus	3.00% - 6.40%	17.24% - 19.17%
Pension Plus 2	6.20%	19.95% - 20.10%
Defined Contribution	0.00%	13.75% - 13.90%

For the year ended June 30, 2024, required and actual contributions from the District to the pension plan were \$14,832,398, which included \$6,950,748, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.07% - 8.31%
Personal Healthcare Fund (PHF)	0.00%	7.06% - 7.21%

For the year ended June 30, 2024, required and actual contributions from the District to the OPEB plan were \$2,942,872.

The table below summarizes defined contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2024, required and actual contributions from the District for those members with a defined contribution benefit were \$353,889.

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

At June 30, 2024, the District reported a liability of \$112,586,844 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was 0.34785%, which was a decrease of 0.00701% from its proportion measured as of September 30, 2022.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

For the year ended June 30, 2024, the District recognized pension expense of \$12,350,639. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 3,554,023	\$ 172,465	\$ 3,381,558
Changes in assumptions	15,256,030	8,796,280	6,459,750
Net difference between projected and actual earnings on pension plan investments	-	2,303,891	(2,303,891)
Changes in proportion and differences between employer contributions and proportionate share of contributions	232,823	5,953,831	(5,721,008)
	<u>19,042,876</u>	<u>17,226,467</u>	<u>1,816,409</u>
District contributions subsequent to the measurement date	14,151,734	-	14,151,734
Total	<u><u>\$ 33,194,610</u></u>	<u><u>\$ 17,226,467</u></u>	<u><u>\$ 15,968,143</u></u>

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

Year Ended June 30,	Amount
2025	\$ 290,797
2026	(394,588)
2027	3,810,077
2028	<u>(1,889,877)</u>
Total	<u><u>\$ 1,816,409</u></u>

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

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

At June 30, 2024, the District reported an asset of \$1,999,775 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was 0.35351% which was an increase of 0.01601% from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the District recognized OPEB benefit of \$3,600,002. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 15,111,330	\$ (15,111,330)
Changes in assumptions	4,451,849	536,087	3,915,762
Net difference between projected and actual earnings on OPEB plan investments	6,097	-	6,097
Changes in proportion and differences between employer contributions and proportionate share of contributions	820,101	1,823,047	(1,002,946)
	<u>5,278,047</u>	<u>17,470,464</u>	<u>(12,192,417)</u>
District contributions subsequent to the measurement date	2,663,294	-	2,663,294
Total	<u>\$ 7,941,341</u>	<u>\$ 17,470,464</u>	<u>\$ (9,529,123)</u>

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an adjustment to the net OPEB asset/liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2025	\$ (3,841,966)
2026	(3,727,728)
2027	(1,689,636)
2028	(1,505,421)
2029	(967,534)
Thereafter	<u>(460,132)</u>
Total	<u>\$ (12,192,417)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2022 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality	Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

	Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 and 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 and September 30, 2023 valuations, respectively. The total pension and OPEB liabilities as of September 30, 2023, are based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4406 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.5099 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions. The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on Pension and OPEB Plan Assets

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.43%	1.36%
Private equity pools	16.00%	8.99%	1.44%
International equity pools	15.00%	6.37%	0.95%
Fixed income pools	13.00%	1.22%	0.16%
Real estate and infrastructure pools	10.00%	5.99%	0.60%
Absolute return pools	9.00%	4.49%	0.40%
Real return/opportunistic pools	10.00%	6.83%	0.68%
Short-term investment pools	2.00%	0.28%	0.01%
	<u>100.00%</u>		5.60%
Inflation			2.70%
Risk adjustment			-2.30%
Investment rate of return			6.00%

Rate of Return

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

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

Discount Rate

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

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

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net pension liability	\$ 152,104,496	\$ 112,586,844	\$ 79,686,969

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB (asset) liability calculated using the discount rate of 6.00%, as well as what the District'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:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB (asset) liability	\$ 2,073,167	\$ (1,999,775)	\$ (5,500,070)

ANCHOR BAY SCHOOL DISTRICT

Notes to Financial Statements

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB (asset) liability	\$ (5,508,797)	\$ (1,999,775)	\$ 1,798,136

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2024, the District reported a payable of \$2,190,550 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2024.

Payable to the OPEB Plan

At June 30, 2024, the District reported a payable of \$334,208 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2024.

16. SUBSEQUENT EVENTS

On July 30, 2024, the District closed on the sale the Sugarbush Elementary building for a total sales price of \$2,800,000.



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REQUIRED SUPPLEMENTARY INFORMATION

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,		
	2024	2023	2022
District's proportionate share of the net pension liability	\$ 112,586,844	\$ 133,458,132	\$ 88,787,688
District's proportion of the net pension liability	0.34785%	0.35486%	0.37502%
District's covered payroll	\$ 35,169,320	\$ 32,588,245	\$ 33,105,470
District's proportionate share of the net pension liability as a percentage of its covered payroll	320.13%	409.53%	268.20%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	72.60%

See notes to required supplementary information.



Year Ended June 30,						
2021	2020	2019	2018	2017	2016	2015
\$ 131,183,239	\$ 124,030,886	\$ 109,999,840	\$ 94,649,187	\$ 92,473,137	\$ 89,141,993	\$ 29,774,310
0.38189%	0.37453%	0.36591%	0.36524%	0.37065%	0.36496%	0.34914%
\$ 33,632,795	\$ 32,976,188	\$ 31,191,135	\$ 30,190,630	\$ 31,388,251	\$ 30,328,646	\$ 29,194,362
390.05%	376.12%	352.66%	313.51%	294.61%	293.92%	263.44%
59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan
Schedule of the District's Pension Contributions

	Year Ended June 30,		
	2024	2023	2022
Statutorily required contribution	\$ 14,832,398	\$ 12,546,674	\$ 12,787,970
Contributions in relation to the statutorily required contributions	<u>(14,832,398)</u>	<u>(12,546,674)</u>	<u>(12,787,970)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 37,173,165	\$ 35,204,175	\$ 32,503,327
Contributions as a percentage of covered payroll	39.90%	35.64%	39.34%

See notes to required supplementary information.



Year Ended June 30,						
2021	2020	2019	2018	2017	2016	2015
\$ 11,146,481	\$ 10,498,631	\$ 9,961,613	\$ 10,667,512	\$ 8,268,908	\$ 7,040,585	\$ 5,422,819
<u>(11,146,481)</u>	<u>(10,498,631)</u>	<u>(9,961,613)</u>	<u>(10,667,512)</u>	<u>(8,268,908)</u>	<u>(7,040,585)</u>	<u>(5,422,819)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 32,869,189	\$ 34,007,875	\$ 33,122,787	\$ 31,420,218	\$ 30,067,167	\$ 30,296,972	\$ 29,888,253
33.91%	30.87%	30.07%	33.95%	27.50%	23.24%	18.14%

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (Asset) Liability

	Year Ended June 30,		
	2024	2023	2022
District's proportionate share of the net OPEB (asset) liability	\$ (1,999,775)	\$ 7,148,438	\$ 5,623,427
District's proportion of the net OPEB asset/liability	0.35351%	0.33750%	0.36842%
District's covered payroll	\$ 35,169,320	\$ 32,588,245	\$ 33,105,470
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-5.69%	21.94%	16.99%
Plan fiduciary net position as a percentage of the total OPEB liability	105.04%	83.09%	87.33%

See notes to required supplementary information.



Year Ended June 30,			
2021	2020	2019	2018
\$ 20,387,278	\$ 27,125,338	\$ 29,157,660	\$ 32,295,942
0.38055%	0.37791%	0.36681%	0.36470%
\$ 33,632,795	\$ 32,976,188	\$ 31,191,135	\$ 30,190,630
60.62%	82.26%	93.48%	106.97%
59.44%	48.46%	42.95%	36.39%

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,		
	2024	2023	2022
Statutorily required contribution	\$ 2,942,872	\$ 2,795,974	\$ 2,618,722
Contributions in relation to the statutorily required contributions	<u>(2,942,872)</u>	<u>(2,795,974)</u>	<u>(2,618,722)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 37,173,165	\$ 35,204,175	\$ 32,503,327
Contributions as a percentage of covered payroll	7.92%	7.94%	8.06%

See notes to required supplementary information.



Year Ended June 30,			
2021	2020	2019	2018
\$ 2,777,561	\$ 2,750,410	\$ 2,603,936	\$ 2,318,954
<u>(2,777,561)</u>	<u>(2,750,410)</u>	<u>(2,603,936)</u>	<u>(2,318,954)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 32,869,189	\$ 34,007,875	\$ 33,122,787	\$ 31,420,218
8.45%	8.09%	7.86%	7.38%

ANCHOR BAY SCHOOL DISTRICT

Notes to Required Supplementary Information

Pension Information

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

ANCHOR BAY SCHOOL DISTRICT

Notes to Required Supplementary Information

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

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**COMBINING FUND
FINANCIAL STATEMENTS**

ANCHOR BAY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2024

	Special Revenue Funds	Debt Service Funds	2019 Capital Projects Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 251,863	\$ 164	\$ -	\$ 252,027
Investments	1,882,421	378,530	457	2,261,408
Due from other governments	304,154	422	-	304,576
Due from other funds	-	118,705	-	118,705
Inventory	52,999	-	-	52,999
Total assets	<u>\$ 2,491,437</u>	<u>\$ 497,821</u>	<u>\$ 457</u>	<u>\$ 2,989,715</u>
Liabilities				
Accounts payable	\$ 1,460	\$ -	\$ -	\$ 1,460
Accrued liabilities	5,307	-	-	5,307
Salaries and benefits payable	29,308	-	-	29,308
Unearned revenue	53,232	-	-	53,232
Total liabilities	<u>89,307</u>	<u>-</u>	<u>-</u>	<u>89,307</u>
Fund balances				
Nonspendable	52,999	-	-	52,999
Restricted	1,497,467	497,821	457	1,995,745
Committed	851,664	-	-	851,664
Total fund balances	<u>2,402,130</u>	<u>497,821</u>	<u>457</u>	<u>2,900,408</u>
Total liabilities and fund balances	<u>\$ 2,491,437</u>	<u>\$ 497,821</u>	<u>\$ 457</u>	<u>\$ 2,989,715</u>

ANCHOR BAY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds	Debt Service Funds	2019 Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues				
Local sources:				
Property taxes	\$ -	\$ 16,314,216	\$ -	\$ 16,314,216
Revenue in lieu of taxes	-	14,718	-	14,718
Earnings on investments	56,954	195,742	10,949	263,645
Food sales	424,900	-	-	424,900
Other local sources	2,303,990	-	-	2,303,990
State sources	2,127,895	-	-	2,127,895
Federal sources	1,840,541	-	152,780	1,993,321
Total revenues	6,754,280	16,524,676	163,729	23,442,685
Expenditures				
Food service	3,856,684	-	-	3,856,684
Student operations	62,106	-	-	62,106
Student activities	2,174,961	-	-	2,174,961
Debt service:				
Principal	-	10,465,965	-	10,465,965
Interest and fiscal charges	-	5,749,004	-	5,749,004
Capital outlay	74,680	-	530,939	605,619
Total expenditures	6,168,431	16,214,969	530,939	22,914,339
Revenue over (under) expenditures	585,849	309,707	(367,210)	528,346
Other financing uses				
Transfers out	(200,000)	-	-	(200,000)
Net change in fund balances	385,849	309,707	(367,210)	328,346
Fund balances, beginning of year	2,016,281	188,114	367,667	2,572,062
Fund balances, end of year	\$ 2,402,130	\$ 497,821	\$ 457	\$ 2,900,408

ANCHOR BAY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2024

	Food Service	Student Operations	Student Activities	Total
Assets				
Cash and cash equivalents	\$ 37,120	\$ 130,905	\$ 83,838	\$ 251,863
Investments	1,245,500	-	636,921	1,882,421
Due from other governments	304,154	-	-	304,154
Inventory	34,624	18,375	-	52,999
Total assets	\$ 1,621,398	\$ 149,280	\$ 720,759	\$ 2,491,437
Liabilities				
Accounts payable	\$ 1,460	\$ -	\$ -	\$ 1,460
Accrued liabilities	5,307	-	-	5,307
Salaries and benefits payable	29,308	-	-	29,308
Unearned revenue	53,232	-	-	53,232
Total liabilities	89,307	-	-	89,307
Fund balances				
Nonspendable -				
Inventory	34,624	18,375	-	52,999
Restricted for food service	1,497,467	-	-	1,497,467
Committed for:				
Student activities	-	-	720,759	720,759
Student operations	-	130,905	-	130,905
Total fund balances	1,532,091	149,280	720,759	2,402,130
Total liabilities and fund balances	\$ 1,621,398	\$ 149,280	\$ 720,759	\$ 2,491,437

ANCHOR BAY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2024

	Food Service	Student Operations	Student Activities	Total
Revenues				
Local sources:				
Earnings on investments	\$ 56,954	\$ -	\$ -	\$ 56,954
Food sales	424,900	-	-	424,900
Other local sources	-	63,554	2,240,436	2,303,990
State sources	2,127,895	-	-	2,127,895
Federal sources	1,840,541	-	-	1,840,541
Total revenues	4,450,290	63,554	2,240,436	6,754,280
Expenditures				
Salaries	1,037,560	-	-	1,037,560
Benefits	566,862	-	-	566,862
Purchased services	56,346	1,204	-	57,550
Supplies and materials	2,178,417	57,614	2,174,961	4,410,992
Capital outlay	74,680	-	-	74,680
Other	17,499	3,288	-	20,787
Total expenditures	3,931,364	62,106	2,174,961	6,168,431
Revenues over expenditures	518,926	1,448	65,475	585,849
Other financing uses				
Transfers out	(200,000)	-	-	(200,000)
Net change in fund balances	318,926	1,448	65,475	385,849
Fund balances, beginning of year	1,213,165	147,832	655,284	2,016,281
Fund balances, end of year	\$ 1,532,091	\$ 149,280	\$ 720,759	\$ 2,402,130

ANCHOR BAY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2024

	2016 Debt Service	2017 Debt Service	2019 Debt Service
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances			
Restricted for debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



2020 Debt Service	2021 Debt Service	2023 Debt Service	Total
\$ -	\$ -	\$ 164	\$ 164
378,530	-	-	378,530
422	-	-	422
118,705	-	-	118,705
<u>\$ 497,657</u>	<u>\$ -</u>	<u>\$ 164</u>	<u>\$ 497,821</u>
<u>\$ 497,657</u>	<u>\$ -</u>	<u>\$ 164</u>	<u>\$ 497,821</u>

ANCHOR BAY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and

Changes in Fund Balances - Nonmajor Debt Service Funds

For the Year Ended June 30, 2024

	2016 Debt Service	2017 Debt Service	2019 Debt Service
Revenues			
Local sources:			
Property taxes	\$ 2,654,760	\$ 265,938	\$ 1,857,172
Revenue in lieu of taxes	-	-	-
Earnings on investments	-	-	-
Total revenues	<u>2,654,760</u>	<u>265,938</u>	<u>1,857,172</u>
Expenditures			
Debt service:			
Principal	2,440,000	-	1,520,000
Interest and fiscal charges	214,760	265,938	337,172
Total expenditures	<u>2,654,760</u>	<u>265,938</u>	<u>1,857,172</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



2020 Debt Service	2021 Debt Service	2023 Debt Service	Total
\$ 5,360,120	\$ 3,643,702	\$ 2,532,524	\$ 16,314,216
14,718	-	-	14,718
195,742	-	-	195,742
<u>5,570,580</u>	<u>3,643,702</u>	<u>2,532,524</u>	<u>16,524,676</u>
3,670,000	2,835,965	-	10,465,965
1,590,373	807,737	2,533,024	5,749,004
<u>5,260,373</u>	<u>3,643,702</u>	<u>2,533,024</u>	<u>16,214,969</u>
310,207	-	(500)	309,707
310,207	-	(500)	309,707
187,450	-	664	188,114
<u>\$ 497,657</u>	<u>\$ -</u>	<u>\$ 164</u>	<u>\$ 497,821</u>

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information (Unaudited)

Schedule of Outstanding Bonded Indebtedness

2016 Refunding Bonds - Series A

Original amount of issue: \$ 8,465,000

Interest rate: 5.00%

Year Ended June 30,	Principal Payments	Interest Payments	Total Fiscal Year Requirements
	November 1st, May 1st	November 1st, May 1st	
2025	\$ 2,515,000	\$ 93,875	\$ 2,608,875

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information (Unaudited)

Schedule of Outstanding Bonded Indebtedness

2017 Building and Site Bonds

Original amount of issue: \$ 10,930,000

Interest rate: 3.00% to 3.38%

Year Ended June 30,	Principal Payments		Interest Payments		Total Fiscal Year Requirements
	November 1st,	May 1st	November 1st,	May 1st	
2025	\$ -		\$ 265,438		\$ 265,438
2026	-		265,438		265,438
2027	-		265,438		265,438
2028	-		265,438		265,438
2029	-		265,438		265,438
2030	-		265,438		265,438
2031	-		265,438		265,438
2032	-		265,438		265,438
2033	-		265,438		265,438
2034		525,000	262,438		787,438
2035		525,000	246,688		771,688
2036		525,000	230,938		755,938
2037		540,000	215,188		755,188
2038		555,000	198,988		753,988
2039		575,000	181,769		756,769
2040		590,000	163,800		753,800
2041		605,000	145,363		750,363
2042		625,000	125,825		750,825
2043		645,000	105,513		750,513
2044		670,000	83,869		753,869
2045		690,000	61,256		751,256
2046		715,000	37,969		752,969
2047		510,000	13,838		523,838
	\$	8,295,000	\$	4,462,384	\$ 12,757,384

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information (Unaudited)

Schedule of Outstanding Bonded Indebtedness

2019 Building and Site Bonds

Original amount of issue: \$ 11,605,000

Interest rate: 3.00% to 5.00%

Year Ended June 30,	Principal Payments		Interest Payments		Total Fiscal Year Requirements
	May 1st		November 1st, May 1st		
2025	\$	-	\$	300,969	\$ 300,969
2026		-		300,969	300,969
2027		-		300,969	300,969
2028		-		300,969	300,969
2029		-		300,969	300,969
2030		-		300,969	300,969
2031		-		300,969	300,969
2032		-		300,969	300,969
2033		370,000		300,969	670,969
2034		-		289,869	289,869
2035		390,000		283,531	673,531
2036		420,000		270,369	690,369
2037		435,000		256,203	691,203
2038		450,000		241,269	691,269
2039		465,000		225,538	690,538
2040		480,000		208,700	688,700
2041		500,000		190,938	690,938
2042		515,000		172,541	687,541
2043		535,000		153,510	688,510
2044		545,000		133,594	678,594
2045		570,000		112,688	682,688
2046		590,000		90,938	680,938
2047		1,095,000		64,031	1,159,031
2048		1,035,000		19,406	1,054,406
	\$	8,395,000	\$	5,421,846	\$ 13,816,846

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information (Unaudited)

Schedule of Outstanding Bonded Indebtedness

2020 Refunding Bonds
 Original amount of issue: \$ 96,640,000
 Interest rate: 1.00% to 2.31%

Year Ended June 30,	Principal Payments		Interest Payments		Total Fiscal Year Requirements
	November 1st, May 1st		November 1st, May 1st		
2025	\$	5,325,000	\$	1,538,790	\$ 6,863,790
2026		8,000,000		1,484,912	9,484,912
2027		8,135,000		1,385,226	9,520,226
2028		8,295,000		1,271,022	9,566,022
2029		8,475,000		1,134,425	9,609,425
2030		8,730,000		943,366	9,673,366
2031		9,000,000		763,576	9,763,576
2032		9,220,000		587,058	9,807,058
2033		9,575,000		403,466	9,978,466
2034		10,355,000		203,201	10,558,201
	\$	85,110,000	\$	9,715,042	\$ 94,825,042

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information (Unaudited)

Schedule of Outstanding Bonded Indebtedness

2023 School Building and Site and Refunding Bonds
 Original amount of issue: \$ 47,175,000
 Interest rate: 4.13% to 5.00%

Year Ended June 30,	Principal Payments		Interest Payments		Total Fiscal Year Requirements
	November 1st,	May 1st	November 1st,	May 1st	
2025	\$	-	\$	2,275,100	\$ 2,275,100
2026		1,000,000		2,275,100	3,275,100
2027		2,970,000		2,210,100	5,180,100
2028		2,760,000		2,059,600	4,819,600
2029		4,130,000		1,923,600	6,053,600
2030		4,895,000		1,732,100	6,627,100
2031		2,310,000		1,487,350	3,797,350
2032		2,300,000		1,371,850	3,671,850
2033		2,255,000		1,256,850	3,511,850
2034		-		1,144,100	1,144,100
2035		2,000,000		1,119,100	3,119,100
2036		2,030,000		1,016,600	3,046,600
2037		2,140,000		912,600	3,052,600
2038		2,250,000		803,100	3,053,100
2039		2,380,000		685,600	3,065,600
2040		2,495,000		579,100	3,074,100
2041		2,625,000		454,350	3,079,350
2042		2,735,000		341,694	3,076,694
2043		2,875,000		228,875	3,103,875
2044		3,025,000		107,313	3,132,313
	\$	47,175,000	\$	23,984,082	\$ 71,159,082

SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

October 15, 2024

Board of Education
Anchor Bay School District
Casco Township, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Anchor Bay School District** (the "District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 15, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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ANCHOR BAY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards For the Year Ended June 30,

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
U.S. Department of Agriculture				
Local Food for Schools	10.185	MDE	230985	\$ 28,589
Child Nutrition Cluster:				
School Breakfast Program:				
2022-2023	10.553	MDE	231970	305,627
2023-2024	10.553	MDE	241970	392,670
Supply Chain Assistance:				
2022-2023	10.555	MDE	230910	53,241
2023-2024	10.555	MDE	240910	136,374
National School Lunch Program:				
2022-2023	10.555	MDE	231960	1,028,561
2023-2024	10.555	MDE	241960	899,643
National School Lunch Program -				
After School Snack	10.555	MDE	241980	1,258
Entitlement commodities (non-cash)	10.555	MDE	N/A	208,077
Entitlement commodities bonus (non-cash)	10.555	MDE	N/A	217
Total Child Nutrition Cluster				
School Breakfast Expansion	10.579	MDE	221995	20,000
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A - Grants to Local Educational Agencies:				
2022 - 2023	84.010	MDE	231530-2223	447,937
2023 - 2024	84.010	MDE	241530-2324	478,907

(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2023	Federal Funds / Payments In-Kind Received	Expenditures Year Ended June 30, 2024	Accrued (Unearned) Revenue at June 30, 2024
\$ 26,832	\$ -	\$ 1,757	\$ 1,757	\$ -
263,059	-	42,568	42,568	-
-	-	392,670	392,670	-
263,059	-	435,238	435,238	-
16,700	(36,541)	-	36,541	-
-	-	136,374	136,374	-
917,125	-	111,436	111,436	-
-	-	899,643	899,643	-
-	-	1,258	1,258	-
-	-	208,077	208,077	-
-	-	217	217	-
933,825	(36,541)	1,357,005	1,393,546	-
1,196,884	(36,541)	1,792,243	1,828,784	-
10,000	-	10,000	10,000	-
1,233,716	(36,541)	1,804,000	1,840,541	-
429,238	100,730	100,730	-	-
-	-	438,491	455,897	17,406
429,238	100,730	539,221	455,897	17,406

continued...

ANCHOR BAY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards For the Year Ended June 30,

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
U.S. Department of Education (continued)				
Special Education Cluster (IDEA):				
IDEA Flow-through - carryover	84.027	MISD	230450-2223	\$ 984,052
IDEA Flow-through	84.027A	MISD	230450-2223	1,862,803
IDEA Flow-through	84.027A	MISD	240450-2324	1,901,259
COVID-19 ARP IDEA Flow-through carryover	84.027X	MISD	221280-2122	1,076,014
Special Education - Preschool	84.173A	MISD	230460-2223	74,495
Special Education - Preschool	84.173A	MISD	240460-2324	51,967
COVID-19 ARP Special Education - Preschool	84.173X	MISD	221285-2122	17,814
Total Special Education Cluster (IDEA)				
Career and Technical Education - Basic Grants to States - 2023-2024 Perkins				
	84.048	MISD	243520-241216	188,224
Title III, Part A - English Language Acquisition State Grants: 2023-2024				
	84.365A	MISD	240570-2324	4,023
Title II, Part A - Supporting Effective Instruction State Grants: 2022-2023				
	84.367A	MDE	230520-2223	167,580
2023-2024	84.367A	MDE	240520-2324	139,313
Title IV, Part A - Student Support and Academic Enrichment Program:				
2022-2023	84.424A	MDE	230750-2223	16,121
2023-2024	84.424A	MDE	240750-2324	31,999

(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2023	Federal Funds / Payments In-Kind Received	Expenditures Year Ended June 30, 2024	Accrued (Unearned) Revenue at June 30, 2024
\$ -	\$ -	\$ 631,252	\$ 984,052	\$ 352,800
1,862,803	558,931	558,931	-	-
-	-	1,235,801	1,901,259	665,458
1,076,014	370,899	370,899	-	-
<u>2,938,817</u>	<u>929,830</u>	<u>2,796,883</u>	<u>2,885,311</u>	<u>1,018,258</u>
74,495	6,297	6,297	-	-
-	-	39,593	51,967	12,374
17,814	8,978	8,978	-	-
<u>92,309</u>	<u>15,275</u>	<u>54,868</u>	<u>51,967</u>	<u>12,374</u>
<u>3,031,126</u>	<u>945,105</u>	<u>2,851,751</u>	<u>2,937,278</u>	<u>1,030,632</u>
-	-	127,427	188,224	60,797
-	-	3,294	3,324	30
166,931	36,328	36,328	-	-
-	-	67,822	76,888	9,066
<u>166,931</u>	<u>36,328</u>	<u>104,150</u>	<u>76,888</u>	<u>9,066</u>
15,289	947	947	-	-
-	-	30,019	30,415	396
<u>15,289</u>	<u>947</u>	<u>30,966</u>	<u>30,415</u>	<u>396</u>

continued...

ANCHOR BAY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards For the Year Ended June 30,

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
U.S. Department of Education (concluded)				
COVID-19 - Education Stabilization Fund:				
Elementary and Secondary School				
Emergency Relief (ESSER) -				
98c Learning Loss Grant	84.425D	MDE	213782-2223	\$ 282,065
American Rescue Plan - Elementary and Secondary				
School Emergency Relief (ARP-ESSER):				
Great Start Readiness Program	84.425U	MISD	222390-2122	135,024
ESSER III - American Rescue Plan	84.425U	MDE	213713-2122	2,875,960
ESSER III - 11t American Rescue Plan	84.425U	MDE	213723-2122	3,397,860
American Rescue Plan - Homeless II	84.425W	MDE	211012-2122	18,092
Total U.S. Department of Education				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.



(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2023	Federal Funds / Payments In-Kind Received	Expenditures Year Ended June 30, 2024	Accrued (Unearned) Revenue at June 30, 2024
\$ 282,065	\$ 72,141	\$ 72,141	\$ -	\$ -
135,024	16,399	16,399	-	-
1,598,981	322,796	1,391,445	1,276,979	208,330
1,455,737	1,455,737	2,469,719	1,469,097	455,115
-	-	15,617	15,617	-
<u>3,471,807</u>	<u>1,867,073</u>	<u>3,965,321</u>	<u>2,761,693</u>	<u>663,445</u>
<u>7,114,391</u>	<u>2,950,183</u>	<u>7,622,130</u>	<u>6,453,719</u>	<u>1,781,772</u>
<u>\$ 8,348,107</u>	<u>\$ 2,913,642</u>	<u>\$ 9,426,130</u>	<u>\$ 8,294,260</u>	<u>\$ 1,781,772</u>

concluded

ANCHOR BAY SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of **Anchor Bay School District** (the "District") 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 the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. RECONCILIATION TO BASIC FINANCIAL STATEMENTS

A reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit act compliance schedule of expenditures of federal awards is as follows:

Federal revenues as reported in the financial statements	\$ 8,448,006
Federal USAC E-Rate funding not subject to the requirements of 2 CFR 200 subpart F	(152,780)
Federal assistance to beneficiaries	<u>(966)</u>
Expenditures per schedule of expenditures of federal awards	<u>\$ 8,294,260</u>

ANCHOR BAY SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

The District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
MISD	Macomb Intermediate School District



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**INDEPENDENT AUDITORS' 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 15, 2024

Board of Education
Anchor Bay School District
Casco Township, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Anchor Bay School District** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2024.

Report on Internal Control Over Financial Reporting

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

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 15, 2024

Board of Education
Anchor Bay School District
Casco Township, Michigan

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the compliance of ***Anchor Bay School District*** (the "District") 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 the District's major federal program for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

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

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



Responsibilities of Management for Compliance

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

Independent Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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 Independent Auditors' 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.

Purpose of this Report

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.

Rehmann Lobson LLC

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ANCHOR BAY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditor's report issued on compliance for each major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.027 and 84.173	Special Education Cluster	Unmodified

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

Auditee qualified as low-risk auditee? X yes no

ANCHOR BAY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

ANCHOR BAY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



ANCHOR BAY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2024

None reported.

