

# January 12, 2026 - Organizational Meeting

Monday, January 12, 2026 5:00 PM

Elk Rapids High School Library, 308 Meguzee Point Dr, Elk Rapids, MI 49629

I. **CALL TO ORDER: ROLL CALL/PLEDGE OF ALLEGIANCE**

**Board of Education:**

**President Jennifer Brown  
Moore**

**Trustee Scott**

**Vice-President Tara Kribs  
Wojtowicz**

**Trustee Shana**

**Secretary Sherry Steffen**

**Trustee Jeff Hill**

**Treasurer Darryl Antcliff**

**Central Staff:**

**Superintendent Bryan McKenna**

**Executive Assistant Kortni Huron**

**Director of Finance Laurie McCann**

II. **CHANGES AND ADDITIONS TO THE AGENDA**

III. **COMMUNICATIONS FROM THE PUBLIC ON ANY TOPIC**

**Time limitations: Fifteen minutes per item, three minutes per speaker per item.**

IV. **ELECTION OF BOARD OFFICERS**

- Board President
- Vice President
- Secretary
- Treasurer

V. **\*Additional nominations may be made for each office, using the same procedure.**

VI. **SPECIAL PRESENTATION - DISTRICT AUDIT**

- 2024-25 Elk Rapids Schools District Audit
  - UHY, LLP - Zachary Fredrickson

VII. **ACTION ITEMS**

VIII. **84-26 APPROVAL OF THE 2024-25 ELK RAPIDS SCHOOLS DISTRICT AUDIT**

**RESOLVED: That the 2024-25 Elk Rapids Schools District Audit, presented by UHY, LLP, be approved.**

IX. **85-26 APPROVAL OF SIGNATURES FOR ALDEN STATE BANK AND MILAF/FIFTH THIRD BANK**

**RESOLVED: That the Board President, Board Vice President, Board Treasurer, Board Secretary, Director of Finance, Assistant Business Manager, and Superintendent be approved as signatories for Alden State Bank and MILAF/Fifth Third Bank.**

X. **86-26 APPROVAL TO AUTHORIZE SUPERINTENDENT & DIRECTOR OF FINANCE TO RECEIVE, RECORD AND DEPOSIT SCHOOL FUNDS**

**RESOLVED:** That the Superintendent & Director of Finance be approved to receive, record and deposit school funds.

XI. **87-26 APPROVAL FOR THE BOARD PRESIDENT/SUPERINTENDENT TO SERVE AS LIAISONS**

**RESOLVED:** That the Board President and/or Superintendent be approved to serve as liaisons in representing the Board at official community or state functions.

XII. **88-26 APPROVAL TO HAVE THE SUPERINTENDENT OR HIS DESIGNEE POST NOTICES OF MEETINGS**

**RESOLVED:** That the Superintendent or his designee be responsible for posting notices of Board meetings.

XIII. **89-26 APPROVAL OF AUTOMATED CLEARING HOUSE (“ACH”) TRANSACTIONS AND WIRED TRANSFERS**

**RESOLVED:** That the Director of Finance be authorized to process ACH transactions and wired transfers on behalf of the district.

XIV. **90-26 AUTHORIZE THE SUPERINTENDENT TO APPROVE AND SIGN CONTRACTS AND AGREEMENTS ON BEHALF OF THE DISTRICT UP TO BUT NOT TO EXCEED \$100,000**

**RESOLVED:** That the Superintendent be authorized to approve and sign contracts and agreements on behalf of the district up to but not to exceed \$100,000.

XV. **91-26 APPROVAL OF UPDATED COMPETITIVE BID THRESHOLD FOR THE 2025-26 SCHOOL YEAR**

**RESOLVED:** That the updated competitive bid threshold of \$31,321 be approved as presented.

XVI. **92-26 APPROVAL TO DESIGNATE THE DIRECTOR OF FINANCE AND EXECUTIVE ASSISTANT TO ASSUME SPECIFIED RESPONSIBILITIES OF THE TREASURER AND THE SECRETARY**

**RESOLVED:** That the approval to designate the Director of Finance and Executive Assistant to assume specified responsibilities of the Treasurer and the Secretary.

XVII. 93-26 APPROVAL OF BOARD MEETING DATES

**RESOLVED:** That the following board meeting dates be approved as presented.

- February 9, 2026 - Regular Board Meeting
- March 9, 2026 - Regular Board Meeting
- April 13, 2026 - Regular Board Meeting
- May 11, 2026 - Regular Board Meeting
- June 8, 2026 - Regular Board Meeting
- June 22, 2026 - Budget Hearing
- July 13, 2026 - Regular Board Meeting
- August 10, 2026 - Regular Board Meeting
- September 14, 2026 - Regular Board Meeting
- October 12, 2026 - Regular Board Meeting
- November 9, 2026 - Regular Board Meeting
- December 14, 2026 - Regular Board Meeting
- January 11, 2027 - Organizational/Regular Board Meetings

XVIII. STUDY SESSION

This portion of the agenda is utilized by the Board to introduce topics for future study, to discuss school related matters, and to relate items of interest. No action is taken during this time. Occasionally closed sessions are scheduled to discuss confidential personnel, negotiations or property matters.

- Board Member Stipend Donation of Time and Effort
- Annual Conflicts of Interest Disclosure Form
- Policy 0154 - Notice of Board Meeting, No Fee Charged

XIX. ESTABLISHMENT OF BOARD COMMITTEES AND OTHER APPOINTMENTS BOARD COMMITTEES

- Policy Committee:  
Chair:
- Administrative Student Growth & Achievement/Curriculum:
- Administrative Finance & Facilities:

XX. APPOINTMENTS

- Athletic Council:
- Class Size:
- MASB Liaison:
- Regional School Board Representative:
- Educational Foundation Representative:
- Sex Education Advisory/Health Education:
- Safety:

XXI. ADJOURNMENT



ELK RAPIDS SCHOOLS

ELK RAPIDS, MICHIGAN

YEAR ENDED JUNE 30, 2025

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

|   | <u>PAGES</u> |
|---|--------------|
| <b>Independent Auditor's Report</b>   | 1-3          |
| <b>Management's Discussion and Analysis</b>   | 4-10         |
| <b>Basic Financial Statements</b>   |              |
| Government-Wide Financial Statements  |              |
| Statement of Net Position   | 11           |
| Statement of Activities   | 12           |
| Fund Financial Statements   |              |
| Balance Sheet - Governmental Funds  | 13           |
| Reconciliation of the Balance Sheet of Governmental Funds to<br>the Statement of Net Position   | 14           |
| Statement of Revenues, Expenditures and Changes in Fund Balances -<br>Governmental Funds  | 15           |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances of Governmental Funds<br>to the Statement of Activities   | 16           |
| Statement of Fiduciary Net Position   | 17           |
| Statement of Changes in Fiduciary Net Position  | 18           |
| Notes to Financial Statements   | 19-47        |
| <b>Required Supplementary Information</b>   |              |
| Budgetary Comparison Schedule – General Fund  | 48           |
| Schedule of Proportionate Share of the Net Pension Liability  | 49           |
| Schedule of Pension Contributions   | 50           |
| Schedule of Proportionate Share of the Net OPEB Liability/(Asset)   | 51           |
| Schedule of OPEB Contributions  | 52           |
| Notes to Required Supplementary Information   | 53-54        |
| <b>Supplementary Information</b>  |              |
| Combining Nonmajor Fund Financial Statements  |              |
| Combining Balance Sheet   | 55           |
| Combining Statement of Revenues, Expenditures and Changes in<br>Fund Balances   | 56           |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> | 57-59        |
| Corrective Action Plan  | 60-61        |



## INDEPENDENT AUDITOR'S REPORT

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

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Rapids Schools, Elk Rapids, Michigan as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Rapids Schools, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

#### ***Change in Accounting Principle***

As discussed in Note 4 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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

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

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

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

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

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

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 4-10 and 48-54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elk Rapids Schools' basic financial statements. The accompanying combining nonmajor fund financial statements as required by *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025, on our consideration of Elk Rapids Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Elk Rapids Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elk Rapids Schools' internal control over financial reporting and compliance.

***UHY LLP***

Cadillac, Michigan  
October 30, 2025

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

This section of Elk Rapids School Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

**A. Government-Wide Financial Statements**

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. The District-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District's assets and liabilities. All of the year's revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

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

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

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

**B. Fund Financial Statements**

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

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

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

The District maintains the following type of fund:

**Governmental Funds** – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

**Notes to Financial Statements**

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

**Other Information**

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

**C. Summary of Net Position**

The following schedule summarizes the net position at fiscal years ended June 30. The prior year has not been restated to include the new GASBS No. 101 Standards—*Compensated Absences*:

|   | <u>2025</u>         | <u>2024</u>           |
|---|---------------------|-----------------------|
| <b>Assets</b>                                     |                     |                       |
| Current and Other Assets                          | \$ 25,981,237       | \$ 25,474,995         |
| Capital Assets, Net                               | 53,149,228          | 46,965,561            |
| Total Assets                                      | <u>79,130,465</u>   | <u>72,440,556</u>     |
| <b>Deferred Outflows of Resources</b>             | <u>5,287,386</u>    | <u>7,513,956</u>      |
| <b>Liabilities</b>                                |                     |                       |
| Current Liabilities                               | 6,220,079           | 6,159,388             |
| Long-Term Liabilities                             | 63,078,449          | 69,027,440            |
| Total Liabilities                                 | <u>69,298,528</u>   | <u>75,186,828</u>     |
| <b>Deferred Inflows of Resources</b>              |                     |                       |
| Deferred Inflows of Resources Related to Pensions | <u>9,804,699</u>    | <u>7,529,121</u>      |
| <b>Net Position</b>                               |                     |                       |
| Net Investment in Capital Assets                  | 14,428,561          | 13,646,569            |
| Restricted for Debt Retirement                    | 304,155             | 286,679               |
| Restricted for Net Other Postemployment Benefits  | 2,823,570           | 369,105               |
| Unrestricted - (Deficit)                          | <u>(12,241,662)</u> | <u>(17,063,790)</u>   |
| Total Net Position - (Deficit)                    | <u>\$ 5,314,624</u> | <u>\$ (2,761,437)</u> |

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2025, the District's net position increased by \$8,319,752. A few of the more significant factors affecting net position during the year are discussed below:

**1. Depreciation Expense**

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2025, \$712,751 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2025, \$6,915,953 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$6,183,667 for the fiscal year ended June 30, 2025. An increase to net capital assets is an increase in net position.

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

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

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

During the year ending June 30, 2025, the District decreased its long-term bonded obligations by \$400,000.

**E. Change in Net Position**

The following schedule summarizes the results of operations, on a District-wide basis, for the years ended June 30. The prior year has not been restated to include the new GASBS No. 101 Standards—*Compensated Absences*:

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

|  | <u>2025</u>         | <u>2024</u>         |
|--|---------------------|---------------------|
| <b>Revenue</b>   |                     |                     |
| Program Revenue:                                       |                     |                     |
| Charges for Services                                   | \$ 2,528,599        | \$ 443,475          |
| Operating Grants and Contributions                     | 6,559,455           | 4,476,279           |
| Capital Grants and Contributions                       | 108,412             | 72,449              |
| General Revenue:                                       |                     |                     |
| Property Taxes - Levied for General Purposes           | 11,611,866          | 10,859,376          |
| Property Taxes - Levied for Debt                       | 2,299,144           | 2,210,934           |
| Investment Earnings                                    | 1,160,290           | 1,791,662           |
| State Sources  | 1,267,541           | 1,065,910           |
| Other  | 111,479             | 158,388             |
| Total Revenue  | <u>25,646,786</u>   | <u>21,078,473</u>   |
| <b>Function/Program Expense</b>                        |                     |                     |
| Instruction  | 7,552,471           | 6,395,509           |
| Supporting Services                                    | 5,587,997           | 5,766,365           |
| Food Service Activities                                | 827,622             | 790,683             |
| Community Services                                     | 249,964             | 371,828             |
| Facilities Acquisition, Construction, and Improvements | 593,694             | 421,793             |
| Interest on Long-Term Debt                             | 1,802,535           | 1,916,192           |
| Unallocated Depreciation                               | 712,751             | 768,238             |
| Total Expenses   | <u>17,327,034</u>   | <u>16,430,608</u>   |
| <b>Change in Net Position</b>                          | <u>\$ 8,319,752</u> | <u>\$ 4,647,865</u> |

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

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

|                                   | <u>2025</u>          | <u>2024</u>          | <u>Increase<br/>(Decrease)</u> |
|-----------------------------------|----------------------|----------------------|--------------------------------|
| <b>Major Fund</b>                 |                      |                      |                                |
| General Fund                      | \$ 5,119,127         | \$ 3,840,337         | \$ 1,278,790                   |
| 2020 Bond Construction Fund       | 0                    | 3,289,821            | (3,289,821)                    |
| 2023 Bond Construction Fund       | 8,417,602            | 11,076,184           | (2,658,582)                    |
| 2020 School Improvement Bond Fund | 626,889              | 582,278              | 44,611                         |
| Capital Projects Fund             | 2,710,469            | 0                    | 2,710,469                      |
| <b>Nonmajor Funds</b>             |                      |                      |                                |
| Food Service                      | 350,979              | 369,278              | (18,299)                       |
| Preschool & Kid's Club            | 226,926              | 153,533              | 73,393                         |
| Student Activities                | 460,944              | 478,398              | (17,454)                       |
| Debt Service Funds                | 0                    | 28,801               | (28,801)                       |
| Total Governmental Funds          | <u>\$ 17,912,936</u> | <u>\$ 19,818,630</u> | <u>\$ (1,905,694)</u>          |

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

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

As the District completed this year, the governmental funds reported a combined fund balance of \$17,912,936, which is a decrease of \$1,905,694 from last year.

- The General Fund, the principal operating fund, increased its fund balance by \$1,278,790 for an ending balance of \$5,119,127. This increase is primarily due to increased local funding from tax revenues that outweighed a conservative approach to utilizing expenditures. Of the ending fund balance, \$193,525 is nonspendable for prepaid expenditures and \$4,925,602 is unassigned.
- The 2020 Bond Construction Fund decreased its fund balance by \$3,289,821. The reason for the decrease is a transfer to move funds to the 2023 Bond Construction Fund. There is no more fund balance remaining and the fund was final in 2024-25.
- The 2023 Bond Construction Fund decreased its fund balance by \$2,658,582. The reason for the decrease is for building and site improvement expenditures during the fiscal year. All of the fund balance of \$8,417,602 is restricted for capital projects.
- The 2020 School Improvement Bond Fund is a new major fund in the 2024-25 fiscal year. The fund increased its fund balance by \$44,611. The reason for the increase is due to tax revenues collected outweighed the debt and interest payments for the fiscal year.
- The Capital Projects Fund is a new fund created by the District during 2024-25. The fund balance increased by \$2,710,469, which is all committed for future capital projects. The reason for the increase is due to a three million dollar transfer in.

**G. General Fund Budgetary Highlights**

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

For the 2024-2025 fiscal year, the District amended the General Fund budget various times throughout the year. The following schedule shows a comparison of the original General Fund budget to actual totals from operations:

|   | ORIGINAL<br>BUDGET | FINAL<br>BUDGET | ACTUAL        |
|---|--------------------|-----------------|---------------|
| <u>TOTAL REVENUES</u>                     | \$ 16,328,412      | \$ 17,795,624   | \$ 19,975,193 |
| <u>EXPENDITURES</u>                       |                    |                 |               |
| Instruction                               | \$ 9,939,777       | \$ 8,162,428    | \$ 9,382,355  |
| Supporting Services                       | 6,199,572          | 6,077,327       | 5,918,968     |
| Community Services                        | 26,335             | 33,692          | 26,492        |
| Payments to Other Governmental Agencies   | 0                  | 10,058          | 10,057        |
| Facilities, Improvements and Acquisitions | 0                  | 338,609         | 338,608       |
| Total Expenditures                        | \$ 16,165,684      | \$ 14,622,114   | \$ 15,676,480 |

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

The revenue budget was amended as it became clearer on the amounts the District would receive for Local and State allocations. The variance between final budgeted revenues and actual revenues was mainly the result of the District receiving more for payments for services from another school district for leased employees.

The expenditure variance between original budget to final budget resulted from funding amounts for various programs and associated expenditures becoming clearer throughout the year as those are typically revenue driven. The expenditure variance between final budget to actual was caused by omitting budgeting for the employees leased to another school district.

**H. Capital Asset and Debt Administration**

**1. Capital Assets**

At June 30, 2025, the District had \$74,537,287 in a broad range of capital assets, including school buildings and facilities, school buses, and various types of equipment. Depreciation expense for the year amounted to \$712,751, bringing the accumulated depreciation to \$21,388,059 as of June 30, 2025.

The significant additions to capital assets included:

- Construction in progress in the 2023 Bond Construction Fund totaling \$5,659,104 for the current fiscal year.
- Building upgrades placed into service during the fiscal year that included things such as roof repairs, security doors, drinking fountains totaling \$1,028,531. \$35,751,592 was placed into service of which \$34,723,061 was construction in progress in the prior year.
- School grounds mower in the amount of \$17,680.
- New Chromebooks at a cost of \$100,992.
- Equipment for various lunchrooms totaling \$84,847.
- Playground equipment totaling \$24,799.

The Significant deletions to capital assets included:

- Building and Building Improvements with a historical cost of \$59,782
- Machinery and Equipment with a historical cost of \$400,497
- Vehicles with a historical cost of \$439,402

As of the end of the fiscal year the District has committed to spending approximately \$6,042,754 as a part of the Bond Construction Fund. The District has also committed to purchasing a bus for \$152,464 and a van for \$73,196.

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

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

**2. Long-Term Obligations**

At the end of this year, the District had \$47,926,326 in long-term obligations outstanding versus \$48,430,867 in the previous year. This represents a net decrease of \$504,541 from the prior year. The obligations are made up of bonds payable of \$43,395,000, employee compensated absences in the amount of \$788,057 and unamortized bond premiums of \$3,743,269.

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

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

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

- The District and other districts in the area are experiencing a shortage of qualified educators. This issue is expected to expand in the near future.
- A major one-time funding source, federal funding from the pandemic recovery efforts is now gone. With this type of funding gone, it is unlikely that the revenue received from these sources will be replaced. The District will need to take this into consideration with future budgeting that involved the addition of new positions or programs that started due to the pandemic.
- Starting in 2024-25, the District is considered an "out-of-formula" district. Out-of-formula is caused by the District receiving more property tax revenue than it would have received from the State of Michigan under its formula for distributing funds based on the District's pupil count. This can potentially cause issues as the District is an attractive option for students that live outside of the District but choose to attend Elk Rapids Schools. This could add additional staffing and facility costs to be incurred, with no increase to revenue.

**I. Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, 308 Megunzee Point Rd., Elk Rapids, Michigan 49629.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2025

|   |                     |
|---|---------------------|
| <u>ASSETS</u>   |                     |
| Investments   | \$ 8,586,310        |
| Accounts Receivable                                       | 57,750              |
| Lease Receivable  | 327,022             |
| Due from Other Governments                                | 3,627,249           |
| Inventory   | 38,891              |
| Prepaid Expenses  | 193,525             |
| Restricted Investments                                    | 10,326,920          |
| Net Other Postemployment Benefits Asset                   | 2,823,570           |
| Assets Not Being Depreciated                              | 8,537,675           |
| Assets Being Depreciated, Net of Accumulated Depreciation | <u>44,611,553</u>   |
| TOTAL ASSETS  | <u>79,130,465</u>   |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u>                     |                     |
| Related to Pension  | 4,589,232           |
| Related to Other Postemployment Benefits                  | <u>698,154</u>      |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES                      | <u>5,287,386</u>    |
| <u>LIABILITIES</u>  |                     |
| Accounts and Retainage Payable                            | 1,950,651           |
| Due to Other Governments                                  | 1,403,951           |
| Salaries Payable  | 812,307             |
| Accrued Expenses  | 593,289             |
| Accrued Interest  | 322,734             |
| Unearned Revenue  | 157,511             |
| Noncurrent Liabilities                                    |                     |
| Due Within One Year                                       |                     |
| Bonds and Notes Payable                                   | 631,728             |
| Compensated Absences                                      | 347,908             |
| Due in More Than One Year                                 |                     |
| Bonds and Notes Payable                                   | 42,910,000          |
| Bond Premium  | 3,596,541           |
| Net Pension Liability                                     | 16,131,759          |
| Compensated Absences                                      | <u>440,149</u>      |
| TOTAL LIABILITIES   | <u>69,298,528</u>   |
| <u>DEFERRED INFLOWS OF RESOURCES</u>                      |                     |
| Related to Pensions                                       | 5,677,040           |
| Related to Other Postemployment Benefits                  | 3,800,637           |
| Related to Unavailable Revenues - Leases                  | <u>327,022</u>      |
| TOTAL DEFERRED INFLOWS OF RESOURCES                       | <u>9,804,699</u>    |
| <u>NET POSITION</u>                                       |                     |
| Net Investment in Capital Assets                          | 14,428,561          |
| Restricted for Debt Service                               | 304,155             |
| Restricted for Net Other Postemployment Benefits          | 2,823,570           |
| Unrestricted (Deficit)                                    | <u>(12,241,662)</u> |
| TOTAL NET POSITION (Deficit)                              | <u>\$ 5,314,624</u> |

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

| FUNCTIONS/PROGRAMS  | EXPENSES             | PROGRAM REVENUES        |  |                   | GOVERNMENTAL   |
|---|----------------------|-------------------------|--|-------------------|--|
|   |                      | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL<br>GRANTS | ACTIVITIES<br>NET (EXPENSE)<br>REVENUE AND<br>CHANGES IN<br>NET POSITION |
| <u>GOVERNMENTAL ACTIVITIES</u>  |                      |                         |  |                   |  |
| Instruction   | \$ 7,552,471         | \$ 1,744,082            | \$ 2,525,324                             | \$ 0              | \$ (3,283,065)   |
| Supporting Services   | 5,587,997            | 503,218                 | 2,767,557                                | 108,412           | (2,208,810)  |
| Food Service Activities   | 827,622              | 63,255                  | 825,316                                  | 0                 | 60,949   |
| Community Services  | 249,964              | 218,044                 | 441,258                                  | 0                 | 409,338  |
| Facilities Acquisition, Construction, and Improvements                    | 593,694              | 0                       | 0  | 0                 | (593,694)  |
| Interest on Long-Term Debt  | 1,802,535            | 0                       | 0  | 0                 | (1,802,535)  |
| Unallocated Depreciation  | 712,751              | 0                       | 0  | 0                 | (712,751)  |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>                                      | <b>\$ 17,327,034</b> | <b>\$ 2,528,599</b>     | <b>\$ 6,559,455</b>                      | <b>\$ 108,412</b> | <b>(8,130,568)</b>   |
| <u>GENERAL REVENUES</u>   |                      |                         |  |                   |  |
| Property Taxes -Levied for General Purposes                               |                      |                         |  |                   | 11,611,866   |
| Property Taxes -Levied for Debt Service                                   |                      |                         |  |                   | 2,299,144  |
| Investment Earnings   |                      |                         |  |                   | 1,160,290  |
| State Sources   |                      |                         |  |                   | 1,267,541  |
| Other   |                      |                         |  |                   | 111,479  |
| <b>Total General Revenues</b>   |                      |                         |  |                   | <b>16,450,320</b>  |
| Change in Net Position  |                      |                         |  |                   | 8,319,752  |
| <u>NET POSITION</u> - Beginning of Year (Deficit), as previously reported |                      |                         |  |                   | (2,761,437)  |
| Adjustments to Beginning Net Position                                     |                      |                         |  |                   | (243,691)  |
| <u>NET POSITION</u> - Beginning of Year (Deficit), as restated            |                      |                         |  |                   | (3,005,128)  |
| <u>NET POSITION</u> - End of Year   |                      |                         |  |                   | <b>\$ 5,314,624</b>  |

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2025

|  | CAPITAL PROJECTS     |                             |                             | DEBT SERVICE          | OTHER                             | TOTAL                       |                      |
|--|----------------------|-----------------------------|-----------------------------|-----------------------|-----------------------------------|-----------------------------|----------------------|
|  | GENERAL FUND         | 2020 BOND CONSTRUCTION FUND | 2023 BOND CONSTRUCTION FUND | CAPITAL PROJECTS FUND | 2020 SCHOOL IMPROVEMENT BOND FUND | NONMAJOR GOVERNMENTAL FUNDS | GOVERNMENTAL FUNDS   |
| <b>ASSETS</b>  |                      |                             |                             |                       |                                   |                             |                      |
| Investments  | \$ 6,146,897         | \$ 0                        | \$ 0                        | \$ 855,369            | \$ 615,351                        | \$ 968,693                  | \$ 8,586,310         |
| Accounts Receivable  | 57,750               | 0                           | 0                           |                       |                                   | 0                           | 57,750               |
| Lease Receivable   | 327,022              | 0                           | 0                           | 0                     | 0                                 | 0                           | 327,022              |
| Due from Other Governments   | 3,277,516            | 0                           | 0                           | 0                     | 0                                 | 349,733                     | 3,627,249            |
| Due from Other Funds   | 418,701              | 0                           | 1,127                       | 2,000,000             | 12,038                            | 46,828                      | 2,478,694            |
| Inventory  | 0                    | 0                           | 0                           | 0                     | 0                                 | 38,891                      | 38,891               |
| Prepaid Expenditures   | 193,525              | 0                           | 0                           | 0                     | 0                                 | 0                           | 193,525              |
| Restricted Investments   | 0                    | 0                           | 10,326,920                  | 0                     | 0                                 | 0                           | 10,326,920           |
| <b>TOTAL ASSETS</b>  | <b>\$ 10,421,411</b> | <b>\$ 0</b>                 | <b>\$ 10,328,047</b>        | <b>\$ 2,855,369</b>   | <b>\$ 627,389</b>                 | <b>\$ 1,404,145</b>         | <b>\$ 25,636,361</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>        |                      |                             |                             |                       |                                   |                             |                      |
| <b>LIABILITIES</b>   |                      |                             |                             |                       |                                   |                             |                      |
| Accounts and Retainage Payable   | \$ 30,127            | \$ 0                        | \$ 1,907,307                | \$ 0                  | \$ 0                              | \$ 13,217                   | \$ 1,950,651         |
| Due to Other Funds   | 2,059,993            | 0                           | 3,138                       | 144,900               | 500                               | 270,163                     | 2,478,694            |
| Due to Other Governments   | 1,403,951            | 0                           | 0                           | 0                     | 0                                 | 0                           | 1,403,951            |
| Salaries Payable   | 812,307              | 0                           | 0                           | 0                     | 0                                 | 0                           | 812,307              |
| Accrued Expenses   | 593,289              | 0                           | 0                           | 0                     | 0                                 | 0                           | 593,289              |
| Unearned Revenue   | 75,595               | 0                           | 0                           | 0                     | 0                                 | 81,916                      | 157,511              |
| <b>Total Liabilities</b>   | <b>4,975,262</b>     | <b>0</b>                    | <b>1,910,445</b>            | <b>144,900</b>        | <b>500</b>                        | <b>365,296</b>              | <b>7,396,403</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                       |                      |                             |                             |                       |                                   |                             |                      |
| Unavailable Revenue - Leases   | 327,022              | 0                           | 0                           | 0                     | 0                                 | 0                           | 327,022              |
| <b>FUND BALANCES</b>   |                      |                             |                             |                       |                                   |                             |                      |
| <b>Nonspendable</b>  |                      |                             |                             |                       |                                   |                             |                      |
| Prepaid Expenditures   | 193,525              | 0                           | 0                           | 0                     | 0                                 | 0                           | 193,525              |
| Inventory  | 0                    | 0                           | 0                           | 0                     | 0                                 | 38,891                      | 38,891               |
| <b>Restricted</b>  |                      |                             |                             |                       |                                   |                             |                      |
| Debt Service   | 0                    | 0                           | 0                           | 0                     | 626,889                           | 0                           | 626,889              |
| Food Service   | 0                    | 0                           | 0                           | 0                     | 0                                 | 312,088                     | 312,088              |
| Capital Projects   | 0                    | 0                           | 8,417,602                   | 0                     | 0                                 | 0                           | 8,417,602            |
| <b>Committed for</b>   |                      |                             |                             |                       |                                   |                             |                      |
| Capital Improvements   | 0                    | 0                           | 0                           | 2,710,469             | 0                                 | 0                           | 2,710,469            |
| <b>Assigned</b>  |                      |                             |                             |                       |                                   |                             |                      |
| Student Activities   | 0                    | 0                           | 0                           | 0                     | 0                                 | 460,944                     | 460,944              |
| Preschool and Kids Club  | 0                    | 0                           | 0                           | 0                     | 0                                 | 226,926                     | 226,926              |
| Unassigned   | 4,925,602            | 0                           | 0                           | 0                     | 0                                 | 0                           | 4,925,602            |
| <b>Total Fund Balances</b>   | <b>5,119,127</b>     | <b>0</b>                    | <b>8,417,602</b>            | <b>2,710,469</b>      | <b>626,889</b>                    | <b>1,038,849</b>            | <b>17,912,936</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 10,421,411</b> | <b>\$ 0</b>                 | <b>\$ 10,328,047</b>        | <b>\$ 2,855,369</b>   | <b>\$ 627,389</b>                 | <b>\$ 1,404,145</b>         | <b>\$ 25,636,361</b> |

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

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

JUNE 30, 2025

|                                  |    |            |
|----------------------------------|----|------------|
| Total Governmental Fund Balances | \$ | 17,912,936 |
|----------------------------------|----|------------|

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

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

|                                   |    |                     |            |
|-----------------------------------|----|---------------------|------------|
| The cost of the capital assets is | \$ | 74,537,287          |            |
| Accumulated depreciation is       |    | <u>(21,388,059)</u> | 53,149,228 |

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

|                                   |           |
|-----------------------------------|-----------|
| Net Other Postemployment Benefits | 2,823,570 |
|-----------------------------------|-----------|

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

|                                    |                     |
|------------------------------------|---------------------|
| Bonds Payable                      | (43,395,000)        |
| Unamortized Bond Premiums          | (3,743,269)         |
| Accrued Interest on Long Term Debt | (322,734)           |
| Compensated Absences               | (788,057)           |
| Net Pension Liability              | <u>(16,131,759)</u> |

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

|  |                    |
|--|--------------------|
| Deferred Outflows - Related to Pensions                      | 4,589,232          |
| Deferred Outflows - Related to Other Postemployment Benefits | 698,154            |
| Deferred Inflows - Related to Pensions                       | (5,677,040)        |
| Deferred Inflows - Related to Other Postemployment Benefits  | <u>(3,800,637)</u> |

|   |    |                  |
|---|----|------------------|
| NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES | \$ | <u>5,314,624</u> |
|---|----|------------------|

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

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

YEAR ENDED JUNE 30, 2025

|   | GENERAL<br>FUND     | 2020 BOND<br>CONSTRUCTION<br>FUND | 2023 BOND<br>CONSTRUCTION<br>FUND | CAPITAL PROJECTS<br>FUND | GASB 100 CHANGE IN<br>REPORTING                              |  | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------------|--|--|--------------------------------|
|   |                     |                                   |                                   |                          | FORMERLY NONMAJOR<br>2020 SCHOOL<br>IMPROVEMENT<br>BOND FUND | OTHER<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |                                |
| <b>REVENUES</b>   |                     |                                   |                                   |                          |  |  |                                |
| Local Sources   | \$ 12,322,279       | \$ 25                             | \$ 608,265                        | \$ 369                   | \$ 2,346,211   | \$ 912,887                                 | \$ 16,190,036                  |
| Revenues Received through another<br>Non-Educational Entity | 49,000              | 0                                 | 0                                 | 0                        | 0  | 0  | 49,000                         |
| State Sources   | 4,868,795           | 0                                 | 0                                 | 0                        | 0  | 744,648                                    | 5,613,443                      |
| Federal Sources   | 212,316             | 0                                 | 0                                 | 0                        | 0  | 493,180                                    | 705,496                        |
| Other Transactions  | 2,522,803           | 0                                 | 0                                 | 0                        | 0  | 0  | 2,522,803                      |
| <b>Total Revenues</b>                                       | <b>19,975,193</b>   | <b>25</b>                         | <b>608,265</b>                    | <b>369</b>               | <b>2,346,211</b>   | <b>2,150,715</b>                           | <b>25,080,778</b>              |
| <b>EXPENDITURES</b>   |                     |                                   |                                   |                          |  |  |                                |
| Instruction   | 9,382,355           | 0                                 | 0                                 | 0                        | 0  | 233,378                                    | 9,615,733                      |
| Supporting Services   | 5,918,968           | 0                                 | 0                                 | 0                        | 0  | 734,183                                    | 6,653,151                      |
| Food Service Activities                                     | 0                   | 0                                 | 0                                 | 0                        | 0  | 913,519                                    | 913,519                        |
| Community Services  | 26,492              | 0                                 | 0                                 | 0                        | 0  | 206,995                                    | 233,487                        |
| Payments to Other Governmental Agencies                     | 10,057              | 0                                 | 0                                 | 0                        | 0  | 0  | 10,057                         |
| Facilities Acquisition, Construction,<br>and Improvements   | 338,608             | 0                                 | 6,555,088                         | 289,900                  | 0  | 25,000                                     | 7,208,596                      |
| Debt Service  |                     |                                   |                                   |                          |  |  |                                |
| Principal   | 0                   | 0                                 | 0                                 | 0                        | 400,000  | 0  | 400,000                        |
| Interest  | 0                   | 0                                 | 0                                 | 0                        | 1,950,929  | 0  | 1,950,929                      |
| Other Fees  | 0                   | 0                                 | 0                                 | 0                        | 1,000  | 0  | 1,000                          |
| <b>Total Expenditures</b>                                   | <b>15,676,480</b>   | <b>0</b>                          | <b>6,555,088</b>                  | <b>289,900</b>           | <b>2,351,929</b>   | <b>2,113,075</b>                           | <b>26,986,472</b>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures        | 4,298,713           | 25                                | (5,946,823)                       | (289,531)                | (5,718)  | 37,640                                     | (1,905,694)                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |                     |                                   |                                   |                          |  |  |                                |
| Transfers In  | 2,605               | 0                                 | 3,288,241                         | 3,000,000                | 51,329   | 1,000                                      | 6,343,175                      |
| Transfers Out   | (3,022,528)         | (3,289,846)                       | 0                                 | 0                        | (1,000)  | (29,801)                                   | (6,343,175)                    |
| <b>Total Other Financing Sources (Uses)</b>                 | <b>(3,019,923)</b>  | <b>(3,289,846)</b>                | <b>3,288,241</b>                  | <b>3,000,000</b>         | <b>50,329</b>  | <b>(28,801)</b>                            | <b>0</b>                       |
| <b>Net Change in Fund Balance</b>                           | <b>1,278,790</b>    | <b>(3,289,821)</b>                | <b>(2,658,582)</b>                | <b>2,710,469</b>         | <b>44,611</b>  | <b>8,839</b>                               | <b>(1,905,694)</b>             |
| <b>FUND BALANCE - Beginning of Year</b>                     | <b>3,840,337</b>    | <b>3,289,821</b>                  | <b>11,076,184</b>                 | <b>0</b>                 | <b>0</b>   | <b>1,612,288</b>                           | <b>19,818,630</b>              |
| Adjustments to beginning fund balances                      | 0                   | 0                                 | 0                                 | 0                        | 582,278  | (582,278)                                  | 0                              |
| <b>Beginning of the year, as restated</b>                   | <b>3,840,337</b>    | <b>3,289,821</b>                  | <b>11,076,184</b>                 | <b>0</b>                 | <b>582,278</b>   | <b>1,030,010</b>                           | <b>19,818,630</b>              |
| <b>FUND BALANCE - End of Year</b>                           | <b>\$ 5,119,127</b> | <b>\$ 0</b>                       | <b>\$ 8,417,602</b>               | <b>\$ 2,710,469</b>      | <b>\$ 626,889</b>  | <b>\$ 1,038,849</b>                        | <b>\$ 17,912,936</b>           |

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

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

YEAR ENDED JUNE 30, 2025

|  |    |             |
|--|----|-------------|
| Net Change in Fund Balances Total Governmental Funds | \$ | (1,905,694) |
|--|----|-------------|

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

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

|                                 |  |           |
|---------------------------------|--|-----------|
| Depreciation Expense            |  | (712,751) |
| Capital Outlay                  |  | 6,915,953 |
| Net Cost of Capital Assets Sold |  | (19,535)  |

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

|                               |  |         |
|-------------------------------|--|---------|
| Principal Paid on Bonds       |  | 400,000 |
| Amortization of Bond Premiums |  | 146,728 |

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

|  |  |           |
|--|--|-----------|
| Change in Pension Related Items                        |  | 1,729,296 |
| Change in Other Postemployment Benefit Items           |  | 1,239,268 |
| Accrued Interest on Long-Term Debt - Beginning of Year |  | 325,400   |
| Accrued Interest on Long-Term Debt - End of Year       |  | (322,734) |
| Compensated Absences - Beginning of Year, As Restated  |  | 745,870   |
| Compensated Absences - End of Year                     |  | (788,057) |

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

|   |  |         |
|---|--|---------|
| Change in State Aid Funding for Pension |  | 566,008 |
|---|--|---------|

|   |    |                  |
|---|----|------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>8,319,752</u> |
|---|----|------------------|

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2025

|                                 | <u>PRIVATE<br/>PURPOSE<br/>TRUST<br/>FUNDS</u> |
|---------------------------------|--|
| <u>ASSETS</u>                   |  |
| Due From Other Funds            | \$       0                                     |
| <u>LIABILITIES</u>              |  |
|                                 | <u>          0</u>                             |
| <u>NET POSITION</u>             |  |
| Restricted for Trust Activities | <u>\$       0</u>                              |

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2025

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

**A. Reporting Entity**

Elk Rapids Schools ("the District") is located in Antrim County with its administrative offices located in Elk Rapids, Michigan. The District operates under an elected seven-member board of education and provides services to its 972 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

The *2020 Bond Construction Fund* and *2023 Bond Construction Fund* accounts for the acquisition of capital assets or the construction of major capital projects. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The 2020 Bond Construction Fund is considered substantially complete as of June 30, 2025. The 2023 Bond Construction Fund is not yet considered substantially complete.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2020 Bond Construction Fund. The projects for which the 2020 bonds were issued were completed as of June 30, 2025. The cumulative revenues and expenditures recognized for the construction period were as follows:

|                                     | <u>2020 Bond<br/>Construction Fund</u> |
|-------------------------------------|--|
| Revenue and other financing sources | \$ 23,294,322                          |
| Expenditures and outgoing transfers | \$ 23,294,322                          |

The *Capital Projects Funds (General Capital Projects)* accounts for the acquisition of fixed assets or construction of major capital projects.

Other non-major funds:

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

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

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

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

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

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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

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

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

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

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

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

- a) Prior to July 1, the business office submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted in June 2024, or as amended by the School Board of Education throughout the year.

**2. Excess of Expenditures Over Appropriations**

General Fund

Instruction

- a) Basic Programs expenditures of \$7,615,860 exceeded appropriations by \$1,214,051.
- b) Added Needs expenditures of \$1,766,495 exceeded appropriations by \$5,876.

Supporting Services

- c) Pupil expenditures of \$608,086 exceeded appropriations by \$44,121
- d) Instructional Staff expenditures of \$138,426 exceeded appropriations by \$4,387.
- e) School Administration expenditures of \$1,247,189 exceeded appropriations by \$181,377.

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

**1. Cash and Cash Equivalents**

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

**2. Investments**

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

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

- a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- c) Certificates of deposit issued by a public corporation(s) (CDs) in insured depository institutions in accordance with the following conditions:
  - 1) funds are initially invested through a financial institution that is not eligible to be a depository of surplus funds belonging to this State
  - 2) financial institution arranges for the investment of the funds in certificates of deposit in one or more insured depository institutions or one or more insured credit unions
  - 3) financial institution acting as a custodian for the school district with respect to each certificate of deposit
  - 4) at the same time that the funds are deposited and the certificate or certificates of deposit are issued, the financial institution receives an amount of deposits from customers of other insured depository institutions equal to or greater than the amount of funds initially invested by the school district through the financial institution
- d) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- e) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- f) United States government or federal agency obligation repurchase agreements.
- g) Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation (FDIC).

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

- h) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- i) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

**3. *Inventory and Prepaid Items***

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

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

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

**4. *Capital Assets***

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Land is not depreciated and construction in progress is not depreciated until the underlying assets are placed in service upon completion of the project. At that time, the asset costs are reclassified out of construction in progress and into the appropriate depreciable category. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives.

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

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

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

**5. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnotes 3.E and 3.F.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnotes 3.E and 3.F.

**6. *Defined Benefit Plans***

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

**7. *Unearned Revenue***

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

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

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

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

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

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**10. Fund Balance Flow Assumption**

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

**11. Fund Balance Policies**

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

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

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

**12. Leases**

Lessor: The District is a lessor for a noncancelable 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 lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements 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.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable 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 this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**13. Use of Estimates**

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

**14. Restricted Investments**

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

**15. Compensated Absences**

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

**H. Revenues and Expenditures/Expenses**

**1. State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The local portion of the foundation is funded primarily by non-homestead property taxes. Since the District's property tax collections exceed the state's formula, the foundation grant approach does not apply to the District. Instead, the District uses its locally collected property taxes to fund the District.

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**2. Federal Revenue**

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

**3. Program Revenues**

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

**4. Property Taxes**

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

For the year ended June 30, 2025, the District levied the following amounts per \$1,000 of taxable valuation:

| <u>Fund</u>  | <u>Mills</u> |
|--|--------------|
| General Fund - Non-Principal Residence Exemption (PRE)   | 17.9316      |
| General Fund - Commercial Personal Property              | 5.9316       |
| Bond - Debt - PRE, Non-PRE, Commercial Personal Property | 1.6000       |

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

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

Note 1.F.2, on the excess of expenditures over appropriations, describes a budgetary violation that occurred for the year ended June 30, 2025. The District is also in violation of the State School Aid Act of 1979, by not submitting the audit prior to the first day of November after fiscal year end.

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

**A. Investments**

As of June 30, 2025 the District had investments subject to the following risks:

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2025, the District did not have any deposits in a financial institution that could be insured.

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

|                                      | Fair<br>Value | Weighted<br>Average<br>Maturity<br>(Years) |
|--------------------------------------|---------------|--|
| MILAF External Investment Pool - CMC | \$ 3,163,660  | N/A  |
| MILAF External Investment Pool - Max | 15,749,570    | N/A  |
|                                      | \$ 18,913,230 |  |
| Portfolio Weighted Average Maturity  |               | N/A  |

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

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

|                                      | Fair<br>Value | Standard<br>& Poor's<br>Rating |
|--------------------------------------|---------------|--------------------------------|
| MILAF External Investment Pool - CMC | \$ 3,163,660  | AAAm                           |
| MILAF External Investment Pool - Max | 15,749,570    | AAAm                           |
|                                      | \$ 18,913,230 |                                |

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

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

The following summarizes the categorization of investment amounts as of June 30, 2025:

|                        | Governmental<br>Activities |
|------------------------|----------------------------|
| Investments            | \$ 8,586,310               |
| Restricted Investments | 10,326,920                 |
|                        | \$ 18,913,230              |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

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

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

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

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

|                                      | Amortized<br>Cost |
|--------------------------------------|-------------------|
| MILAF External Investment Pool - CMC | \$ 3,163,660      |
| MILAF External Investment Pool - Max | 15,749,570        |
|                                      | \$ 18,913,230     |

**B. Intergovernmental Receivables**

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

|                              | Governmental<br>Funds |
|------------------------------|-----------------------|
| Due from Other Governments   |                       |
| State Aid                    | \$ 796,636            |
| Federal                      | 53,793                |
| County Government            | 32,770                |
| Intermediate School District | 366,387               |
| Other School District        | 2,377,663             |
| Total                        | \$ 3,627,249          |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2025, was as follows:

|   | Balance<br>June 30, 2024 | Additions     | Deletions     | Balance<br>June 30, 2025 |
|---|--------------------------|---------------|---------------|--------------------------|
| <b>Assets Not Being Depreciated</b>       |                          |               |               |                          |
| Land                                      | \$ 94,249                | \$ 0          | \$ 0          | \$ 94,249                |
| Construction in Progress                  | 37,507,383               | 5,659,104     | 34,723,061    | 8,443,426                |
| Subtotal                                  | 37,601,632               | 5,659,104     | 34,723,061    | 8,537,675                |
| <b>Other Capital Assets:</b>              |                          |               |               |                          |
| Buildings                                 | 6,040,755                | 0             | 52,181        | 5,988,574                |
| Building Improvements                     | 18,292,207               | 35,751,592    | 7,601         | 54,036,198               |
| Machinery and Equipment                   | 3,600,229                | 228,318       | 400,497       | 3,428,050                |
| Software                                  | 17,882                   | 0             | 0             | 17,882                   |
| Furniture and Fixtures                    | 1,513,350                | 0             | 0             | 1,513,350                |
| Vehicles                                  | 1,454,960                | 0             | 439,402       | 1,015,558                |
| Subtotal                                  | 30,919,383               | 35,979,910    | 899,681       | 65,999,612               |
| <b>Less Accumulated Depreciation for:</b> |                          |               |               |                          |
| Buildings                                 | 3,465,969                | 108,825       | 32,735        | 3,542,059                |
| Building Improvements                     | 12,601,750               | 381,765       | 7,601         | 12,975,914               |
| Machinery and Equipment                   | 3,343,646                | 79,889        | 400,408       | 3,023,127                |
| Software                                  | 17,882                   | 0             | 0             | 17,882                   |
| Furniture and Fixtures                    | 1,181,252                | 37,131        | 0             | 1,218,383                |
| Vehicles                                  | 944,955                  | 105,141       | 439,402       | 610,694                  |
| Accumulated Depreciation                  | 21,555,454               | 712,751       | 880,146       | 21,388,059               |
| Net Capital Assets Being Depreciated      | 9,363,929                | 35,267,159    | 19,535        | 44,611,553               |
| Net Capital Assets                        | \$ 46,965,561            | \$ 40,926,263 | \$ 34,742,596 | \$ 53,149,228            |

Depreciation for the fiscal year ended June 30, 2025, amounted to \$712,751. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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

**Plan Description** – The Michigan Public School Employees’ Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board’s authority to promulgate or amend

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

the provisions of the System. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

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

**Benefit Provided - Overall**

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

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

**Benefits Provided - Pension**

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

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

***Pension Reform 2010***

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

***Pension Reform 2012***

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

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

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

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

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

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

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

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

***Pension Reform of 2017***

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

New employees hired between February 1, 2018 and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to IRS, to elect to opt out of the Pension Plus 2 plan and become a qualified participant to the DC plan; if no election is made they will default to the DC plan. If they elect to opt out of the Pension Plus 2 plan, their participation in the DC plan will be retroactive to their date of hire.

***Pension Reform of 2023***

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to IRS, to elect to opt out of the Pension Plus 2 plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus 2 plan. If they elect to opt out of the Pension Plus 2 plan, their participation in the DC plan will be retroactive to their date of hire.

**Benefits Provided – Other Postemployment Benefit (OPEB)**

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

***Retiree Healthcare Reform of 2012***

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

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

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

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

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

**Member Contributions**

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

**Employer Contributions**

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2024, were determined as of the September 30, 2021, actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2021, valuation will be amortized over a 15-year period beginning October 1, 2023, and ending September 30, 2038.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

|                                      | <u>Pension</u>  | <u>Other<br/>Postemployment<br/>Benefit</u> |
|--------------------------------------|-----------------|---|
| October 1, 2023 - September 30, 2024 | 13.90% - 23.03% | 7.06% - 8.31%                               |
| October 1, 2024 - September 30, 2025 | 20.96% - 30.11% | 0.00% - 1.25%                               |

The District's pension contributions for the year ended June 30, 2025, were equal to the required contribution total. Pension contributions were approximately \$2,665,000. Of the total pension contributions approximately \$2,603,000 was contributed to fund the Defined Benefit Plan and approximately \$62,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025, were equal to the required contribution total. OPEB benefits were approximately \$207,000. Of the total pension contributions approximately \$159,000 was contributed to fund the Defined Benefit Plan and approximately \$48,000 was contributed to fund the Defined Contribution Fund.

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

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

**Pension Liabilities**

At June 30, 2025, the District reported a liability of \$16,131,759 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

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

|   | <u>September 30, 2024</u> | <u>September 30, 2023</u> |
|---|---------------------------|---------------------------|
| Total Pension Liability   | \$ 95,765,499,515         | \$ 94,947,828,557         |
| Plan Fiduciary Net Position   | (71,283,482,728)          | (62,581,762,238)          |
| Net Pension Liability   | \$ 24,482,016,787         | \$ 32,366,066,319         |
| Plan Fiduciary Net Position as a Percentage<br>of Total Pension Liability | 74.44%                    | 65.91%                    |
| Net Pension Liability as a Percentage<br>of Covered Payroll               | 227.56%                   | 320.51%                   |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

For the year ended June 30, 2025, the District recognized total pension expense of \$863,407.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 437,666                                | \$ 175,274                               |
| Section 147c revenue related to District Pension contributions subsequent to measurement date                 | 0   | 719,086                                  |
| Changes of assumptions  | 1,681,831                                 | 1,181,948                                |
| Net difference between projected and actual pension plan investment earnings                                  | 0   | 3,078,623                                |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,542                                     | 522,109                                  |
| District contributions subsequent to the measurement date   | 2,468,193                                 | 0  |
| <b>Total</b>  | <b>\$ 4,589,232</b>                       | <b>\$ 5,677,040</b>                      |

\$2,468,193 reported as deferred outflows of resources and \$719,086 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

| <b>Year Ended June 30,</b> | <b>Amount</b>         |
|----------------------------|-----------------------|
| 2026                       | \$ (811,886)          |
| 2027                       | (32,927)              |
| 2028                       | (1,184,611)           |
| 2029                       | (807,491)             |
|                            | <b>\$ (2,836,915)</b> |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

**OPEB Liabilities (Assets)**

At June 30, 2025, the District reported a liability (asset) of \$2,823,570 for its proportionate share of the net OPEB liability. The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

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

|  | <u>September 30, 2024</u> | <u>September 30, 2023</u> |
|--|---------------------------|---------------------------|
| Total OPEB Liability   | \$ 9,991,545,923          | \$ 11,223,648,949         |
| Plan Fiduciary Net Position  | (14,295,943,589)          | (11,789,347,341)          |
| OPEB Liability/(Asset)   | <u>\$ (4,304,397,666)</u> | <u>\$ (565,698,392)</u>   |
| Plan Fiduciary Net Position as a Percentage<br>of Total OPEB Liability | 143.08%                   | 105.04%                   |
| OPEB Liability/(Asset) as a Percentage<br>of Covered Payroll           | -40.01%                   | -5.60%                    |

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

For the year ended June 30, 2025, the District recognized OPEB benefit of \$1,106,870.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual<br>experience   | \$ 0                                      | \$ 2,992,122                             |
| Changes of assumptions  | 616,708                                   | 70,886                                   |
| Net difference between projected and actual<br>OPEB plan investment earnings  | 0   | 534,534                                  |
| Changes in proportion and differences<br>between District contributions and<br>proportionate share of contributions | 26,986                                    | 203,095                                  |
| District contributions subsequent to the<br>measurement date  | <u>54,460</u>                             | <u>0</u>                                 |
| <b>Total</b>  | <u>\$ 698,154</u>                         | <u>\$ 3,800,637</u>                      |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

\$54,460 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Amount         |
|---------------------|----------------|
| 2026                | \$ (1,063,712) |
| 2027                | (647,046)      |
| 2028                | (590,225)      |
| 2029                | (521,958)      |
| 2030                | (281,583)      |
| Thereafter          | (52,419)       |
|                     | \$ (3,156,943) |

**G. Actuarial Assumptions**

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

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

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

**Inflation** – 3.0%

**Mortality assumptions –**

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

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

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

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

**Healthcare cost trend rate for other postemployment benefit** – Pre 65, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

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

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

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

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

The target asset allocation at September 30, 2024, and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Investment Category</u>         | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return *</u> |
|------------------------------------|--------------------------|---|
| Domestic Equity Pools              | 25.00%                   | 5.30%   |
| Private Equity Pools               | 16.00%                   | 9.00%   |
| International Equity Pools         | 15.00%                   | 6.50%   |
| Fixed Income Pools                 | 13.00%                   | 2.20%   |
| Real Estate & Infrastructure Pools | 10.00%                   | 7.10%   |
| Absolute Return Pools              | 9.00%                    | 5.20%   |
| Real Return/Opportunistic Pools    | 10.00%                   | 6.90%   |
| Short-Term Investment Pools        | 2.00%                    | 1.40%   |
|                                    | <u>100%</u>              |   |

\*Long-term rate of return are net of administrative expenses and 2.3% inflation.

***Rate of return***

For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

***Pension Discount Rate***

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

***OPEB Discount Rate***

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

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

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

| Pension       |               |            |             |           |  |
|---------------|---------------|------------|-------------|-----------|--|
| 1% Decrease   | Discount Rate |            | 1% Increase |           |  |
| \$ 23,649,332 | \$            | 16,131,759 | \$          | 9,871,933 |  |

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

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

| OPEB           |               |             |             |             |  |
|----------------|---------------|-------------|-------------|-------------|--|
| 1% Decrease    | Discount Rate |             | 1% Increase |             |  |
| \$ (2,182,078) | \$            | (2,823,570) | \$          | (3,378,208) |  |

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

| OPEB                    |             |             |             |             |
|-------------------------|-------------|-------------|-------------|-------------|
| Current Healthcare Cost |             |             |             |             |
| 1% Decrease             | Trend Rates |             | 1% Increase |             |
| \$ (3,378,214)          | \$          | (2,823,570) | \$          | (2,228,718) |

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

Detailed information about the pension and OPEB plan’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2024 Annual Comprehensive Financial Report.

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

As of June 30, 2025, the District is current on all required pension and OPEB plan payments. As of June 30, 2025, the District reported payables in the amount of \$348,477 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due and funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**J. Risk Management**

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

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

**K. Long-Term Obligations**

The following is a summary of the governmental long-term obligation transactions for the District for the year ended June 30, 2025:

|                                   | UNPAID<br>COMPENSATED<br>ABSENCES* | UNAMORTIZED<br>BOND<br>PREMIUMS | GENERAL<br>OBLIGATION<br>BONDS | TOTAL         |
|-----------------------------------|------------------------------------|---------------------------------|--------------------------------|---------------|
| Balance July 1, 2024, As Restated | \$ 745,870                         | \$ 3,889,997                    | \$ 43,795,000                  | \$ 48,430,867 |
| Additions                         | 42,187                             | 0                               | 0                              | 42,187        |
| Deletions                         | 0                                  | (146,728)                       | (400,000)                      | (546,728)     |
| Balance June 30, 2025             | 788,057                            | 3,743,269                       | 43,395,000                     | 47,926,326    |
| Less Current Portion              | 347,908                            | 146,728                         | 485,000                        | 979,636       |
| Net Long-Term Obligations         | \$ 440,149                         | \$ 3,596,541                    | \$ 42,910,000                  | \$ 46,946,690 |

\*The change in the compensated absences liability is presented as a net change.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

The District's debt obligations at June 30, 2025, are comprised of the following issues:

Unpaid Compensated Absences and Net Pension Liability

|                             |            |
|-----------------------------|------------|
| Unpaid Compensated Absences | \$ 788,057 |
| Unamortized Bond Premium    | 3,743,269  |
| Net Pension Liability       | 16,131,759 |

General Obligation Bonds

|   |               |
|---|---------------|
| 2021 School Building and Site Bonds; due in annual installments of \$220,000 to 1,100,000 through May 2050; interest rate of 4.00%.                                 | 17,140,000    |
| 2023 School Building and Site Bonds; due in annual installments of \$180,000 to 2,065,000 through October 2052; including interest at a rate between 4.00% & 5.00%. | 26,255,000    |
|   | \$ 64,058,085 |

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2025, including interest payments of \$33,969,550 are as follows:

| Year Ending June 30, | General Obligation Bonds |               | Total         |
|----------------------|--------------------------|---------------|---------------|
|                      | Principal                | Interest      |               |
| 2026                 | \$ 485,000               | \$ 1,936,400  | \$ 2,421,400  |
| 2027                 | 545,000                  | 1,917,000     | 2,462,000     |
| 2028                 | 555,000                  | 1,895,200     | 2,450,200     |
| 2029                 | 620,000                  | 1,873,000     | 2,493,000     |
| 2030                 | 695,000                  | 1,848,200     | 2,543,200     |
| 2031-2035            | 4,795,000                | 8,711,750     | 13,506,750    |
| 2036-2040            | 7,455,000                | 7,407,450     | 14,862,450    |
| 2041-2045            | 10,840,000               | 5,425,800     | 16,265,800    |
| 2046-2050            | 13,340,000               | 2,678,900     | 16,018,900    |
| 2051-2052            | 4,065,000                | 275,850       | 4,340,850     |
|                      | \$ 43,395,000            | \$ 33,969,550 | \$ 77,364,550 |

Interest expense for the year ended June 30, 2025 was approximately \$1,802,000.

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**L. Interfund Receivables and Payables**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2025, were:

| <u>Receivable Fund</u>            | <u>Payable Fund</u>               | <u>Amount</u>       |
|-----------------------------------|-----------------------------------|---------------------|
| General Fund                      | Capital Projects Fund             | \$ 144,900          |
| General Fund                      | 2023 Bond Construction Fund       | 3,138               |
| Capital Projects Fund             | General Fund                      | 2,000,000           |
| 2023 Bond Construction Fund       | General Fund                      | 1,127               |
| General Fund                      | 2020 School Improvement Bond Fund | 500                 |
| 2020 School Improvement Bond Fund | General Fund                      | 12,038              |
| General Fund                      | Preschool & Kid's Club Fund       | 161,180             |
| General Fund                      | Food Service Fund                 | 99,670              |
| General Fund                      | Student Activities Fund           | 9,313               |
| Preschool & Kid's Club Fund       | General Fund                      | 13,088              |
| Student Activities Fund           | General Fund                      | 33,740              |
|                                   |                                   | <u>\$ 2,478,694</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2025, are expected to be repaid within one year.

**M. Interfund Transfers**

Individual fund transfers at June 30, 2025, were:

| <u>Fund Transferred To</u>        | <u>Funds Transferred From</u>     | <u>Amount</u>       |
|-----------------------------------|-----------------------------------|---------------------|
| Capital Projects Fund             | General Fund                      | \$ 3,000,000        |
| General Fund                      | 2020 Bond Construction Fund       | 1,605               |
| 2023 Bond Construction Fund       | 2020 Bond Construction Fund       | 3,288,241           |
| 2020 School Improvement Bond Fund | General Fund                      | 21,528              |
| General Fund                      | 2020 School Improvement Bond Fund | 1,000               |
| 2020 School Improvement Bond Fund | 2017 School Improvement Bond Fund | 29,801              |
| 2023 School Improvement Bond Fund | General Fund                      | 1,000               |
|                                   |                                   | <u>\$ 6,343,175</u> |

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.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**N. Other Information**

**1. Related Party**

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

**2. Commitments and Contingencies**

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

As of June 30, 2025, the District has committed to spending approximately \$6,042,754 in relation to various projects in relation to the bond construction fund. The district has also committed to purchasing a bus for \$152,464 and a van for \$73,196.

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

**3. Subsequent Event**

After June 30, 2025, the District has approved waiving the lease revenue from Mill Creek Academy for the leased building and administrative fee from Mill Creek for administrative services for the 2024-25 fiscal year. No adjustments were made to the financial statements as a result of this subsequent event.

**NOTE 4 –CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*.

**Summary:** This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 5 - ADJUSTMENTS TO BEGINNING FUND BALANCES/NET POSITION**

During fiscal year 2025, changes to beginning fund balance/net position, are as follows:

|   | Reporting Units Affected by<br>Adjustments to and Restatements<br>of Beginning Balances |                                      |
|---|---|--------------------------------------|
|   | Governmental Activities   |                                      |
| Net position, as previously reported      | \$  | (2,761,437)                          |
| Change in accounting principle (GASB 101) |   | (243,691)                            |
| Net position, as restated                 | \$  | (3,005,128)                          |
|   | Governmental Funds  |                                      |
|   | 2020 School Improvement<br>Bond Fund  | Other Nonmajor<br>Governmental Funds |
| Fund balance, as previously reported      | \$  | 0                                    |
| Change from nonmajor to major fund        |   | \$ 1,612,288                         |
| Fund balance, as restated                 | \$  | 582,278                              |
|   |   | \$ 1,030,010                         |

**NOTE 6 – UPCOMING ACCOUNTING PRONOUCEMENTS**

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2025

|  | GENERAL FUND        |                     |                     |                               |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | ORIGINAL<br>BUDGET  | FINAL<br>BUDGET     | ACTUAL              | VARIANCE WITH<br>FINAL BUDGET |
| <b><u>REVENUES</u></b>   |                     |                     |                     |                               |
| Local Sources  | \$ 11,047,125       | \$ 12,335,756       | \$ 12,322,279       | \$ (13,477)                   |
| Revenues Received through another Non-Educational Entity         | 49,000              | 49,000              | 49,000              | 0                             |
| State Sources  | 4,334,027           | 4,617,974           | 4,868,795           | 250,821                       |
| Federal Sources  | 646,074             | 238,119             | 212,316             | (25,803)                      |
| Other Transactions   | 252,186             | 554,775             | 2,522,803           | 1,968,028                     |
| Total Revenues   | <u>16,328,412</u>   | <u>17,795,624</u>   | <u>19,975,193</u>   | <u>2,179,569</u>              |
| <b><u>EXPENDITURES</u></b>                                       |                     |                     |                     |                               |
| Instruction  |                     |                     |                     |                               |
| Basic Programs   | 7,894,268           | 6,401,809           | 7,615,860           | 1,214,051                     |
| Added Needs  | 2,045,509           | 1,760,619           | 1,766,495           | 5,876                         |
| Supporting Services  |                     |                     |                     |                               |
| Pupil  | 746,152             | 563,965             | 608,086             | 44,121                        |
| Instructional Staff  | 104,675             | 134,039             | 138,426             | 4,387                         |
| General Administration   | 515,920             | 497,818             | 463,621             | (34,197)                      |
| School Administration  | 1,281,059           | 1,065,812           | 1,247,189           | 181,377                       |
| Business   | 360,730             | 428,920             | 361,054             | (67,866)                      |
| Operation and Maintenance  | 1,514,075           | 1,593,317           | 1,406,028           | (187,289)                     |
| Pupil Transportation Services                                    | 869,548             | 755,468             | 712,438             | (43,030)                      |
| Support Services - Central                                       | 506,424             | 633,567             | 597,621             | (35,946)                      |
| Support Services - Other   | 300,989             | 404,421             | 384,505             | (19,916)                      |
| Community Services   |                     |                     |                     |                               |
| Custody and Care of Children                                     | 26,335              | 24,735              | 17,727              | (7,008)                       |
| Welfare Activities   | 0                   | 8,957               | 8,765               | (192)                         |
| Payments to Other Governmental Agencies                          |                     |                     |                     |                               |
| Payments to Other Public Schools Within the State<br>of Michigan | 0                   | 10,058              | 10,057              | (1)                           |
| Facilities and Acquisition                                       |                     |                     |                     |                               |
| Capital Outlay   | 0                   | 338,609             | 338,608             | (1)                           |
| Total Expenditures   | <u>16,165,684</u>   | <u>14,622,114</u>   | <u>15,676,480</u>   | <u>1,054,366</u>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures             | <u>162,728</u>      | <u>3,173,510</u>    | <u>4,298,713</u>    | <u>1,125,203</u>              |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                     |                     |                     |                     |                               |
| Transfers In   | 0                   | 0                   | 2,605               | 2,605                         |
| Transfers Out  | 0                   | (3,000,000)         | (3,022,528)         | (22,528)                      |
| Total Other Financing Sources (Uses)                             | <u>0</u>            | <u>(3,000,000)</u>  | <u>(3,019,923)</u>  | <u>(19,923)</u>               |
| Net Change in Fund Balance                                       | 162,728             | 173,510             | 1,278,790           | 1,105,280                     |
| <b>FUND BALANCE - Beginning of Year</b>                          | <u>2,609,275</u>    | <u>2,609,275</u>    | <u>3,840,337</u>    | <u>1,231,062</u>              |
| <b>FUND BALANCE - End of Year</b>                                | <u>\$ 2,772,003</u> | <u>\$ 2,782,785</u> | <u>\$ 5,119,127</u> | <u>\$ 2,336,342</u>           |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)  
JUNE 30, 2025

|  | 2024          | 2023          | 2022          | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of net pension liability (%)   | 0.06589228%   | 0.06607844%   | 0.06708634%   | 0.06899767%   | 0.07236615%   | 0.07298479%   | 0.07337153%   | 0.07490101%   | 0.07556707%   | 0.07459000%   |
| District's proportionate share of net pension liability  | \$ 16,131,759 | \$ 21,386,992 | \$ 25,230,313 | \$ 16,335,483 | \$ 24,858,560 | \$ 24,170,109 | \$ 22,056,806 | \$ 19,410,062 | \$ 18,853,366 | \$ 18,219,260 |
| District's covered payroll   | 6,896,835     | 6,500,714     | 6,399,733     | 6,054,427     | 6,319,802     | 6,434,855     | 6,172,141     | 6,229,831     | 6,407,985     | 6,397,542     |
| District's proportionate share of net pension liability as a percentage of its covered payroll | 233.90%       | 328.99%       | 394.24%       | 269.81%       | 393.34%       | 375.61%       | 357.36%       | 311.57%       | 294.22%       | 284.79%       |
| Plan fiduciary net position as a percentage of total pension liability                         | 74.44%        | 65.91%        | 60.77%        | 72.60%        | 59.72%        | 60.31%        | 62.36%        | 64.21%        | 63.27%        | 63.17%        |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2025

|   | 2025         | 2024         | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contributions                              | \$ 2,603,127 | \$ 2,734,424 | \$ 1,306,046 | \$ 1,218,141 | \$ 1,153,462 | \$ 1,213,860 | \$ 1,149,076 | \$ 1,100,573 | \$ 1,169,000 | \$ 1,211,419 |
| Contributions in relation to statutorily required contributions | 2,603,127    | 2,734,424    | 1,306,046    | 1,218,141    | 1,153,462    | 1,213,860    | 1,149,076    | 1,100,573    | 1,169,000    | 1,211,419    |
| Contribution deficiency (excess)                                | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         |
| Covered Payroll   | \$ 7,007,315 | \$ 6,833,430 | \$ 6,661,677 | \$ 6,241,844 | \$ 5,993,431 | \$ 6,457,466 | \$ 6,377,083 | \$ 6,200,615 | \$ 6,223,732 | \$ 6,185,204 |
| Contributions as a percentage of covered payroll                | 37.15%       | 40.02%       | 19.61%       | 19.52%       | 19.25%       | 18.80%       | 18.02%       | 17.75%       | 18.78%       | 19.59%       |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY (ASSET)  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)  
JUNE 30, 2025

|   | 2026 | 2025 | 2024           | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         |
|---|------|------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of net OPEB liability/(asset) (%)   |      |      | 0.06559734%    | 0.06524760%  | 0.06601807%  | 0.06704556%  | 0.07142565%  | 0.07369822%  | 0.07259794%  | 0.07504520%  |
| District's proportionate share of net OPEB liability/(asset)  |      |      | \$ (2,823,570) | \$ (369,105) | \$ 1,398,304 | \$ 1,023,369 | \$ 3,826,463 | \$ 5,289,873 | \$ 5,770,775 | \$ 6,645,606 |
| District's covered payroll  |      |      | 6,896,835      | 6,500,714    | 6,399,733    | 6,054,427    | 6,319,802    | 6,434,855    | 6,172,141    | 6,229,831    |
| District's proportionate share of net OPEB liability/(asset) as a percentage of its covered payroll |      |      | -40.94%        | -5.68%       | 21.85%       | 16.90%       | 60.55%       | 82.21%       | 93.50%       | 106.67%      |
| Plan fiduciary net position as a percentage of total OPEB liability                                 |      |      | 143.08%        | 105.04%      | 83.09%       | 87.33%       | 59.44%       | 48.46%       | 42.95%       | 36.39%       |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2025

|   | 2027 | 2026 | 2025         | 2024         | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         |
|---|------|------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contributions                              |      |      | \$ 158,972   | \$ 514,994   | \$ 494,939   | \$ 469,513   | \$ 465,910   | \$ 495,297   | \$ 474,915   | \$ 448,756   |
| Contributions in relation to statutorily required contributions |      |      | 158,972      | 514,994      | 494,939      | 469,513      | 465,910      | 495,297      | 474,915      | 448,756      |
| Contribution deficiency (excess)                                |      |      | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         |
| Covered Payroll   |      |      | \$ 7,007,315 | \$ 6,833,430 | \$ 6,661,677 | \$ 6,241,844 | \$ 5,993,431 | \$ 6,457,466 | \$ 6,377,083 | \$ 6,200,615 |
| Contributions as a percentage of covered payroll                |      |      | 2.27%        | 7.54%        | 7.43%        | 7.52%        | 7.77%        | 7.67%        | 7.45%        | 7.24%        |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2025

Pension Information

**Changes of Benefit Terms** - There were no changes of benefit terms for the plan year ended September 30, 2024.

**Changes of Assumptions** – The assumption changes for the plan year ended September 30, 2024 were:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

**Changes of Benefit Terms** - There were no changes of benefit terms for the plan year ended September 30, 2024.

**Changes of Assumptions** – The assumption changes for the plan year ended September 30, 2024 were:

- 2024 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage point for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2025

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2025

|  | SPECIAL REVENUE   |                             |                         | DEBT SERVICE                      |                                   |                                   | TOTAL                       |
|--|-------------------|-----------------------------|-------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------|
|  | FOOD SERVICE FUND | PRESCHOOL & KID'S CLUB FUND | STUDENT ACTIVITIES FUND | 2017 SCHOOL IMPROVEMENT BOND FUND | 2020 SCHOOL IMPROVEMENT BOND FUND | 2023 SCHOOL IMPROVEMENT BOND FUND | NONMAJOR GOVERNMENTAL FUNDS |
| <b>ASSETS</b>                              |                   |                             |                         |                                   |                                   |                                   |                             |
| Investments                                | \$ 414,850        | \$ 47,546                   | \$ 506,297              | \$ 0                              | \$ 0                              | \$ 0                              | \$ 968,693                  |
| Due from Other Governments                 | 16,624            | 333,109                     | 0                       | 0                                 | 0                                 | 0                                 | 349,733                     |
| Due from Other Funds                       | 0                 | 13,088                      | 33,740                  | 0                                 | 0                                 | 0                                 | 46,828                      |
| Inventory                                  | 38,891            | 0                           | 0                       | 0                                 | 0                                 | 0                                 | 38,891                      |
| <b>TOTAL ASSETS</b>                        | <b>\$ 470,365</b> | <b>\$ 393,743</b>           | <b>\$ 540,037</b>       | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 1,404,145</b>         |
| <b>LIABILITIES AND FUND BALANCES</b>       |                   |                             |                         |                                   |                                   |                                   |                             |
| <b>LIABILITIES</b>                         |                   |                             |                         |                                   |                                   |                                   |                             |
| Accounts Payable                           | \$ 7,580          | \$ 5,637                    | \$ 0                    | \$ 0                              | \$ 0                              | \$ 0                              | \$ 13,217                   |
| Due to Other Funds                         | 99,670            | 161,180                     | 9,313                   | 0                                 | 0                                 | 0                                 | 270,163                     |
| Salaries Payable                           | 0                 | 0                           | 0                       | 0                                 | 0                                 | 0                                 | 0                           |
| Accrued Expenses                           | 0                 | 0                           | 0                       | 0                                 | 0                                 | 0                                 | 0                           |
| Unearned Revenue                           | 12,136            | 0                           | 69,780                  | 0                                 | 0                                 | 0                                 | 81,916                      |
| <b>Total Liabilities</b>                   | <b>119,386</b>    | <b>166,817</b>              | <b>79,093</b>           | <b>0</b>                          | <b>0</b>                          | <b>0</b>                          | <b>365,296</b>              |
| <b>FUND BALANCES</b>                       |                   |                             |                         |                                   |                                   |                                   |                             |
| Nonspendable for                           |                   |                             |                         |                                   |                                   |                                   |                             |
| Inventory                                  | 38,891            | 0                           | 0                       | 0                                 | 0                                 | 0                                 | 38,891                      |
| Restricted for                             |                   |                             |                         |                                   |                                   |                                   |                             |
| Food Service                               | 312,088           | 0                           | 0                       | 0                                 | 0                                 | 0                                 | 312,088                     |
| Assigned for                               |                   |                             |                         |                                   |                                   |                                   |                             |
| Student Activities                         | 0                 | 0                           | 460,944                 | 0                                 | 0                                 | 0                                 | 460,944                     |
| Preschool and Kids Club                    | 0                 | 226,926                     | 0                       | 0                                 | 0                                 | 0                                 | 226,926                     |
| <b>Total Fund Balances (Deficit)</b>       | <b>350,979</b>    | <b>226,926</b>              | <b>460,944</b>          | <b>0</b>                          | <b>0</b>                          | <b>0</b>                          | <b>1,038,849</b>            |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 470,365</b> | <b>\$ 393,743</b>           | <b>\$ 540,037</b>       | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 1,404,145</b>         |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

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

YEAR ENDED JUNE 30, 2025

|  | FOOD<br>SERVICE<br>FUND | SPECIAL REVENUE<br>PRESCHOOL &<br>KID'S CLUB<br>FUND | STUDENT<br>ACTIVITIES<br>FUND | GASB 100 Change in<br>Reporting         |   |   | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |
|--|-------------------------|--|-------------------------------|---|---|---|--|
|  |                         |  |                               | FORMERLY NONMAJOR                       |   |   |  |
|  |                         |  |                               | 2017 SCHOOL<br>IMPROVEMENT<br>BOND FUND | 2020 SCHOOL<br>IMPROVEMENT<br>BOND FUND | 2023 SCHOOL<br>IMPROVEMENT<br>BOND FUND |  |
| <b>REVENUES</b>                                      |                         |  |                               |   |   |   |  |
| Local Sources  | \$ 72,866               | \$ 216,980   | \$ 623,041                    | \$ 0                                    | \$ 0                                    | \$ 0                                    | \$ 912,887                                 |
| State Sources  | 351,284                 | 393,364  | 0                             | 0                                       | 0                                       | 0                                       | 744,648                                    |
| Federal Sources                                      | 471,070                 | 22,110   | 0                             | 0                                       | 0                                       | 0                                       | 493,180                                    |
| Total Revenues                                       | 895,220                 | 632,454  | 623,041                       | 0                                       | 0                                       | 0                                       | 2,150,715                                  |
| <b>EXPENDITURES</b>                                  |                         |  |                               |   |   |   |  |
| Instruction  |                         |  |                               |   |   |   |  |
| Basic Programs                                       | 0                       | 233,378  | 0                             | 0                                       | 0                                       | 0                                       | 233,378                                    |
| Support Services                                     |                         |  |                               |   |   |   |  |
| Instructional Staff                                  | 0                       | 85,238   | 0                             | 0                                       | 0                                       | 0                                       | 85,238                                     |
| Operation and Maintenance                            | 0                       | 8,450  | 0                             | 0                                       | 0                                       | 0                                       | 8,450                                      |
| Support Services - Other                             | 0                       | 0  | 640,495                       | 0                                       | 0                                       | 0                                       | 640,495                                    |
| Food Service Activities                              | 913,519                 | 0  | 0                             | 0                                       | 0                                       | 0                                       | 913,519                                    |
| Community Services                                   |                         |  |                               |   |   |   |  |
| Custody and Care of Children                         | 0                       | 206,995  | 0                             | 0                                       | 0                                       | 0                                       | 206,995                                    |
| Facilities Acquisition                               |                         |  |                               |   |   |   |  |
| Construction and Improvements                        |                         |  |                               |   |   |   |  |
| Capital Outlay                                       | 0                       | 25,000   | 0                             | 0                                       | 0                                       | 0                                       | 25,000                                     |
| Total Expenditures                                   | 913,519                 | 559,061  | 640,495                       | 0                                       | 0                                       | 0                                       | 2,113,075                                  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (18,299)                | 73,393   | (17,454)                      | 0                                       | 0                                       | 0                                       | 37,640                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                         |  |                               |   |   |   |  |
| Transfers In   | 0                       | 0  | 0                             | 0                                       | 0                                       | 1,000                                   | 1,000                                      |
| Transfers Out  | 0                       | 0  | 0                             | (29,801)                                | 0                                       | 0                                       | (29,801)                                   |
| Total Other Financing Sources (Uses)                 | 0                       | 0  | 0                             | (29,801)                                | 0                                       | 1,000                                   | (28,801)                                   |
| Net Change in Fund Balance                           | (18,299)                | 73,393   | (17,454)                      | (29,801)                                | 0                                       | 1,000                                   | 8,839                                      |
| FUND BALANCE - Beginning of Year (Deficit)           | 369,278                 | 153,533  | 478,398                       | 29,801                                  | 582,278                                 | (1,000)                                 | 1,612,288                                  |
| Adjustments to beginning fund balances               | 0                       | 0  | 0                             | 0                                       | (582,278)                               | 0                                       | (582,278)                                  |
| Beginning of the year, as restated                   | 369,278                 | 153,533  | 478,398                       | 29,801                                  | 0                                       | (1,000)                                 | 1,030,010                                  |
| FUND BALANCE - End of Year                           | \$ 350,979              | \$ 226,926   | \$ 460,944                    | \$ 0                                    | \$ 0                                    | \$ 0                                    | \$ 1,038,849                               |



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Rapids Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Elk Rapids Schools' basic financial statements, and have issued our report thereon dated October 30, 2025.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below as items that we consider to be material weaknesses:

**2025-001 – Lack of Adequate Controls to Timely Record, Process and Reconcile Accounting Data**

**Criteria:** Management is responsible for ensuring that a reliable system exists for recording, processing, and reconciling accounting data on a timely basis

**Condition:** The District has requirements imposed by the State of Michigan to ensure transactions are recorded, processed, and summarized timely in a manner prescribed by the Michigan Department of Education. During the year these processes were not functioning properly.

**Cause:** This condition was caused by a lack of adequate training and understanding needed to carry out the duties of the business office.

Effect: As a result of this condition, significant additional time and resources are necessary throughout the year and at year end in an effort to mitigate the effect of unreliable and untimely reporting of data.

Recommendation: We recommend that the District implement and adhere to monthly close out procedures to ensure that accounting data is recorded, processed and reconciled on a timely basis and that the Superintendent and Board of Education review the close out reports monthly.

View of Responsible Officials: The district is aware of this limitation and is in the process of implementing solutions.

#### **2025-002 – Auditor Identified Material Adjusting Journal Entries**

Criteria: The District is responsible for making adjusting journal entries as needed.

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

Cause: Many general ledger accounts were not reconciled at the end of the year.

Effect: Auditors were relied upon, which was not identified as needing to be done in the risk assessment, to make material journal entries in order to properly reflect year end balances.

Recommendation: We recommend that the District implement procedures to ensure that general ledger accounts are reconciled on a monthly basis in order to ensure accurate financial records.

View of Responsible Officials: The District now has an accounting system that has balances that agree to the audited financial statements and a better understanding of the requirements and responsibility for making material adjustments on their own accord.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Elk Rapids Schools’ financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

#### **2025-003 – Unfavorable Budget Variance – Material Noncompliance**

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

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

Cause: The condition was caused by the District officials not monitoring the adopted budget against actual expenditures.

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

Recommendation: The District should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed.

View of Responsible Officials: The District will monitor expenditures against adopted budgets to make appropriate amendments as needed.

#### **Elk Rapids Schools' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Elk Rapids Schools' response to the findings identified in the corrective action plan. Elk Rapids Schools' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### **Purpose of This Report**

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

*UHY LLP*

Cadillac, Michigan  
October 30, 2025



Bryan McKenna, ERS Superintendent, 231-264-8692  
Jack Young, Senior High School Principal, 231-264-8108  
Brett Graham, Senior High School AP/AD, 231-264-8108  
Josh Haggerty, Cherryland Middle School Principal, 231-264-8991  
Angie Nichols, Lakeland Elementary Principal, 231-264-8289  
Nate Plum, Mill Creek Academy Principal, 231-267-9955

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

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

## CORRECTIVE ACTION PLAN

JUNE 30, 2025

**Finding 2025-001:** Material Weakness Financial Statement Finding

**Condition:** The School District did not record, process and reconcile accounting data in a timely manner.

**Corrective Steps Taken:** The District has implemented monthly procedures to follow to keep up with the reconciliation processes and timely recording of accounting data.

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

**Plan for Monitoring Adherence:** The Board will continue to monitor monthly processes and reach out to external consultants when necessary.

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

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

**Finding 2025-002:** Material Weakness Financial Statement Finding (Repeat)

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

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

**Corrective Steps to be Taken:** The District will reach out to external consultants for any assistance with any material adjustments and balance sheet reconciliations.

**Plan for Monitoring Adherence:** The District will consult available resources when necessary and monitor the status of balance sheet account balances throughout the year to determine all material entries are made by the District.

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

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



Bryan McKenna, ERS Superintendent, 231-264-8692  
Jack Young, Senior High School Principal, 231-264-8108  
Brett Graham, Senior High School AP/AD, 231-264-8108  
Josh Haggerty, Cherryland Middle School Principal, 231-264-8991  
Angie Nichols, Lakeland Elementary Principal, 231-264-8289  
Nate Plum, Mill Creek Academy Principal, 231-267-9955

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

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

**Finding 2025-003:** Material Noncompliance Financial Statement Finding (Repeat)

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

**Corrective Steps Taken:** At this time, no corrective action has been taken.

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

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

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

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



COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
AT THE CONCLUSION OF THE AUDIT

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elk Rapids Schools for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 18, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Elk Rapids Schools are described in Note 1 to the financial statements. During the fiscal year, the District adopted GASB Statement No. 101 Compensated Absences, which required changes to how the compensated absences are reported. The application of existing policies was not changed during 2024-2025. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities, each major fund, and the aggregate remaining fund information of Elk Rapids Schools' financial statements were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimates of the liability of the payout of employee compensated absences are based on probable payout. Management's estimates of unfunded liabilities (assets) related to the Michigan Public School Employees' Retirement System are based on actuarial valuations. We evaluated the methods, assumptions, and data used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of converting the entity's financial records from cash basis to modified accrual basis of accounting and providing client assistance as the client knew the adjustment was necessary but requested our assistance, and several auditor proposed material adjustments to adjust the District's general ledger to the appropriate balances.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 30, 2025.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

During the course of our audit of the basic financial statements of the Elk Rapids Schools for the year ended June 30, 2025, we noted the following items which we feel deserve comment:

#### Organization of Records

During the course of the audit, it was noted that the school district was not adequately prepared for the audit process. Requested documentation was not readily available, and records provided were often incomplete, disorganized, or delayed. This resulted in inefficiencies in the audit.

#### Insufficient Support

Several financial transactions selected for testing lacked appropriate supporting documentation, such as invoices or receipts. In some cases, only partial documentation was available, making it difficult to determine the legitimacy and appropriateness of the transactions.

#### Paying Sales Tax

During the audit we found several instances where the District paid sales tax on purchases made. The District is exempt from most sales tax and should not pay or reimburse sales tax.

#### Bond Interest Payments

The audit identified that the interest payments made on certain bond obligations were less than the amounts outlined in the bond amortization schedule. This discrepancy suggests that the district may not be adhering to the prescribed debt service schedule as established at the time of bond issuance. The District should look into this further as there is the potential that the District could owe the difference at a future date.

#### Inconsistency in Transfers Between Funds

At the start of the audit, the recorded transfers between funds did not agree, indicating discrepancies in the amounts reported by the individual funds. This lack of reconciliation caused difficulties in verifying the accuracy and completeness of interfund transfers.

#### Reconciliation of Elk Rapids to Mill Creek Interdistrict Payables and Receivables

The audit revealed that the Due To and Due From balances between the district and Mill Creek Academy were inaccurate and not properly reconciled. Records were inconsistent and lacking support, making it difficult to verify the validity and accuracy of these balances.

#### Excess Food Service Fund Balance

The State of Michigan monitors the fund balance in the Food Service Fund. The District has excess fund balance and will be required to submit a spend down plan to the State to Michigan related to spending down its excess fund balance by June 30, 2026. The excess is approximately \$83,000 on June 30, 2025. The District likely won't receive notification from the state until February of 2026, so we recommend that spend down discussions occur prior to receiving notification from the state to allow adequate time for spending of the excess balance.

#### Budgeting

Expenditures exceeded appropriated amounts in various line items in the General Fund. The District should continue to monitor its budgets on an ongoing basis and make budget amendments prior to incurring expenditures in excess of budgeted amounts.

#### Other Matters

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

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

Restriction on Use

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

*UHY LLP*

Cadillac, Michigan  
October 30, 2025



MILL CREEK ACADEMY

WILLIAMSBURG, MICHIGAN

YEAR ENDED JUNE 30, 2025



MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

|   | <u>PAGES</u> |
|---|--------------|
| <b>Independent Auditor's Report</b>   | 1-3          |
| <b>Management's Discussion and Analysis</b>   | 4-8          |
| <b>Basic Financial Statements</b>   |              |
| Government-Wide Financial Statements  |              |
| Statement of Net Position   | 9            |
| Statement of Activities   | 10           |
| Fund Financial Statements   |              |
| Balance Sheet - Governmental Funds  | 11           |
| Reconciliation of the Balance Sheet of Governmental Funds to<br>the Statement of Net Position   | 12           |
| Statement of Revenues, Expenditures and Changes in Fund Balances -<br>Governmental Funds  | 13           |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances of Governmental Funds<br>to the Statement of Activities   | 14           |
| Notes to Financial Statements   | 15-28        |
| <b>Required Supplementary Information</b>   |              |
| Budgetary Comparison Schedule – General Fund  | 29           |
| Independent Auditor's Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with <i>Government Auditing Standards</i> | 30-32        |
| Corrective Action Plan  | 33-34        |





## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Mill Creek Academy  
Williamsburg, Michigan

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the major fund of Mill Creek Academy, Williamsburg, Michigan as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Mill Creek Academy, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mill Creek Academy'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mill Creek Academy's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 4-8 and 29 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025, on our consideration of Mill Creek Academy'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 Mill Creek Academy'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 Mill Creek Academy's internal control over financial reporting and compliance.

*UHY LLP*

Cadillac, Michigan  
October 30, 2025

MILL CREEK ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

This section of Mill Creek Academy's ("the Academy") annual report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2025. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

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

**A. Government-Wide Financial Statements**

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

The *Statement of Net Position* presents information on all of the Academy's assets, deferred inflows and outflows of resources and liabilities, with the difference 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 Academy is improving or deteriorating.

The *Statement of Activities* presents the information showing how the Academy'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 for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the Academy that are principally supported by state aid (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the Academy include instruction, supporting services, community services, interest on long-term debt, and unallocated amortization.

**B. 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. Mill Creek Academy, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the Academy are considered governmental funds.

**Governmental Funds** Governmental funds are used to account for essentially the same functions 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 assessing 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

MILL CREEK ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

**Notes to Financial Statements**

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

**Other Information**

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

**C. Summary of Net Position**

The following schedule summarizes the net position at June 30,

|                                       | <u>2025</u>         |
|---------------------------------------|---------------------|
| <b>Assets</b>                         |                     |
| Current Assets                        | \$ 2,458,159        |
| <b>Non Current Assets</b>             |                     |
| Right to Use Assets                   | 401,927             |
| Less Accumulated Amortization         | (80,385)            |
| Total Non Current Assets              | <u>321,542</u>      |
| Total Assets                          | <u>\$ 2,779,701</u> |
| <b>Liabilities and Net Position</b>   |                     |
| <b>Liabilities</b>                    |                     |
| Current Liabilities                   | \$ 2,480,252        |
| Non Current Liabilities               | 250,363             |
| Total Liabilities                     | <u>2,730,615</u>    |
| <b>Net Position</b>                   |                     |
| Net Investment in Right to Use Assets | (5,481)             |
| Unrestricted                          | 54,567              |
| Total Net Position                    | <u>49,086</u>       |
| Total Liabilities and Net Position    | <u>\$ 2,779,701</u> |

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2025, the Academy's net position increased by \$49,086. A few of the more significant factors affecting net position during the year are discussed below:

**1. Amortization Expense**

School academies are required to maintain a record of annual amortization expense and the accumulation of amortization expense over time. The net increase in accumulated amortization expense is a reduction in net position.

MILL CREEK ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

Amortization expense is recorded on a straight-line basis over the shorter of the lease period or the estimated useful lives of the assets. For the fiscal year ended June 30, 2025, \$80,385 was recorded for amortization expense.

**2. Capital Outlay Acquisitions**

For the year ended June 30, 2025, \$401,927 of the Academy's expenditures were capitalized and recorded as assets of the Academy.

The net effect of the current year's amortization, additions, and disposals (if any) is an increase in the net investment in right to use assets in the amount of \$321,542 for the year ended June 30, 2025.

**E. Results of Operations**

For the years ended June 30, the results of operations, on an academy-wide basis, were:

|                            | <u>2025</u>      |
|----------------------------|------------------|
| <b>General Revenues</b>    |                  |
| Investment Earnings        | \$ 4,108         |
| State Sources              | <u>2,335,955</u> |
| Total General Revenues     | 2,340,063        |
| <b>Program Revenues</b>    |                  |
| Operating Grants           | <u>237,852</u>   |
| Total Revenues             | <u>2,577,915</u> |
| <b>Expenses</b>            |                  |
| Instruction                | 1,779,211        |
| Supporting Services        | 652,807          |
| Community Services         | 2,330            |
| Interest on Long Term Debt | 14,096           |
| Unallocated Amortization   | <u>80,385</u>    |
| Total Expenses             | <u>2,528,829</u> |
| Change in Net Position     | <u>\$ 49,086</u> |

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

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

|                   | <u>2025</u> | <u>2024</u> | <u>Increase<br/>(Decrease)</u> |
|-------------------|-------------|-------------|--------------------------------|
| <b>Major Fund</b> |             |             |                                |
| General Fund      | \$ 54,567   | \$ 0        | \$ 54,567                      |

MILL CREEK ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

**General Fund** – 2024-2025 was the first year of operations for the Academy. The General Fund's fund balance increased by \$54,567, all of which is unassigned. The reason for the increase is due to state and federal grants outweighing the costs of operating the Academy.

**G. General Fund Budgetary Highlights**

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

For the 2024-2025 fiscal year, the Academy amended the General Fund throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

|                            | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>       |
|----------------------------|----------------------------|-------------------------|---------------------|
| Total Revenues             | <u>\$ 2,497,000</u>        | <u>\$ 2,579,353</u>     | <u>\$ 2,577,915</u> |
| <b><u>EXPENDITURES</u></b> |                            |                         |                     |
| Instruction                | \$ 1,750,000               | \$ 1,729,563            | \$ 1,779,211        |
| Supporting Services        | 770,000                    | 751,790                 | 1,054,734           |
| Community Services         | 0                          | 0                       | 2,330               |
| Debt Service               | <u>50,000</u>              | <u>89,000</u>           | <u>89,000</u>       |
| Total Expenditures         | <u>\$ 2,570,000</u>        | <u>\$ 2,570,353</u>     | <u>\$ 2,925,275</u> |

The changes from original budgeted revenues and final budget revenues were a result of changes in state and other revenues. The variance between the final budgeted and actual revenue was minimal. The variance between the final budgeted and actual expenditures was primarily a result of the Academy spending more on operations and maintenance than it budgeted for due to the recording of a capital lease in accordance with GASB 87.

**H. Right to Use Asset and Obligation Administration**

**1. Right to Use Assets**

At the end of the 2024-2025 fiscal year, the Academy had invested \$321,542, net of amortization, in a leased building. Amortization expense for the year amounted to \$80,385, bringing the accumulation to \$80,385 as of June 30, 2025. More information can be found related to right to use assets later in this report. During the year, the Academy obtained the right to use a building through a lease contract.

**2. Long-Term Obligation**

At the end of this year, Academy had \$327,023 in long-term obligations outstanding. The obligations are made up of a capital lease payable.

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

MILL CREEK ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

**I. Factors Bearing on the Academy's Future**

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

- Because per pupil state aid funding is the driving force behind the majority of the Academy's revenue, student enrollment strongly effects the budget. The Academy will continue to monitor its pupil count and any changes to state funding.
- The Academy continues to try and improve its facilities and programs offered to keep up with other schools in order to attract students to the Academy.

**J. Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Academy at 9039 Old M-72, Williamsburg, MI 49690.

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2025

ASSETS

|   |                  |
|---|------------------|
| Investments   | \$ 470,092       |
| Due from Other Governments                                | 1,988,067        |
| Assets Being Depreciated, Net of Accumulated Amortization | 321,542          |
| TOTAL ASSETS  | <u>2,779,701</u> |

LIABILITIES

|                           |                  |
|---------------------------|------------------|
| Due to Other Governments  | 2,403,592        |
| Noncurrent Liabilities    |                  |
| Due Within One Year       |                  |
| Capital Lease Payable     | 76,660           |
| Due in More Than One Year |                  |
| Capital Lease Payable     | 250,363          |
| TOTAL LIABILITIES         | <u>2,730,615</u> |

NET POSITION

|                                       |                  |
|---------------------------------------|------------------|
| Net Investment in Right to Use Assets | (5,481)          |
| Unrestricted                          | 54,567           |
| TOTAL NET POSITION                    | <u>\$ 49,086</u> |

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

| FUNCTIONS/PROGRAMS                      | EXPENSES     | PROGRAM REVENUES        |  |                   | GOVERNMENTAL<br>ACTIVITIES<br>NET (EXPENSE)<br>REVENUE AND<br>CHANGES IN<br>NET POSITION |
|---|--------------|-------------------------|--|-------------------|--|
|   |              | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL<br>GRANTS |  |
| <u>GOVERNMENTAL ACTIVITIES</u>          |              |                         |  |                   |  |
| Instruction                             | \$ 1,779,211 | \$ 0                    | \$ 98,597                                | \$ 0              | \$ (1,680,614)   |
| Supporting Services                     | 652,807      | 0                       | 136,925                                  | 0                 | (515,882)  |
| Community Services                      | 2,330        | 0                       | 2,330                                    | 0                 | 0  |
| Interest on Long-Term Debt              | 14,096       | 0                       | 0  | 0                 | (14,096)   |
| Unallocated Amortization                | 80,385       | 0                       | 0  | 0                 | (80,385)   |
| TOTAL GOVERNMENTAL ACTIVITIES           | \$ 2,528,829 | \$ 0                    | \$ 237,852                               | \$ 0              | (2,290,977)  |
| <u>GENERAL REVENUES</u>                 |              |                         |  |                   |  |
| Investment Earnings                     |              |                         |  |                   | 4,108  |
| State Sources                           |              |                         |  |                   | 2,335,955  |
| Total General Revenues                  |              |                         |  |                   | 2,340,063  |
| Change in Net Position                  |              |                         |  |                   | 49,086   |
| <u>NET POSITION</u> - Beginning of Year |              |                         |  |                   | 0  |
| <u>NET POSITION</u> - End of Year       |              |                         |  |                   | \$ 49,086  |

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2025

|  | <u>GENERAL<br/>FUND</u> |
|--|-------------------------|
| <u>ASSETS</u>                          |                         |
| Investments                            | \$ 470,092              |
| Due from Other Governments             | 1,988,067               |
|  | <hr/>                   |
| TOTAL ASSETS                           | \$ 2,458,159            |
|  | <hr/> <hr/>             |
| <u>LIABILITIES AND FUND BALANCES</u>   |                         |
| <u>LIABILITIES</u>                     |                         |
| Due to Other Governments               | \$ 2,403,592            |
|  | <hr/>                   |
| <u>FUND BALANCES</u>                   |                         |
| Unassigned                             | 54,567                  |
|  | <hr/>                   |
| TOTAL LIABILITIES AND<br>FUND BALANCES | \$ 2,458,159            |
|  | <hr/> <hr/>             |

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

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

JUNE 30, 2025

Total Governmental Fund Balances \$ 54,567

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

Right to use assets used in governmental activities are not financial resources and are not reported in the funds.

|  |                 |         |
|--|-----------------|---------|
| The cost of the right to use assets is | \$ 401,927      |         |
| Accumulated amortization is            | <u>(80,385)</u> | 321,542 |

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

|                         |                  |
|-------------------------|------------------|
| Capital Lease Liability | <u>(327,023)</u> |
|-------------------------|------------------|

|   |                  |
|---|------------------|
| NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES | <u>\$ 49,086</u> |
|---|------------------|

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

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

YEAR ENDED JUNE 30, 2025

|  | <u>GENERAL<br/>FUND</u> |
|--|-------------------------|
| <u>REVENUES</u>                                      |                         |
| Local Sources  | \$ 4,108                |
| State Sources  | 2,459,897               |
| Federal Sources                                      | 45,600                  |
| Other Transactions                                   | 68,310                  |
| Total Revenues                                       | 2,577,915               |
| <u>EXPENDITURES</u>                                  |                         |
| Instruction  |                         |
| Basic Programs                                       | 1,481,281               |
| Added Needs  | 297,930                 |
| Supporting Services                                  |                         |
| Instructional Staff                                  | 88,355                  |
| Pupil Support Services                               | 25,484                  |
| General Administration                               | 16,084                  |
| School Administration                                | 238,529                 |
| Business Services                                    | 73,797                  |
| Operation and Maintenance                            | 612,485                 |
| Community Services                                   |                         |
| Welfare Activities                                   | 2,330                   |
| Debt Service   |                         |
| Principal  | 74,904                  |
| Interest   | 14,096                  |
| Total Expenditures                                   | 2,925,275               |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (347,360)               |
| <u>OTHER FINANCING SOURCES (USES)</u>                |                         |
| Capital Lease Proceeds                               | 401,927                 |
| Net Change in Fund Balance                           | 54,567                  |
| <u>FUND BALANCE</u> - Beginning of Year              | 0                       |
| <u>FUND BALANCE</u> - End of Year                    | \$ 54,567               |

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

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

YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances Total Governmental Funds \$ 54,567

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

Governmental funds report capital outlays as expenditures, in the Statement of Activities these costs are allocated over the shorter of the lease period or estimated useful lives:

|                      |          |
|----------------------|----------|
| Amortization Expense | (80,385) |
| Capital Outlay       | 401,927  |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

|  |           |
|--|-----------|
| Proceeds from Capital Lease Transactions | (401,927) |
| Payments on Capital Lease Liability      | 74,904    |

|   |                  |
|---|------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 49,086</u> |
|---|------------------|

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

**A. Reporting Entity**

Mill Creek Academy ("the Academy") is located in Antrim County with its administrative offices located in Williamsburg, Michigan. The Academy operates under an elected five-member Board of Education and provides services to its 234 students in elementary school. The Academy receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members were appointed to various terms by the Board of Education for Elk Rapids Schools and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

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

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

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

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

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

The Academy reports the following major governmental fund:

The *General Fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources*

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

**E. Budgetary Information**

**1. Budgetary Basis of Accounting**

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

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

- a) Prior to July 1, the business office submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the academy, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted in September 2024, or as amended by the School Board of Education throughout the year.

**2. *Excess of Expenditures Over Appropriations***

General Fund

Instruction

- a) Added Needs expenditures of \$297,930 exceed appropriations by \$89,106.

Supporting Services

- b) Business Services expenditures of \$73,797 exceeded appropriations by \$73,797.
- c) Operation and Maintenance expenditures of \$612,485 exceeded appropriations by \$407,970.

Community Services

- d) Welfare Activities expenditures of \$2,330 exceeded appropriations by \$2,330.

These overages were funded by functions that were under budget and capital lease proceeds.

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

**1. *Cash and Cash Equivalents***

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**2. Investments**

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

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**3. *Inventory and Prepaid Items***

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

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

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

**4. *Capital Assets and Right to Use***

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Land is not depreciated and construction in progress is not depreciated until the underlying assets are placed in service upon completion of the project. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. At that time, the asset costs are reclassified out of construction in progress and into the appropriate depreciable category.

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

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

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

**5. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**6. *Unearned Revenue***

Unearned revenue arises when resources are received by the Academy before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Academy does not have any unearned revenue.

**7. *Net Position Flow Assumption***

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

**8. *Fund Balance Flow Assumption***

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

**9. *Fund Balance Policies***

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

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**10. Use of Estimates**

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

**11. Leases**

Lessee: The District is a lessee for a noncancelable lease of a building. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

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 judgements related to leases included 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 noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price 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.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

**G. Revenues and Expenditures/Expenses**

**1. State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the academy based on information supplied by the academy. For the year ended June 30, 2025, the foundation allowance was based on pupil membership

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

based on counts taken in October 2024 and February 2025. For fiscal year ended June 30, 2025, the per pupil foundation allowance was \$9,608 for Mill Creek Academy.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2024 to August 2025. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

**2. Federal Revenue**

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

**3. Program Revenues**

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

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

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

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2025.

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

**A. Investments**

As of June 30, 2025 the Academy had investments subject to the following risks:

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

|                                      | Fair<br>Value | Weighted<br>Average<br>Maturity<br>(Years) |
|--------------------------------------|---------------|--|
| MILAF External Investment Pool - CMC | \$ 470,092    | N/A  |
| Portfolio Weighted Average Maturity  | \$ 470,092    | N/A  |

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

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

|                                      | Fair<br>Value | Standard<br>& Poor's<br>Rating |
|--------------------------------------|---------------|--------------------------------|
| MILAF External Investment Pool - CMC | \$ 470,092    | AAAm                           |
|                                      | \$ 470,092    |                                |

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

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

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

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

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

|                                      | Amortized<br>Cost |
|--------------------------------------|-------------------|
| MILAF External Investment Pool - CMC | \$ 470,092        |
|                                      | \$ 470,092        |

**B. Intergovernmental Receivables**

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

|                              | Governmental<br>Funds |
|------------------------------|-----------------------|
| Due from Other Governments   |                       |
| State Aid                    | \$ 444,277            |
| Federal                      | 45,600                |
| Intermediate School District | 68,311                |
| Other School District        | 1,429,879             |
| Total                        | \$ 1,988,067          |

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**C. Capital and Right to Use Assets**

Capital and right to use assets activity for the year ended June 30, 2025, was as follows:

|   | Balance<br>July 1, 2024 | Additions  | Deletions | Balance<br>June 30, 2025 |
|---|-------------------------|------------|-----------|--------------------------|
| Right to Use Assets:                                |                         |            |           |                          |
| Right to Use Buildings                              | \$ 0                    | \$ 401,927 | \$ 0      | \$ 401,927               |
| Less Accumulated Amortization for:                  |                         |            |           |                          |
| Right to Use Buildings                              | 0                       | 80,385     | 0         | 80,385                   |
| Net Capital and Right to Use Assets Being Amortized | \$ 0                    | \$ 321,542 | \$ 0      | \$ 321,542               |

Amortization for the fiscal year ended June 30, 2025, amounted to \$80,385. The Academy determined that it was impractical to allocate amortization to the various governmental activities as the assets serve multiple functions.

**D. Long-Term Obligations**

The following is a summary of the governmental long-term obligation transactions for the Academy for the year ended June 30, 2025:

|   | Long-Term<br>Obligation<br>at July 1, 2024 | Additions  | Deletions | Long-Term<br>Obligations<br>at June 30, 2025 | Portion Due<br>Within<br>One Year |
|---|--|------------|-----------|--|-----------------------------------|
| Notes from Direct Borrowings<br>and Direct Placements | \$ 0                                       | \$ 401,927 | \$ 74,904 | \$ 327,023                                   | \$ 76,660                         |
| Total   | \$ 0                                       | \$ 401,927 | \$ 74,904 | \$ 327,023                                   | \$ 76,660                         |

The District's debt obligations at June 30, 2025, are comprised of the following issues:

**Notes from Direct Borrowings and Direct Placements**

|  |                   |
|--|-------------------|
| Building - Right to Use Lease - Due in monthly installments of \$8,900 through June 2029 | <u>\$ 327,023</u> |
| Interest Rate at 4.44%   |                   |

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$327,023 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2025, including interest payments of \$28,977 are as follows:

| YEAR<br>ENDING<br>JUNE 30, | NOTES FROM DIRECT<br>BORROWINGS AND<br>DIRECT PLACEMENTS |           | TOTAL      |
|----------------------------|--|-----------|------------|
|                            | PRINCIPAL  | INTEREST  |            |
| 2026                       | \$ 76,660  | \$ 12,340 | \$ 89,000  |
| 2027                       | 79,961   | 9,039     | 89,000     |
| 2028                       | 83,405   | 5,595     | 89,000     |
| 2029                       | 86,997   | 2,003     | 89,000     |
|                            | \$ 327,023   | \$ 28,977 | \$ 356,000 |

Interest expense for the year ended June 30, 2025 was approximately \$14,000.

**E. Risk Management**

Mill Creek Academy is exposed to various risks of loss related to property loss, torts, and errors and omissions.

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

**F. Subsequent Event**

After June 30, 2025, Elk Rapids Schools approved waiving the Lease revenue for the leased building and the 5% administrative fee for the 2024-25 fiscal year. No adjustments were made to the financial statements as a result of this subsequent event.

**G. Oversight Fees**

The Academy pays an administrative oversight fee of 3 percent of its unrestricted state school aid to Elk Rapids Schools as set forth by contract, to reimburse the Board of Education for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2025, the Academy incurred \$73,797 of expenses for oversight fees.

**H. Contracted Services/Related Party Transaction**

The Academy contracted with Elk Rapids Schools to provide teaching, administrative and various other services for the Academy. Payments for such services were made to Elk Rapids Schools throughout the year as the Academy incurred these expenses.

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2025

|  | GENERAL FUND       |                  |                  |                               |
|--|--------------------|------------------|------------------|-------------------------------|
|  | ORIGINAL<br>BUDGET | FINAL<br>BUDGET  | ACTUAL           | VARIANCE WITH<br>FINAL BUDGET |
| <u>REVENUES</u>                                      |                    |                  |                  |                               |
| Local Sources  | \$ 5,000           | \$ 2,000         | \$ 4,108         | \$ 2,108                      |
| State Sources  | 2,402,000          | 2,459,901        | 2,459,897        | (4)                           |
| Federal Sources                                      | 90,000             | 50,276           | 45,600           | (4,676)                       |
| Other Transactions                                   | 0                  | 67,176           | 68,310           | 1,134                         |
| Total Revenues                                       | <u>2,497,000</u>   | <u>2,579,353</u> | <u>2,577,915</u> | <u>(1,438)</u>                |
| <u>EXPENDITURES</u>                                  |                    |                  |                  |                               |
| Instruction  |                    |                  |                  |                               |
| Basic Programs                                       | 1,400,000          | 1,520,739        | 1,481,281        | (39,458)                      |
| Added Needs  | 350,000            | 208,824          | 297,930          | 89,106                        |
| Supporting Services                                  |                    |                  |                  |                               |
| Instructional Staff                                  | 35,000             | 126,651          | 88,355           | (38,296)                      |
| Pupil Support Services                               | 100,000            | 85,160           | 25,484           | (59,676)                      |
| General Administration                               | 70,000             | 91,269           | 16,084           | (75,185)                      |
| School Administration                                | 250,000            | 241,365          | 238,529          | (2,836)                       |
| Business Services                                    | 80,000             | 0                | 73,797           | 73,797                        |
| Operation and Maintenance                            | 110,000            | 204,515          | 612,485          | 407,970                       |
| Pupil Transportation Services                        | 120,000            | 0                | 0                | 0                             |
| Central Support Services                             | 5,000              | 2,830            | 0                | (2,830)                       |
| Community Services                                   |                    |                  |                  |                               |
| Welfare Activities                                   | 0                  | 0                | 2,330            | 2,330                         |
| Debt Service   |                    |                  |                  |                               |
| Principal  | 50,000             | 74,904           | 74,904           | 0                             |
| Interest   | 0                  | 14,096           | 14,096           | 0                             |
| Total Expenditures                                   | <u>2,570,000</u>   | <u>2,570,353</u> | <u>2,925,275</u> | <u>354,922</u>                |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (73,000)           | 9,000            | (347,360)        | (356,360)                     |
| <u>OTHER FINANCING SOURCES (USES)</u>                |                    |                  |                  |                               |
| Capital Lease Proceeds                               | 0                  | 0                | 401,927          | 401,927                       |
| Net Change in Fund Balance                           | (73,000)           | 9,000            | 54,567           | 45,567                        |
| <u>FUND BALANCE</u> - Beginning of Year              | 0                  | 0                | 0                | 0                             |
| <u>FUND BALANCE</u> - End of Year                    | <u>\$ (73,000)</u> | <u>\$ 9,000</u>  | <u>\$ 54,567</u> | <u>\$ 45,567</u>              |



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

To the Board of Education  
Mill Creek Academy  
Williamsburg, 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 and the major fund of Mill Creek Academy, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Mill Creek Academy’s basic financial statements, and have issued our report thereon dated October 30, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mill Creek Academy’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 Mill Creek Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of Mill Creek Academy’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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below as items that we consider to be material weaknesses:

**2025-001 – Lack of Adequate Controls to Timely Record, Process and Reconcile Accounting Data**

Criteria: Management is responsible for ensuring that a reliable system exists for recording, processing, and reconciling accounting data on a timely basis

Condition: The Academy has requirements imposed by the State of Michigan to ensure transactions are recorded, processed, and summarized timely in a manner prescribed by the Michigan Department of Education. During the year these processes were not functioning properly.

Cause: This condition was caused by a lack of adequate training and understanding needed to carry out the duties of the business office.

Effect: As a result of this condition, significant additional time and resources are necessary throughout the year and at year end in an effort to mitigate the effect of unreliable and untimely reporting of data.

Recommendation: We recommend that the Academy implement and adhere to monthly close out procedures to ensure that accounting data is recorded, processed and reconciled on a timely basis and that the Superintendent and Board of Education review the close out reports monthly.

View of Responsible Officials: The Academy is aware of this limitation and is in the process of implementing solutions.

#### **2025-002 – Auditor Identified Material Adjusting Journal Entries**

Criteria: The Academy is responsible for making adjusting journal entries as needed.

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

Cause: Many general ledger accounts were not reconciled at the end of the year.

Effect: Auditors were relied upon, which was not identified as needing to be done in the risk assessment, to make material journal entries in order to properly reflect year end balances.

Recommendation: We recommend that the Academy implement procedures to ensure that general ledger accounts are reconciled on a monthly basis in order to ensure accurate financial records.

View of Responsible Officials: The Academy now has an accounting system that has balances that agree to the audited financial statements and a better understanding of the requirements and responsibility for making material adjustments on their own accord.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mill Creek Academy'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

#### **2025-003 – Unfavorable Budget Variance – Material Noncompliance**

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

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

Cause: The condition was caused by the Academy officials not monitoring the adopted budget against actual expenditures.

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

Recommendation: The Academy should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed.

View of Responsible Officials: The Academy will monitor expenditures against adopted budgets to make appropriate amendments as needed.

**Purpose of This Report**

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

*UHY LLP*

Cadillac, Michigan  
October 30, 2025



Principal, Nate Plum 231-267-9955 nplum@millcreekpsa.com  
9039 Old State Hwy 72, Williamsburg, MI 49690  
Director of Finance, Laurie McCann 231-264-8692 lmccann@erschools.com  
308 Meguzee Point Rd, Elk Rapids, MI 49629

## **CORRECTIVE ACTION PLAN**

**JUNE 30, 2025**

**Finding 2025-001:** Material Weakness Financial Statement Finding

**Condition:** The Academy did not record, process and reconcile accounting data in a timely manner.

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

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

**Monitoring:** The Board will continue to monitor monthly processes to not fall behind.

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

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

**Finding 2025-002:** Material Weakness Financial Statement Finding

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

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

**Corrective Steps to be Taken:** The Academy will reach out to external consultants for any assistance with any material adjustments and balance sheet reconciliations.

**Monitoring:** The Board will continue to monitor monthly processes to not fall behind. The Academy will reach out to external consulting sources for any assistance.

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

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



Principal, Nate Plum 231-267-9955 [nplum@millcreekpsa.com](mailto:nplum@millcreekpsa.com)  
9039 Old State Hwy 72, Williamsburg, MI 49690  
Director of Finance, Laurie McCann 231-264-8692 [lmccann@erschools.com](mailto:lmccann@erschools.com)  
308 Meguzee Point Rd, Elk Rapids, MI 49629

**Finding 2025-003:** Material Noncompliance Financial Statement Finding

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

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

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

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

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

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





COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
AT THE CONCLUSION OF THE AUDIT

To the Board of Education  
Mill Creek Academy  
Williamsburg, Michigan

We have audited the financial statements of the governmental activities and the major fund of Mill Creek Academy for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 4, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mill Creek Academy are described in Note 1 to the financial statements and were all adopted by the Academy during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimates of the capital lease is based on the net present value of future payments. We evaluated the methods, assumptions, and data used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of several auditor proposed material adjustments to adjust the Academy's general ledger to the appropriate balances.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 30, 2025.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

During the course of our audit of the basic financial statements of the Mill Creek Academy for the year ended June 30, 2025, we noted the following items which we feel deserve comment:

#### Organization of Records

During the course of the audit, it was noted that the Academy was not adequately prepared for the audit process. Requested documentation was not readily available, and records provided were often incomplete, disorganized, or delayed. This resulted in inefficiencies in the audit.

#### Insufficient Support

Several financial transactions selected for testing lacked appropriate supporting documentation, such as invoices, purchase orders, approvals, or receipts. In some cases, only partial documentation was available, making it difficult to determine the legitimacy and appropriateness of the transactions.

#### Paying Sales Tax

During the audit we found several instances where the Academy paid sales tax on purchases made. The Academy is exempt from most sales tax and should not pay or reimburse sales tax.

Reconciliation of Mill Creek Academy to Elk Rapids Schools interdistrict payables and receivables

The audit revealed that the balances between the Academy and Elk Rapids Schools were inaccurate and not properly reconciled. Records were inconsistent and lacking support, making it difficult to verify the validity and accuracy of these balances.

Other Matters

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

Restriction on Use

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

*UHY LLP*

Cadillac, Michigan  
October 30, 2025



ELK RAPIDS SCHOOLS

ELK RAPIDS, MICHIGAN

YEAR ENDED JUNE 30, 2025

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

|   | <u>PAGES</u> |
|---|--------------|
| <b>Independent Auditor's Report</b>   | 1-3          |
| <b>Management's Discussion and Analysis</b>   | 4-10         |
| <b>Basic Financial Statements</b>   |              |
| Government-Wide Financial Statements  |              |
| Statement of Net Position   | 11           |
| Statement of Activities   | 12           |
| Fund Financial Statements   |              |
| Balance Sheet - Governmental Funds  | 13           |
| Reconciliation of the Balance Sheet of Governmental Funds to<br>the Statement of Net Position   | 14           |
| Statement of Revenues, Expenditures and Changes in Fund Balances -<br>Governmental Funds  | 15           |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances of Governmental Funds<br>to the Statement of Activities   | 16           |
| Statement of Fiduciary Net Position   | 17           |
| Statement of Changes in Fiduciary Net Position  | 18           |
| Notes to Financial Statements   | 19-47        |
| <b>Required Supplementary Information</b>   |              |
| Budgetary Comparison Schedule – General Fund  | 48           |
| Schedule of Proportionate Share of the Net Pension Liability  | 49           |
| Schedule of Pension Contributions   | 50           |
| Schedule of Proportionate Share of the Net OPEB Liability/(Asset)   | 51           |
| Schedule of OPEB Contributions  | 52           |
| Notes to Required Supplementary Information   | 53-54        |
| <b>Supplementary Information</b>  |              |
| Combining Nonmajor Fund Financial Statements  |              |
| Combining Balance Sheet   | 55           |
| Combining Statement of Revenues, Expenditures and Changes in<br>Fund Balances   | 56           |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> | 57-59        |
| Corrective Action Plan  | 60-61        |



## INDEPENDENT AUDITOR'S REPORT

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

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Rapids Schools, Elk Rapids, Michigan as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Rapids Schools, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

#### ***Change in Accounting Principle***

As discussed in Note 4 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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

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

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

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

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

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

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 4-10 and 48-54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elk Rapids Schools' basic financial statements. The accompanying combining nonmajor fund financial statements as required by *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025, on our consideration of Elk Rapids Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Elk Rapids Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elk Rapids Schools' internal control over financial reporting and compliance.

**UHY LLP**

Cadillac, Michigan  
October 30, 2025

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

This section of Elk Rapids School Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

**A. Government-Wide Financial Statements**

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. The District-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District's assets and liabilities. All of the year's revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

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

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

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

**B. Fund Financial Statements**

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

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

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

The District maintains the following type of fund:

**Governmental Funds** – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

**Notes to Financial Statements**

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

**Other Information**

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

**C. Summary of Net Position**

The following schedule summarizes the net position at fiscal years ended June 30. The prior year has not been restated to include the new GASBS No. 101 Standards—*Compensated Absences*:

|   | <u>2025</u>         | <u>2024</u>           |
|---|---------------------|-----------------------|
| <b>Assets</b>                                     |                     |                       |
| Current and Other Assets                          | \$ 25,981,237       | \$ 25,474,995         |
| Capital Assets, Net                               | 53,149,228          | 46,965,561            |
| Total Assets                                      | <u>79,130,465</u>   | <u>72,440,556</u>     |
| <b>Deferred Outflows of Resources</b>             | <u>5,287,386</u>    | <u>7,513,956</u>      |
| <b>Liabilities</b>                                |                     |                       |
| Current Liabilities                               | 6,220,079           | 6,159,388             |
| Long-Term Liabilities                             | 63,078,449          | 69,027,440            |
| Total Liabilities                                 | <u>69,298,528</u>   | <u>75,186,828</u>     |
| <b>Deferred Inflows of Resources</b>              |                     |                       |
| Deferred Inflows of Resources Related to Pensions | <u>9,804,699</u>    | <u>7,529,121</u>      |
| <b>Net Position</b>                               |                     |                       |
| Net Investment in Capital Assets                  | 14,428,561          | 13,646,569            |
| Restricted for Debt Retirement                    | 304,155             | 286,679               |
| Restricted for Net Other Postemployment Benefits  | 2,823,570           | 369,105               |
| Unrestricted - (Deficit)                          | <u>(12,241,662)</u> | <u>(17,063,790)</u>   |
| Total Net Position - (Deficit)                    | <u>\$ 5,314,624</u> | <u>\$ (2,761,437)</u> |

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2025, the District's net position increased by \$8,319,752. A few of the more significant factors affecting net position during the year are discussed below:

**1. Depreciation Expense**

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2025, \$712,751 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2025, \$6,915,953 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$6,183,667 for the fiscal year ended June 30, 2025. An increase to net capital assets is an increase in net position.

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

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

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

During the year ending June 30, 2025, the District decreased its long-term bonded obligations by \$400,000.

**E. Change in Net Position**

The following schedule summarizes the results of operations, on a District-wide basis, for the years ended June 30. The prior year has not been restated to include the new GASBS No. 101 Standards—*Compensated Absences*:

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

|  | <u>2025</u>         | <u>2024</u>         |
|--|---------------------|---------------------|
| <b>Revenue</b>   |                     |                     |
| Program Revenue:                                       |                     |                     |
| Charges for Services                                   | \$ 2,528,599        | \$ 443,475          |
| Operating Grants and Contributions                     | 6,559,455           | 4,476,279           |
| Capital Grants and Contributions                       | 108,412             | 72,449              |
| General Revenue:                                       |                     |                     |
| Property Taxes - Levied for General Purposes           | 11,611,866          | 10,859,376          |
| Property Taxes - Levied for Debt                       | 2,299,144           | 2,210,934           |
| Investment Earnings                                    | 1,160,290           | 1,791,662           |
| State Sources  | 1,267,541           | 1,065,910           |
| Other  | 111,479             | 158,388             |
| Total Revenue  | <u>25,646,786</u>   | <u>21,078,473</u>   |
| <b>Function/Program Expense</b>                        |                     |                     |
| Instruction  | 7,552,471           | 6,395,509           |
| Supporting Services                                    | 5,587,997           | 5,766,365           |
| Food Service Activities                                | 827,622             | 790,683             |
| Community Services                                     | 249,964             | 371,828             |
| Facilities Acquisition, Construction, and Improvements | 593,694             | 421,793             |
| Interest on Long-Term Debt                             | 1,802,535           | 1,916,192           |
| Unallocated Depreciation                               | 712,751             | 768,238             |
| Total Expenses   | <u>17,327,034</u>   | <u>16,430,608</u>   |
| <b>Change in Net Position</b>                          | <u>\$ 8,319,752</u> | <u>\$ 4,647,865</u> |

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

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

|                                   | <u>2025</u>          | <u>2024</u>          | <u>Increase<br/>(Decrease)</u> |
|-----------------------------------|----------------------|----------------------|--------------------------------|
| <b>Major Fund</b>                 |                      |                      |                                |
| General Fund                      | \$ 5,119,127         | \$ 3,840,337         | \$ 1,278,790                   |
| 2020 Bond Construction Fund       | 0                    | 3,289,821            | (3,289,821)                    |
| 2023 Bond Construction Fund       | 8,417,602            | 11,076,184           | (2,658,582)                    |
| 2020 School Improvement Bond Fund | 626,889              | 582,278              | 44,611                         |
| Capital Projects Fund             | 2,710,469            | 0                    | 2,710,469                      |
| <b>Nonmajor Funds</b>             |                      |                      |                                |
| Food Service                      | 350,979              | 369,278              | (18,299)                       |
| Preschool & Kid's Club            | 226,926              | 153,533              | 73,393                         |
| Student Activities                | 460,944              | 478,398              | (17,454)                       |
| Debt Service Funds                | 0                    | 28,801               | (28,801)                       |
| Total Governmental Funds          | <u>\$ 17,912,936</u> | <u>\$ 19,818,630</u> | <u>\$ (1,905,694)</u>          |

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

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

As the District completed this year, the governmental funds reported a combined fund balance of \$17,912,936, which is a decrease of \$1,905,694 from last year.

- The General Fund, the principal operating fund, increased its fund balance by \$1,278,790 for an ending balance of \$5,119,127. This increase is primarily due to increased local funding from tax revenues that outweighed a conservative approach to utilizing expenditures. Of the ending fund balance, \$193,525 is nonspendable for prepaid expenditures and \$4,925,602 is unassigned.
- The 2020 Bond Construction Fund decreased its fund balance by \$3,289,821. The reason for the decrease is a transfer to move funds to the 2023 Bond Construction Fund. There is no more fund balance remaining and the fund was final in 2024-25.
- The 2023 Bond Construction Fund decreased its fund balance by \$2,658,582. The reason for the decrease is for building and site improvement expenditures during the fiscal year. All of the fund balance of \$8,417,602 is restricted for capital projects.
- The 2020 School Improvement Bond Fund is a new major fund in the 2024-25 fiscal year. The fund increased its fund balance by \$44,611. The reason for the increase is due to tax revenues collected outweighed the debt and interest payments for the fiscal year.
- The Capital Projects Fund is a new fund created by the District during 2024-25. The fund balance increased by \$2,710,469, which is all committed for future capital projects. The reason for the increase is due to a three million dollar transfer in.

**G. General Fund Budgetary Highlights**

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

For the 2024-2025 fiscal year, the District amended the General Fund budget various times throughout the year. The following schedule shows a comparison of the original General Fund budget to actual totals from operations:

|   | <u>ORIGINAL</u><br><u>BUDGET</u> | <u>FINAL</u><br><u>BUDGET</u> | <u>ACTUAL</u>        |
|---|----------------------------------|-------------------------------|----------------------|
| <u>TOTAL REVENUES</u>                     | \$ 16,328,412                    | \$ 17,795,624                 | \$ 19,975,193        |
| <u>EXPENDITURES</u>                       |                                  |                               |                      |
| Instruction                               | \$ 9,939,777                     | \$ 8,162,428                  | \$ 9,382,355         |
| Supporting Services                       | 6,199,572                        | 6,077,327                     | 5,918,968            |
| Community Services                        | 26,335                           | 33,692                        | 26,492               |
| Payments to Other Governmental Agencies   | 0                                | 10,058                        | 10,057               |
| Facilities, Improvements and Acquisitions | 0                                | 338,609                       | 338,608              |
| Total Expenditures                        | <u>\$ 16,165,684</u>             | <u>\$ 14,622,114</u>          | <u>\$ 15,676,480</u> |

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

The revenue budget was amended as it became clearer on the amounts the District would receive for Local and State allocations. The variance between final budgeted revenues and actual revenues was mainly the result of the District receiving more for payments for services from another school district for leased employees.

The expenditure variance between original budget to final budget resulted from funding amounts for various programs and associated expenditures becoming clearer throughout the year as those are typically revenue driven. The expenditure variance between final budget to actual was caused by omitting budgeting for the employees leased to another school district.

**H. Capital Asset and Debt Administration**

**1. Capital Assets**

At June 30, 2025, the District had \$74,537,287 in a broad range of capital assets, including school buildings and facilities, school buses, and various types of equipment. Depreciation expense for the year amounted to \$712,751, bringing the accumulated depreciation to \$21,388,059 as of June 30, 2025.

The significant additions to capital assets included:

- Construction in progress in the 2023 Bond Construction Fund totaling \$5,659,104 for the current fiscal year.
- Building upgrades placed into service during the fiscal year that included things such as roof repairs, security doors, drinking fountains totaling \$1,028,531. \$35,751,592 was placed into service of which \$34,723,061 was construction in progress in the prior year.
- School grounds mower in the amount of \$17,680.
- New Chromebooks at a cost of \$100,992.
- Equipment for various lunchrooms totaling \$84,847.
- Playground equipment totaling \$24,799.

The Significant deletions to capital assets included:

- Building and Building Improvements with a historical cost of \$59,782
- Machinery and Equipment with a historical cost of \$400,497
- Vehicles with a historical cost of \$439,402

As of the end of the fiscal year the District has committed to spending approximately \$6,042,754 as a part of the Bond Construction Fund. The District has also committed to purchasing a bus for \$152,464 and a van for \$73,196.

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

ELK RAPIDS SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

**2. Long-Term Obligations**

At the end of this year, the District had \$47,926,326 in long-term obligations outstanding versus \$48,430,867 in the previous year. This represents a net decrease of \$504,541 from the prior year. The obligations are made up of bonds payable of \$43,395,000, employee compensated absences in the amount of \$788,057 and unamortized bond premiums of \$3,743,269.

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

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

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

- The District and other districts in the area are experiencing a shortage of qualified educators. This issue is expected to expand in the near future.
- A major one-time funding source, federal funding from the pandemic recovery efforts is now gone. With this type of funding gone, it is unlikely that the revenue received from these sources will be replaced. The District will need to take this into consideration with future budgeting that involved the addition of new positions or programs that started due to the pandemic.
- Starting in 2024-25, the District is considered an "out-of-formula" district. Out-of-formula is caused by the District receiving more property tax revenue than it would have received from the State of Michigan under its formula for distributing funds based on the District's pupil count. This can potentially cause issues as the District is an attractive option for students that live outside of the District but choose to attend Elk Rapids Schools. This could add additional staffing and facility costs to be incurred, with no increase to revenue.

**I. Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, 308 Megunzee Point Rd., Elk Rapids, Michigan 49629.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2025

|   |                     |
|---|---------------------|
| <u>ASSETS</u>   |                     |
| Investments   | \$ 8,586,310        |
| Accounts Receivable                                       | 57,750              |
| Lease Receivable  | 327,022             |
| Due from Other Governments                                | 3,627,249           |
| Inventory   | 38,891              |
| Prepaid Expenses  | 193,525             |
| Restricted Investments                                    | 10,326,920          |
| Net Other Postemployment Benefits Asset                   | 2,823,570           |
| Assets Not Being Depreciated                              | 8,537,675           |
| Assets Being Depreciated, Net of Accumulated Depreciation | <u>44,611,553</u>   |
| TOTAL ASSETS  | <u>79,130,465</u>   |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u>                     |                     |
| Related to Pension  | 4,589,232           |
| Related to Other Postemployment Benefits                  | <u>698,154</u>      |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES                      | <u>5,287,386</u>    |
| <u>LIABILITIES</u>  |                     |
| Accounts and Retainage Payable                            | 1,950,651           |
| Due to Other Governments                                  | 1,403,951           |
| Salaries Payable  | 812,307             |
| Accrued Expenses  | 593,289             |
| Accrued Interest  | 322,734             |
| Unearned Revenue  | 157,511             |
| Noncurrent Liabilities                                    |                     |
| Due Within One Year                                       |                     |
| Bonds and Notes Payable                                   | 631,728             |
| Compensated Absences                                      | 347,908             |
| Due in More Than One Year                                 |                     |
| Bonds and Notes Payable                                   | 42,910,000          |
| Bond Premium  | 3,596,541           |
| Net Pension Liability                                     | 16,131,759          |
| Compensated Absences                                      | <u>440,149</u>      |
| TOTAL LIABILITIES   | <u>69,298,528</u>   |
| <u>DEFERRED INFLOWS OF RESOURCES</u>                      |                     |
| Related to Pensions                                       | 5,677,040           |
| Related to Other Postemployment Benefits                  | 3,800,637           |
| Related to Unavailable Revenues - Leases                  | <u>327,022</u>      |
| TOTAL DEFERRED INFLOWS OF RESOURCES                       | <u>9,804,699</u>    |
| <u>NET POSITION</u>                                       |                     |
| Net Investment in Capital Assets                          | 14,428,561          |
| Restricted for Debt Service                               | 304,155             |
| Restricted for Net Other Postemployment Benefits          | 2,823,570           |
| Unrestricted (Deficit)                                    | <u>(12,241,662)</u> |
| TOTAL NET POSITION (Deficit)                              | <u>\$ 5,314,624</u> |

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

| FUNCTIONS/PROGRAMS  | EXPENSES             | PROGRAM REVENUES    |                     |                   | GOVERNMENTAL        |
|---|----------------------|---------------------|---------------------|-------------------|---------------------|
|   |                      | CHARGES FOR         | OPERATING           | CAPITAL           | ACTIVITIES          |
|   |                      | SERVICES            | GRANTS AND          | GRANTS            | NET (EXPENSE)       |
|   |                      |                     | CONTRIBUTIONS       |                   | REVENUE AND         |
|   |                      |                     |                     |                   | CHANGES IN          |
|   |                      |                     |                     |                   | NET POSITION        |
| <u>GOVERNMENTAL ACTIVITIES</u>  |                      |                     |                     |                   |                     |
| Instruction   | \$ 7,552,471         | \$ 1,744,082        | \$ 2,525,324        | \$ 0              | \$ (3,283,065)      |
| Supporting Services   | 5,587,997            | 503,218             | 2,767,557           | 108,412           | (2,208,810)         |
| Food Service Activities   | 827,622              | 63,255              | 825,316             | 0                 | 60,949              |
| Community Services  | 249,964              | 218,044             | 441,258             | 0                 | 409,338             |
| Facilities Acquisition, Construction, and Improvements                    | 593,694              | 0                   | 0                   | 0                 | (593,694)           |
| Interest on Long-Term Debt  | 1,802,535            | 0                   | 0                   | 0                 | (1,802,535)         |
| Unallocated Depreciation  | 712,751              | 0                   | 0                   | 0                 | (712,751)           |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>                                      | <b>\$ 17,327,034</b> | <b>\$ 2,528,599</b> | <b>\$ 6,559,455</b> | <b>\$ 108,412</b> | <b>(8,130,568)</b>  |
| <u>GENERAL REVENUES</u>   |                      |                     |                     |                   |                     |
| Property Taxes -Levied for General Purposes                               |                      |                     |                     |                   | 11,611,866          |
| Property Taxes -Levied for Debt Service                                   |                      |                     |                     |                   | 2,299,144           |
| Investment Earnings   |                      |                     |                     |                   | 1,160,290           |
| State Sources   |                      |                     |                     |                   | 1,267,541           |
| Other   |                      |                     |                     |                   | 111,479             |
| <b>Total General Revenues</b>   |                      |                     |                     |                   | <b>16,450,320</b>   |
| Change in Net Position  |                      |                     |                     |                   | 8,319,752           |
| <u>NET POSITION</u> - Beginning of Year (Deficit), as previously reported |                      |                     |                     |                   | (2,761,437)         |
| Adjustments to Beginning Net Position                                     |                      |                     |                     |                   | (243,691)           |
| <u>NET POSITION</u> - Beginning of Year (Deficit), as restated            |                      |                     |                     |                   | (3,005,128)         |
| <u>NET POSITION</u> - End of Year   |                      |                     |                     |                   | <b>\$ 5,314,624</b> |

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2025

|  | CAPITAL PROJECTS     |                             |                             | DEBT SERVICE          | OTHER                             | TOTAL                       |                      |
|--|----------------------|-----------------------------|-----------------------------|-----------------------|-----------------------------------|-----------------------------|----------------------|
|  | GENERAL FUND         | 2020 BOND CONSTRUCTION FUND | 2023 BOND CONSTRUCTION FUND | CAPITAL PROJECTS FUND | 2020 SCHOOL IMPROVEMENT BOND FUND | NONMAJOR GOVERNMENTAL FUNDS | GOVERNMENTAL FUNDS   |
| <b>ASSETS</b>  |                      |                             |                             |                       |                                   |                             |                      |
| Investments  | \$ 6,146,897         | \$ 0                        | \$ 0                        | \$ 855,369            | \$ 615,351                        | \$ 968,693                  | \$ 8,586,310         |
| Accounts Receivable  | 57,750               | 0                           | 0                           |                       |                                   | 0                           | 57,750               |
| Lease Receivable   | 327,022              | 0                           | 0                           | 0                     | 0                                 | 0                           | 327,022              |
| Due from Other Governments   | 3,277,516            | 0                           | 0                           | 0                     | 0                                 | 349,733                     | 3,627,249            |
| Due from Other Funds   | 418,701              | 0                           | 1,127                       | 2,000,000             | 12,038                            | 46,828                      | 2,478,694            |
| Inventory  | 0                    | 0                           | 0                           | 0                     | 0                                 | 38,891                      | 38,891               |
| Prepaid Expenditures   | 193,525              | 0                           | 0                           | 0                     | 0                                 | 0                           | 193,525              |
| Restricted Investments   | 0                    | 0                           | 10,326,920                  | 0                     | 0                                 | 0                           | 10,326,920           |
| <b>TOTAL ASSETS</b>  | <b>\$ 10,421,411</b> | <b>\$ 0</b>                 | <b>\$ 10,328,047</b>        | <b>\$ 2,855,369</b>   | <b>\$ 627,389</b>                 | <b>\$ 1,404,145</b>         | <b>\$ 25,636,361</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>        |                      |                             |                             |                       |                                   |                             |                      |
| <b>LIABILITIES</b>   |                      |                             |                             |                       |                                   |                             |                      |
| Accounts and Retainage Payable   | \$ 30,127            | \$ 0                        | \$ 1,907,307                | \$ 0                  | \$ 0                              | \$ 13,217                   | \$ 1,950,651         |
| Due to Other Funds   | 2,059,993            | 0                           | 3,138                       | 144,900               | 500                               | 270,163                     | 2,478,694            |
| Due to Other Governments   | 1,403,951            | 0                           | 0                           | 0                     | 0                                 | 0                           | 1,403,951            |
| Salaries Payable   | 812,307              | 0                           | 0                           | 0                     | 0                                 | 0                           | 812,307              |
| Accrued Expenses   | 593,289              | 0                           | 0                           | 0                     | 0                                 | 0                           | 593,289              |
| Unearned Revenue   | 75,595               | 0                           | 0                           | 0                     | 0                                 | 81,916                      | 157,511              |
| <b>Total Liabilities</b>   | <b>4,975,262</b>     | <b>0</b>                    | <b>1,910,445</b>            | <b>144,900</b>        | <b>500</b>                        | <b>365,296</b>              | <b>7,396,403</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                       |                      |                             |                             |                       |                                   |                             |                      |
| Unavailable Revenue - Leases   | 327,022              | 0                           | 0                           | 0                     | 0                                 | 0                           | 327,022              |
| <b>FUND BALANCES</b>   |                      |                             |                             |                       |                                   |                             |                      |
| <b>Nonspendable</b>  |                      |                             |                             |                       |                                   |                             |                      |
| Prepaid Expenditures   | 193,525              | 0                           | 0                           | 0                     | 0                                 | 0                           | 193,525              |
| Inventory  | 0                    | 0                           | 0                           | 0                     | 0                                 | 38,891                      | 38,891               |
| <b>Restricted</b>  |                      |                             |                             |                       |                                   |                             |                      |
| Debt Service   | 0                    | 0                           | 0                           | 0                     | 626,889                           | 0                           | 626,889              |
| Food Service   | 0                    | 0                           | 0                           | 0                     | 0                                 | 312,088                     | 312,088              |
| Capital Projects   | 0                    | 0                           | 8,417,602                   | 0                     | 0                                 | 0                           | 8,417,602            |
| <b>Committed for</b>   |                      |                             |                             |                       |                                   |                             |                      |
| Capital Improvements   | 0                    | 0                           | 0                           | 2,710,469             | 0                                 | 0                           | 2,710,469            |
| <b>Assigned</b>  |                      |                             |                             |                       |                                   |                             |                      |
| Student Activities   | 0                    | 0                           | 0                           | 0                     | 0                                 | 460,944                     | 460,944              |
| Preschool and Kids Club  | 0                    | 0                           | 0                           | 0                     | 0                                 | 226,926                     | 226,926              |
| Unassigned   | 4,925,602            | 0                           | 0                           | 0                     | 0                                 | 0                           | 4,925,602            |
| <b>Total Fund Balances</b>   | <b>5,119,127</b>     | <b>0</b>                    | <b>8,417,602</b>            | <b>2,710,469</b>      | <b>626,889</b>                    | <b>1,038,849</b>            | <b>17,912,936</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 10,421,411</b> | <b>\$ 0</b>                 | <b>\$ 10,328,047</b>        | <b>\$ 2,855,369</b>   | <b>\$ 627,389</b>                 | <b>\$ 1,404,145</b>         | <b>\$ 25,636,361</b> |

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

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

JUNE 30, 2025

|                                  |    |            |
|----------------------------------|----|------------|
| Total Governmental Fund Balances | \$ | 17,912,936 |
|----------------------------------|----|------------|

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

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

|                                   |    |                     |            |
|-----------------------------------|----|---------------------|------------|
| The cost of the capital assets is | \$ | 74,537,287          |            |
| Accumulated depreciation is       |    | <u>(21,388,059)</u> | 53,149,228 |

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

|                                   |           |
|-----------------------------------|-----------|
| Net Other Postemployment Benefits | 2,823,570 |
|-----------------------------------|-----------|

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

|                                    |              |
|------------------------------------|--------------|
| Bonds Payable                      | (43,395,000) |
| Unamortized Bond Premiums          | (3,743,269)  |
| Accrued Interest on Long Term Debt | (322,734)    |
| Compensated Absences               | (788,057)    |
| Net Pension Liability              | (16,131,759) |

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

|  |                    |
|--|--------------------|
| Deferred Outflows - Related to Pensions                      | 4,589,232          |
| Deferred Outflows - Related to Other Postemployment Benefits | 698,154            |
| Deferred Inflows - Related to Pensions                       | (5,677,040)        |
| Deferred Inflows - Related to Other Postemployment Benefits  | <u>(3,800,637)</u> |

|   |    |                  |
|---|----|------------------|
| NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES | \$ | <u>5,314,624</u> |
|---|----|------------------|

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

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

YEAR ENDED JUNE 30, 2025

|   | GENERAL<br>FUND     | 2020 BOND<br>CONSTRUCTION<br>FUND | 2023 BOND<br>CONSTRUCTION<br>FUND | CAPITAL PROJECTS<br>FUND | GASB 100 CHANGE IN<br>REPORTING                              |  | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------------|--|--|--------------------------------|
|   |                     |                                   |                                   |                          | FORMERLY NONMAJOR<br>2020 SCHOOL<br>IMPROVEMENT<br>BOND FUND | OTHER<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |                                |
| <b>REVENUES</b>   |                     |                                   |                                   |                          |  |  |                                |
| Local Sources   | \$ 12,322,279       | \$ 25                             | \$ 608,265                        | \$ 369                   | \$ 2,346,211   | \$ 912,887                                 | \$ 16,190,036                  |
| Revenues Received through another<br>Non-Educational Entity | 49,000              | 0                                 | 0                                 | 0                        | 0  | 0  | 49,000                         |
| State Sources   | 4,868,795           | 0                                 | 0                                 | 0                        | 0  | 744,648                                    | 5,613,443                      |
| Federal Sources   | 212,316             | 0                                 | 0                                 | 0                        | 0  | 493,180                                    | 705,496                        |
| Other Transactions  | 2,522,803           | 0                                 | 0                                 | 0                        | 0  | 0  | 2,522,803                      |
| <b>Total Revenues</b>                                       | <b>19,975,193</b>   | <b>25</b>                         | <b>608,265</b>                    | <b>369</b>               | <b>2,346,211</b>   | <b>2,150,715</b>                           | <b>25,080,778</b>              |
| <b>EXPENDITURES</b>   |                     |                                   |                                   |                          |  |  |                                |
| Instruction   | 9,382,355           | 0                                 | 0                                 | 0                        | 0  | 233,378                                    | 9,615,733                      |
| Supporting Services   | 5,918,968           | 0                                 | 0                                 | 0                        | 0  | 734,183                                    | 6,653,151                      |
| Food Service Activities                                     | 0                   | 0                                 | 0                                 | 0                        | 0  | 913,519                                    | 913,519                        |
| Community Services  | 26,492              | 0                                 | 0                                 | 0                        | 0  | 206,995                                    | 233,487                        |
| Payments to Other Governmental Agencies                     | 10,057              | 0                                 | 0                                 | 0                        | 0  | 0  | 10,057                         |
| Facilities Acquisition, Construction,<br>and Improvements   | 338,608             | 0                                 | 6,555,088                         | 289,900                  | 0  | 25,000                                     | 7,208,596                      |
| Debt Service  |                     |                                   |                                   |                          |  |  |                                |
| Principal   | 0                   | 0                                 | 0                                 | 0                        | 400,000  | 0  | 400,000                        |
| Interest  | 0                   | 0                                 | 0                                 | 0                        | 1,950,929  | 0  | 1,950,929                      |
| Other Fees  | 0                   | 0                                 | 0                                 | 0                        | 1,000  | 0  | 1,000                          |
| <b>Total Expenditures</b>                                   | <b>15,676,480</b>   | <b>0</b>                          | <b>6,555,088</b>                  | <b>289,900</b>           | <b>2,351,929</b>   | <b>2,113,075</b>                           | <b>26,986,472</b>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures        | 4,298,713           | 25                                | (5,946,823)                       | (289,531)                | (5,718)  | 37,640                                     | (1,905,694)                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |                     |                                   |                                   |                          |  |  |                                |
| Transfers In  | 2,605               | 0                                 | 3,288,241                         | 3,000,000                | 51,329   | 1,000                                      | 6,343,175                      |
| Transfers Out   | (3,022,528)         | (3,289,846)                       | 0                                 | 0                        | (1,000)  | (29,801)                                   | (6,343,175)                    |
| <b>Total Other Financing Sources (Uses)</b>                 | <b>(3,019,923)</b>  | <b>(3,289,846)</b>                | <b>3,288,241</b>                  | <b>3,000,000</b>         | <b>50,329</b>  | <b>(28,801)</b>                            | <b>0</b>                       |
| <b>Net Change in Fund Balance</b>                           | <b>1,278,790</b>    | <b>(3,289,821)</b>                | <b>(2,658,582)</b>                | <b>2,710,469</b>         | <b>44,611</b>  | <b>8,839</b>                               | <b>(1,905,694)</b>             |
| <b>FUND BALANCE - Beginning of Year</b>                     | <b>3,840,337</b>    | <b>3,289,821</b>                  | <b>11,076,184</b>                 | <b>0</b>                 | <b>0</b>   | <b>1,612,288</b>                           | <b>19,818,630</b>              |
| Adjustments to beginning fund balances                      | 0                   | 0                                 | 0                                 | 0                        | 582,278  | (582,278)                                  | 0                              |
| <b>Beginning of the year, as restated</b>                   | <b>3,840,337</b>    | <b>3,289,821</b>                  | <b>11,076,184</b>                 | <b>0</b>                 | <b>582,278</b>   | <b>1,030,010</b>                           | <b>19,818,630</b>              |
| <b>FUND BALANCE - End of Year</b>                           | <b>\$ 5,119,127</b> | <b>\$ 0</b>                       | <b>\$ 8,417,602</b>               | <b>\$ 2,710,469</b>      | <b>\$ 626,889</b>  | <b>\$ 1,038,849</b>                        | <b>\$ 17,912,936</b>           |

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

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

YEAR ENDED JUNE 30, 2025

|  |    |             |
|--|----|-------------|
| Net Change in Fund Balances Total Governmental Funds | \$ | (1,905,694) |
|--|----|-------------|

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

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

|                                 |  |           |
|---------------------------------|--|-----------|
| Depreciation Expense            |  | (712,751) |
| Capital Outlay                  |  | 6,915,953 |
| Net Cost of Capital Assets Sold |  | (19,535)  |

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

|                               |  |         |
|-------------------------------|--|---------|
| Principal Paid on Bonds       |  | 400,000 |
| Amortization of Bond Premiums |  | 146,728 |

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

|  |  |           |
|--|--|-----------|
| Change in Pension Related Items                        |  | 1,729,296 |
| Change in Other Postemployment Benefit Items           |  | 1,239,268 |
| Accrued Interest on Long-Term Debt - Beginning of Year |  | 325,400   |
| Accrued Interest on Long-Term Debt - End of Year       |  | (322,734) |
| Compensated Absences - Beginning of Year, As Restated  |  | 745,870   |
| Compensated Absences - End of Year                     |  | (788,057) |

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

|   |  |         |
|---|--|---------|
| Change in State Aid Funding for Pension |  | 566,008 |
|---|--|---------|

|   |    |           |
|---|----|-----------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | 8,319,752 |
|---|----|-----------|

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2025

|                                 | <u>PRIVATE<br/>PURPOSE<br/>TRUST<br/>FUNDS</u> |
|---------------------------------|--|
| <u>ASSETS</u>                   |  |
| Due From Other Funds            | \$           0                                 |
| <u>LIABILITIES</u>              |  |
|                                 | <u>                  0</u>                     |
| <u>NET POSITION</u>             |  |
| Restricted for Trust Activities | <u>\$           0</u>                          |

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2025

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

**A. Reporting Entity**

Elk Rapids Schools ("the District") is located in Antrim County with its administrative offices located in Elk Rapids, Michigan. The District operates under an elected seven-member board of education and provides services to its 972 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

The *2020 Bond Construction Fund* and *2023 Bond Construction Fund* accounts for the acquisition of capital assets or the construction of major capital projects. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The 2020 Bond Construction Fund is considered substantially complete as of June 30, 2025. The 2023 Bond Construction Fund is not yet considered substantially complete.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2020 Bond Construction Fund. The projects for which the 2020 bonds were issued were completed as of June 30, 2025. The cumulative revenues and expenditures recognized for the construction period were as follows:

|                                     | <u>2020 Bond<br/>Construction Fund</u> |
|-------------------------------------|--|
| Revenue and other financing sources | <u>\$ 23,294,322</u>                   |
| Expenditures and outgoing transfers | <u>\$ 23,294,322</u>                   |

The *Capital Projects Funds (General Capital Projects)* accounts for the acquisition of fixed assets or construction of major capital projects.

Other non-major funds:

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

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

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

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

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

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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

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

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

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

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

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

- a) Prior to July 1, the business office submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted in June 2024, or as amended by the School Board of Education throughout the year.

**2. Excess of Expenditures Over Appropriations**

General Fund

Instruction

- a) Basic Programs expenditures of \$7,615,860 exceeded appropriations by \$1,214,051.
- b) Added Needs expenditures of \$1,766,495 exceeded appropriations by \$5,876.

Supporting Services

- c) Pupil expenditures of \$608,086 exceeded appropriations by \$44,121
- d) Instructional Staff expenditures of \$138,426 exceeded appropriations by \$4,387.
- e) School Administration expenditures of \$1,247,189 exceeded appropriations by \$181,377.

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

**1. Cash and Cash Equivalents**

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

**2. Investments**

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

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

- a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- c) Certificates of deposit issued by a public corporation(s) (CDs) in insured depository institutions in accordance with the following conditions:
  - 1) funds are initially invested through a financial institution that is not eligible to be a depository of surplus funds belonging to this State
  - 2) financial institution arranges for the investment of the funds in certificates of deposit in one or more insured depository institutions or one or more insured credit unions
  - 3) financial institution acting as a custodian for the school district with respect to each certificate of deposit
  - 4) at the same time that the funds are deposited and the certificate or certificates of deposit are issued, the financial institution receives an amount of deposits from customers of other insured depository institutions equal to or greater than the amount of funds initially invested by the school district through the financial institution
- d) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- e) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- f) United States government or federal agency obligation repurchase agreements.
- g) Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation (FDIC).

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

- h) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- i) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

**3. *Inventory and Prepaid Items***

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

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

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

**4. *Capital Assets***

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Land is not depreciated and construction in progress is not depreciated until the underlying assets are placed in service upon completion of the project. At that time, the asset costs are reclassified out of construction in progress and into the appropriate depreciable category. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives.

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

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

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

**5. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnotes 3.E and 3.F.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnotes 3.E and 3.F.

**6. *Defined Benefit Plans***

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

**7. *Unearned Revenue***

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

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

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

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

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

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**10. Fund Balance Flow Assumption**

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

**11. Fund Balance Policies**

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

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

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

**12. Leases**

Lessor: The District is a lessor for a noncancelable 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 lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements 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.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable 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 this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**13. Use of Estimates**

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

**14. Restricted Investments**

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

**15. Compensated Absences**

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

**H. Revenues and Expenditures/Expenses**

**1. State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The local portion of the foundation is funded primarily by non-homestead property taxes. Since the District's property tax collections exceed the state's formula, the foundation grant approach does not apply to the District. Instead, the District uses its locally collected property taxes to fund the District.

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**2. Federal Revenue**

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

**3. Program Revenues**

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

**4. Property Taxes**

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

For the year ended June 30, 2025, the District levied the following amounts per \$1,000 of taxable valuation:

| <u>Fund</u>  | <u>Mills</u> |
|--|--------------|
| General Fund - Non-Principal Residence Exemption (PRE)   | 17.9316      |
| General Fund - Commercial Personal Property              | 5.9316       |
| Bond - Debt - PRE, Non-PRE, Commercial Personal Property | 1.6000       |

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

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

Note 1.F.2, on the excess of expenditures over appropriations, describes a budgetary violation that occurred for the year ended June 30, 2025. The District is also in violation of the State School Aid Act of 1979, by not submitting the audit prior to the first day of November after fiscal year end.

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

**A. Investments**

As of June 30, 2025 the District had investments subject to the following risks:

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2025, the District did not have any deposits in a financial institution that could be insured.

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

|                                      | Fair<br>Value | Weighted<br>Average<br>Maturity<br>(Years) |
|--------------------------------------|---------------|--|
| MILAF External Investment Pool - CMC | \$ 3,163,660  | N/A  |
| MILAF External Investment Pool - Max | 15,749,570    | N/A  |
|                                      | \$ 18,913,230 |  |
| Portfolio Weighted Average Maturity  |               | N/A  |

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

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

|                                      | Fair<br>Value | Standard<br>& Poor's<br>Rating |
|--------------------------------------|---------------|--------------------------------|
| MILAF External Investment Pool - CMC | \$ 3,163,660  | AAAm                           |
| MILAF External Investment Pool - Max | 15,749,570    | AAAm                           |
|                                      | \$ 18,913,230 |                                |

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

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

The following summarizes the categorization of investment amounts as of June 30, 2025:

|                        | Governmental<br>Activities |
|------------------------|----------------------------|
| Investments            | \$ 8,586,310               |
| Restricted Investments | 10,326,920                 |
|                        | \$ 18,913,230              |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

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

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

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

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

|                                      | Amortized<br>Cost |
|--------------------------------------|-------------------|
| MILAF External Investment Pool - CMC | \$ 3,163,660      |
| MILAF External Investment Pool - Max | 15,749,570        |
|                                      | \$ 18,913,230     |

**B. Intergovernmental Receivables**

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

|                              | Governmental<br>Funds |
|------------------------------|-----------------------|
| Due from Other Governments   |                       |
| State Aid                    | \$ 796,636            |
| Federal                      | 53,793                |
| County Government            | 32,770                |
| Intermediate School District | 366,387               |
| Other School District        | 2,377,663             |
| Total                        | \$ 3,627,249          |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2025, was as follows:

|   | Balance<br>June 30, 2024 | Additions     | Deletions     | Balance<br>June 30, 2025 |
|---|--------------------------|---------------|---------------|--------------------------|
| <b>Assets Not Being Depreciated</b>       |                          |               |               |                          |
| Land                                      | \$ 94,249                | \$ 0          | \$ 0          | \$ 94,249                |
| Construction in Progress                  | 37,507,383               | 5,659,104     | 34,723,061    | 8,443,426                |
| Subtotal                                  | 37,601,632               | 5,659,104     | 34,723,061    | 8,537,675                |
| <b>Other Capital Assets:</b>              |                          |               |               |                          |
| Buildings                                 | 6,040,755                | 0             | 52,181        | 5,988,574                |
| Building Improvements                     | 18,292,207               | 35,751,592    | 7,601         | 54,036,198               |
| Machinery and Equipment                   | 3,600,229                | 228,318       | 400,497       | 3,428,050                |
| Software                                  | 17,882                   | 0             | 0             | 17,882                   |
| Furniture and Fixtures                    | 1,513,350                | 0             | 0             | 1,513,350                |
| Vehicles                                  | 1,454,960                | 0             | 439,402       | 1,015,558                |
| Subtotal                                  | 30,919,383               | 35,979,910    | 899,681       | 65,999,612               |
| <b>Less Accumulated Depreciation for:</b> |                          |               |               |                          |
| Buildings                                 | 3,465,969                | 108,825       | 32,735        | 3,542,059                |
| Building Improvements                     | 12,601,750               | 381,765       | 7,601         | 12,975,914               |
| Machinery and Equipment                   | 3,343,646                | 79,889        | 400,408       | 3,023,127                |
| Software                                  | 17,882                   | 0             | 0             | 17,882                   |
| Furniture and Fixtures                    | 1,181,252                | 37,131        | 0             | 1,218,383                |
| Vehicles                                  | 944,955                  | 105,141       | 439,402       | 610,694                  |
| Accumulated Depreciation                  | 21,555,454               | 712,751       | 880,146       | 21,388,059               |
| Net Capital Assets Being Depreciated      | 9,363,929                | 35,267,159    | 19,535        | 44,611,553               |
| Net Capital Assets                        | \$ 46,965,561            | \$ 40,926,263 | \$ 34,742,596 | \$ 53,149,228            |

Depreciation for the fiscal year ended June 30, 2025, amounted to \$712,751. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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

**Plan Description** – The Michigan Public School Employees’ Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board’s authority to promulgate or amend

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

the provisions of the System. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

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

**Benefit Provided - Overall**

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

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

**Benefits Provided - Pension**

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

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

***Pension Reform 2010***

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

***Pension Reform 2012***

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

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

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

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

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

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

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

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

***Pension Reform of 2017***

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

New employees hired between February 1, 2018 and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to IRS, to elect to opt out of the Pension Plus 2 plan and become a qualified participant to the DC plan; if no election is made they will default to the DC plan. If they elect to opt out of the Pension Plus 2 plan, their participation in the DC plan will be retroactive to their date of hire.

***Pension Reform of 2023***

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to IRS, to elect to opt out of the Pension Plus 2 plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus 2 plan. If they elect to opt out of the Pension Plus 2 plan, their participation in the DC plan will be retroactive to their date of hire.

**Benefits Provided – Other Postemployment Benefit (OPEB)**

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

***Retiree Healthcare Reform of 2012***

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

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

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

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

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

**Member Contributions**

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

**Employer Contributions**

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2024, were determined as of the September 30, 2021, actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2021, valuation will be amortized over a 15-year period beginning October 1, 2023, and ending September 30, 2038.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

|                                      | <b>Pension</b>  | <b>Other<br/>Postemployment<br/>Benefit</b> |
|--------------------------------------|-----------------|---|
| October 1, 2023 - September 30, 2024 | 13.90% - 23.03% | 7.06% - 8.31%                               |
| October 1, 2024 - September 30, 2025 | 20.96% - 30.11% | 0.00% - 1.25%                               |

The District's pension contributions for the year ended June 30, 2025, were equal to the required contribution total. Pension contributions were approximately \$2,665,000. Of the total pension contributions approximately \$2,603,000 was contributed to fund the Defined Benefit Plan and approximately \$62,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025, were equal to the required contribution total. OPEB benefits were approximately \$207,000. Of the total pension contributions approximately \$159,000 was contributed to fund the Defined Benefit Plan and approximately \$48,000 was contributed to fund the Defined Contribution Fund.

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

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

**Pension Liabilities**

At June 30, 2025, the District reported a liability of \$16,131,759 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

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

|   | <b>September 30, 2024</b> | <b>September 30, 2023</b> |
|---|---------------------------|---------------------------|
| Total Pension Liability   | \$ 95,765,499,515         | \$ 94,947,828,557         |
| Plan Fiduciary Net Position   | (71,283,482,728)          | (62,581,762,238)          |
| Net Pension Liability   | \$ 24,482,016,787         | \$ 32,366,066,319         |
| Plan Fiduciary Net Position as a Percentage<br>of Total Pension Liability | 74.44%                    | 65.91%                    |
| Net Pension Liability as a Percentage<br>of Covered Payroll               | 227.56%                   | 320.51%                   |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

For the year ended June 30, 2025, the District recognized total pension expense of \$863,407.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 437,666                                | \$ 175,274                               |
| Section 147c revenue related to District Pension contributions subsequent to measurement date                 | 0   | 719,086                                  |
| Changes of assumptions  | 1,681,831                                 | 1,181,948                                |
| Net difference between projected and actual pension plan investment earnings                                  | 0   | 3,078,623                                |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,542                                     | 522,109                                  |
| District contributions subsequent to the measurement date   | 2,468,193                                 | 0  |
| <b>Total</b>  | <b>\$ 4,589,232</b>                       | <b>\$ 5,677,040</b>                      |

\$2,468,193 reported as deferred outflows of resources and \$719,086 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

| <b>Year Ended June 30,</b> | <b>Amount</b>         |
|----------------------------|-----------------------|
| 2026                       | \$ (811,886)          |
| 2027                       | (32,927)              |
| 2028                       | (1,184,611)           |
| 2029                       | (807,491)             |
|                            | <b>\$ (2,836,915)</b> |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

**OPEB Liabilities (Assets)**

At June 30, 2025, the District reported a liability (asset) of \$2,823,570 for its proportionate share of the net OPEB liability. The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

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

|  | <u>September 30, 2024</u> | <u>September 30, 2023</u> |
|--|---------------------------|---------------------------|
| Total OPEB Liability   | \$ 9,991,545,923          | \$ 11,223,648,949         |
| Plan Fiduciary Net Position  | (14,295,943,589)          | (11,789,347,341)          |
| OPEB Liability/(Asset)   | \$ (4,304,397,666)        | \$ (565,698,392)          |
| Plan Fiduciary Net Position as a Percentage<br>of Total OPEB Liability | 143.08%                   | 105.04%                   |
| OPEB Liability/(Asset) as a Percentage<br>of Covered Payroll           | -40.01%                   | -5.60%                    |

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

For the year ended June 30, 2025, the District recognized OPEB benefit of \$1,106,870.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 0                                      | \$ 2,992,122                             |
| Changes of assumptions  | 616,708                                   | 70,886                                   |
| Net difference between projected and actual OPEB plan investment earnings                                     | 0   | 534,534                                  |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 26,986                                    | 203,095                                  |
| District contributions subsequent to the measurement date   | 54,460                                    | 0  |
| <b>Total</b>  | <b>\$ 698,154</b>                         | <b>\$ 3,800,637</b>                      |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

\$54,460 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Amount         |
|---------------------|----------------|
| 2026                | \$ (1,063,712) |
| 2027                | (647,046)      |
| 2028                | (590,225)      |
| 2029                | (521,958)      |
| 2030                | (281,583)      |
| Thereafter          | (52,419)       |
|                     | \$ (3,156,943) |

**G. Actuarial Assumptions**

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

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

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

**Inflation** – 3.0%

**Mortality assumptions –**

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

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

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

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

**Healthcare cost trend rate for other postemployment benefit** – Pre 65, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

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

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

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

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

The target asset allocation at September 30, 2024, and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Investment Category</u>         | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return *</u> |
|------------------------------------|--------------------------|---|
| Domestic Equity Pools              | 25.00%                   | 5.30%   |
| Private Equity Pools               | 16.00%                   | 9.00%   |
| International Equity Pools         | 15.00%                   | 6.50%   |
| Fixed Income Pools                 | 13.00%                   | 2.20%   |
| Real Estate & Infrastructure Pools | 10.00%                   | 7.10%   |
| Absolute Return Pools              | 9.00%                    | 5.20%   |
| Real Return/Opportunistic Pools    | 10.00%                   | 6.90%   |
| Short-Term Investment Pools        | 2.00%                    | 1.40%   |
|                                    | <u>100%</u>              |   |

\*Long-term rate of return are net of administrative expenses and 2.3% inflation.

***Rate of return***

For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

***Pension Discount Rate***

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

***OPEB Discount Rate***

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

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

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

| Pension     |               |    |             |    |           |
|-------------|---------------|----|-------------|----|-----------|
| 1% Decrease | Discount Rate |    | 1% Increase |    |           |
| \$          | 23,649,332    | \$ | 16,131,759  | \$ | 9,871,933 |

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

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

| OPEB        |               |    |             |    |             |
|-------------|---------------|----|-------------|----|-------------|
| 1% Decrease | Discount Rate |    | 1% Increase |    |             |
| \$          | (2,182,078)   | \$ | (2,823,570) | \$ | (3,378,208) |

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

| OPEB                    |             |             |             |             |
|-------------------------|-------------|-------------|-------------|-------------|
| Current Healthcare Cost |             |             |             |             |
| 1% Decrease             | Trend Rates |             | 1% Increase |             |
| \$ (3,378,214)          | \$          | (2,823,570) | \$          | (2,228,718) |

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

Detailed information about the pension and OPEB plan’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2024 Annual Comprehensive Financial Report.

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

As of June 30, 2025, the District is current on all required pension and OPEB plan payments. As of June 30, 2025, the District reported payables in the amount of \$348,477 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due and funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**J. Risk Management**

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

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

**K. Long-Term Obligations**

The following is a summary of the governmental long-term obligation transactions for the District for the year ended June 30, 2025:

|                                   | UNPAID<br>COMPENSATED<br>ABSENCES* | UNAMORTIZED<br>BOND<br>PREMIUMS | GENERAL<br>OBLIGATION<br>BONDS | TOTAL         |
|-----------------------------------|------------------------------------|---------------------------------|--------------------------------|---------------|
| Balance July 1, 2024, As Restated | \$ 745,870                         | \$ 3,889,997                    | \$ 43,795,000                  | \$ 48,430,867 |
| Additions                         | 42,187                             | 0                               | 0                              | 42,187        |
| Deletions                         | 0                                  | (146,728)                       | (400,000)                      | (546,728)     |
| Balance June 30, 2025             | 788,057                            | 3,743,269                       | 43,395,000                     | 47,926,326    |
| Less Current Portion              | 347,908                            | 146,728                         | 485,000                        | 979,636       |
| Net Long-Term Obligations         | \$ 440,149                         | \$ 3,596,541                    | \$ 42,910,000                  | \$ 46,946,690 |

\*The change in the compensated absences liability is presented as a net change.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

The District's debt obligations at June 30, 2025, are comprised of the following issues:

Unpaid Compensated Absences and Net Pension Liability

|                             |            |
|-----------------------------|------------|
| Unpaid Compensated Absences | \$ 788,057 |
| Unamortized Bond Premium    | 3,743,269  |
| Net Pension Liability       | 16,131,759 |

General Obligation Bonds

|   |                      |
|---|----------------------|
| 2021 School Building and Site Bonds; due in annual installments of \$220,000 to 1,100,000 through May 2050; interest rate of 4.00%.                                 | 17,140,000           |
| 2023 School Building and Site Bonds; due in annual installments of \$180,000 to 2,065,000 through October 2052; including interest at a rate between 4.00% & 5.00%. | 26,255,000           |
|   | <u>\$ 64,058,085</u> |

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2025, including interest payments of \$33,969,550 are as follows:

| Year Ending June 30, | General Obligation Bonds |                      | Total                |
|----------------------|--------------------------|----------------------|----------------------|
|                      | Principal                | Interest             |                      |
| 2026                 | \$ 485,000               | \$ 1,936,400         | \$ 2,421,400         |
| 2027                 | 545,000                  | 1,917,000            | 2,462,000            |
| 2028                 | 555,000                  | 1,895,200            | 2,450,200            |
| 2029                 | 620,000                  | 1,873,000            | 2,493,000            |
| 2030                 | 695,000                  | 1,848,200            | 2,543,200            |
| 2031-2035            | 4,795,000                | 8,711,750            | 13,506,750           |
| 2036-2040            | 7,455,000                | 7,407,450            | 14,862,450           |
| 2041-2045            | 10,840,000               | 5,425,800            | 16,265,800           |
| 2046-2050            | 13,340,000               | 2,678,900            | 16,018,900           |
| 2051-2052            | 4,065,000                | 275,850              | 4,340,850            |
|                      | <u>\$ 43,395,000</u>     | <u>\$ 33,969,550</u> | <u>\$ 77,364,550</u> |

Interest expense for the year ended June 30, 2025 was approximately \$1,802,000.

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**L. Interfund Receivables and Payables**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2025, were:

| <u>Receivable Fund</u>            | <u>Payable Fund</u>               | <u>Amount</u>       |
|-----------------------------------|-----------------------------------|---------------------|
| General Fund                      | Capital Projects Fund             | \$ 144,900          |
| General Fund                      | 2023 Bond Construction Fund       | 3,138               |
| Capital Projects Fund             | General Fund                      | 2,000,000           |
| 2023 Bond Construction Fund       | General Fund                      | 1,127               |
| General Fund                      | 2020 School Improvement Bond Fund | 500                 |
| 2020 School Improvement Bond Fund | General Fund                      | 12,038              |
| General Fund                      | Preschool & Kid's Club Fund       | 161,180             |
| General Fund                      | Food Service Fund                 | 99,670              |
| General Fund                      | Student Activities Fund           | 9,313               |
| Preschool & Kid's Club Fund       | General Fund                      | 13,088              |
| Student Activities Fund           | General Fund                      | 33,740              |
|                                   |                                   | <u>\$ 2,478,694</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2025, are expected to be repaid within one year.

**M. Interfund Transfers**

Individual fund transfers at June 30, 2025, were:

| <u>Fund Transferred To</u>        | <u>Funds Transferred From</u>     | <u>Amount</u>       |
|-----------------------------------|-----------------------------------|---------------------|
| Capital Projects Fund             | General Fund                      | \$ 3,000,000        |
| General Fund                      | 2020 Bond Construction Fund       | 1,605               |
| 2023 Bond Construction Fund       | 2020 Bond Construction Fund       | 3,288,241           |
| 2020 School Improvement Bond Fund | General Fund                      | 21,528              |
| General Fund                      | 2020 School Improvement Bond Fund | 1,000               |
| 2020 School Improvement Bond Fund | 2017 School Improvement Bond Fund | 29,801              |
| 2023 School Improvement Bond Fund | General Fund                      | 1,000               |
|                                   |                                   | <u>\$ 6,343,175</u> |

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.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**N. Other Information**

**1. Related Party**

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

**2. Commitments and Contingencies**

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

As of June 30, 2025, the District has committed to spending approximately \$6,042,754 in relation to various projects in relation to the bond construction fund. The district has also committed to purchasing a bus for \$152,464 and a van for \$73,196.

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

**3. Subsequent Event**

After June 30, 2025, the District has approved waiving the lease revenue from Mill Creek Academy for the leased building and administrative fee from Mill Creek for administrative services for the 2024-25 fiscal year. No adjustments were made to the financial statements as a result of this subsequent event.

**NOTE 4 –CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*.

**Summary:** This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 5 - ADJUSTMENTS TO BEGINNING FUND BALANCES/NET POSITION**

During fiscal year 2025, changes to beginning fund balance/net position, are as follows:

|   | Reporting Units Affected by<br>Adjustments to and Restatements<br>of Beginning Balances |             |
|---|---|-------------|
|   | Governmental Activities   |             |
| Net position, as previously reported      | \$  | (2,761,437) |
| Change in accounting principle (GASB 101) |   | (243,691)   |
| Net position, as restated                 | \$  | (3,005,128) |

  

|                                      | Governmental Funds                   |                                      |
|--------------------------------------|--------------------------------------|--------------------------------------|
|                                      | 2020 School Improvement<br>Bond Fund | Other Nonmajor<br>Governmental Funds |
| Fund balance, as previously reported | \$                                   | 0                                    |
| Change from nonmajor to major fund   |                                      | \$ 1,612,288                         |
| Fund balance, as restated            | \$                                   | 582,278                              |
|                                      |                                      | \$ (582,278)                         |
|                                      |                                      | \$ 1,030,010                         |

**NOTE 6 – UPCOMING ACCOUNTING PRONOUCEMENTS**

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

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

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2025

|  | GENERAL FUND        |                     |                     |                               |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | ORIGINAL<br>BUDGET  | FINAL<br>BUDGET     | ACTUAL              | VARIANCE WITH<br>FINAL BUDGET |
| <b><u>REVENUES</u></b>   |                     |                     |                     |                               |
| Local Sources  | \$ 11,047,125       | \$ 12,335,756       | \$ 12,322,279       | \$ (13,477)                   |
| Revenues Received through another Non-Educational Entity         | 49,000              | 49,000              | 49,000              | 0                             |
| State Sources  | 4,334,027           | 4,617,974           | 4,868,795           | 250,821                       |
| Federal Sources  | 646,074             | 238,119             | 212,316             | (25,803)                      |
| Other Transactions   | 252,186             | 554,775             | 2,522,803           | 1,968,028                     |
| Total Revenues   | <u>16,328,412</u>   | <u>17,795,624</u>   | <u>19,975,193</u>   | <u>2,179,569</u>              |
| <b><u>EXPENDITURES</u></b>                                       |                     |                     |                     |                               |
| Instruction  |                     |                     |                     |                               |
| Basic Programs   | 7,894,268           | 6,401,809           | 7,615,860           | 1,214,051                     |
| Added Needs  | 2,045,509           | 1,760,619           | 1,766,495           | 5,876                         |
| Supporting Services  |                     |                     |                     |                               |
| Pupil  | 746,152             | 563,965             | 608,086             | 44,121                        |
| Instructional Staff  | 104,675             | 134,039             | 138,426             | 4,387                         |
| General Administration   | 515,920             | 497,818             | 463,621             | (34,197)                      |
| School Administration  | 1,281,059           | 1,065,812           | 1,247,189           | 181,377                       |
| Business   | 360,730             | 428,920             | 361,054             | (67,866)                      |
| Operation and Maintenance  | 1,514,075           | 1,593,317           | 1,406,028           | (187,289)                     |
| Pupil Transportation Services                                    | 869,548             | 755,468             | 712,438             | (43,030)                      |
| Support Services - Central                                       | 506,424             | 633,567             | 597,621             | (35,946)                      |
| Support Services - Other   | 300,989             | 404,421             | 384,505             | (19,916)                      |
| Community Services   |                     |                     |                     |                               |
| Custody and Care of Children                                     | 26,335              | 24,735              | 17,727              | (7,008)                       |
| Welfare Activities   | 0                   | 8,957               | 8,765               | (192)                         |
| Payments to Other Governmental Agencies                          |                     |                     |                     |                               |
| Payments to Other Public Schools Within the State<br>of Michigan | 0                   | 10,058              | 10,057              | (1)                           |
| Facilities and Acquisition                                       |                     |                     |                     |                               |
| Capital Outlay   | 0                   | 338,609             | 338,608             | (1)                           |
| Total Expenditures   | <u>16,165,684</u>   | <u>14,622,114</u>   | <u>15,676,480</u>   | <u>1,054,366</u>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures             | <u>162,728</u>      | <u>3,173,510</u>    | <u>4,298,713</u>    | <u>1,125,203</u>              |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                     |                     |                     |                     |                               |
| Transfers In   | 0                   | 0                   | 2,605               | 2,605                         |
| Transfers Out  | 0                   | (3,000,000)         | (3,022,528)         | (22,528)                      |
| Total Other Financing Sources (Uses)                             | <u>0</u>            | <u>(3,000,000)</u>  | <u>(3,019,923)</u>  | <u>(19,923)</u>               |
| Net Change in Fund Balance                                       | 162,728             | 173,510             | 1,278,790           | 1,105,280                     |
| <b>FUND BALANCE - Beginning of Year</b>                          | <u>2,609,275</u>    | <u>2,609,275</u>    | <u>3,840,337</u>    | <u>1,231,062</u>              |
| <b>FUND BALANCE - End of Year</b>                                | <u>\$ 2,772,003</u> | <u>\$ 2,782,785</u> | <u>\$ 5,119,127</u> | <u>\$ 2,336,342</u>           |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)  
JUNE 30, 2025

|  | 2024          | 2023          | 2022          | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of net pension liability (%)   | 0.06589228%   | 0.06607844%   | 0.06708634%   | 0.06899767%   | 0.07236615%   | 0.07298479%   | 0.07337153%   | 0.07490101%   | 0.07556707%   | 0.07459000%   |
| District's proportionate share of net pension liability  | \$ 16,131,759 | \$ 21,386,992 | \$ 25,230,313 | \$ 16,335,483 | \$ 24,858,560 | \$ 24,170,109 | \$ 22,056,806 | \$ 19,410,062 | \$ 18,853,366 | \$ 18,219,260 |
| District's covered payroll   | 6,896,835     | 6,500,714     | 6,399,733     | 6,054,427     | 6,319,802     | 6,434,855     | 6,172,141     | 6,229,831     | 6,407,985     | 6,397,542     |
| District's proportionate share of net pension liability as a percentage of its covered payroll | 233.90%       | 328.99%       | 394.24%       | 269.81%       | 393.34%       | 375.61%       | 357.36%       | 311.57%       | 294.22%       | 284.79%       |
| Plan fiduciary net position as a percentage of total pension liability                         | 74.44%        | 65.91%        | 60.77%        | 72.60%        | 59.72%        | 60.31%        | 62.36%        | 64.21%        | 63.27%        | 63.17%        |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2025

|   | 2025         | 2024         | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contributions                              | \$ 2,603,127 | \$ 2,734,424 | \$ 1,306,046 | \$ 1,218,141 | \$ 1,153,462 | \$ 1,213,860 | \$ 1,149,076 | \$ 1,100,573 | \$ 1,169,000 | \$ 1,211,419 |
| Contributions in relation to statutorily required contributions | 2,603,127    | 2,734,424    | 1,306,046    | 1,218,141    | 1,153,462    | 1,213,860    | 1,149,076    | 1,100,573    | 1,169,000    | 1,211,419    |
| Contribution deficiency (excess)                                | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         |
| Covered Payroll   | \$ 7,007,315 | \$ 6,833,430 | \$ 6,661,677 | \$ 6,241,844 | \$ 5,993,431 | \$ 6,457,466 | \$ 6,377,083 | \$ 6,200,615 | \$ 6,223,732 | \$ 6,185,204 |
| Contributions as a percentage of covered payroll                | 37.15%       | 40.02%       | 19.61%       | 19.52%       | 19.25%       | 18.80%       | 18.02%       | 17.75%       | 18.78%       | 19.59%       |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY (ASSET)  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)  
JUNE 30, 2025

|   | 2026 | 2025 | 2024           | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         |
|---|------|------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of net OPEB liability/(asset) (%)   |      |      | 0.06559734%    | 0.06524760%  | 0.06601807%  | 0.06704556%  | 0.07142565%  | 0.07369822%  | 0.07259794%  | 0.07504520%  |
| District's proportionate share of net OPEB liability/(asset)  |      |      | \$ (2,823,570) | \$ (369,105) | \$ 1,398,304 | \$ 1,023,369 | \$ 3,826,463 | \$ 5,289,873 | \$ 5,770,775 | \$ 6,645,606 |
| District's covered payroll  |      |      | 6,896,835      | 6,500,714    | 6,399,733    | 6,054,427    | 6,319,802    | 6,434,855    | 6,172,141    | 6,229,831    |
| District's proportionate share of net OPEB liability/(asset) as a percentage of its covered payroll |      |      | -40.94%        | -5.68%       | 21.85%       | 16.90%       | 60.55%       | 82.21%       | 93.50%       | 106.67%      |
| Plan fiduciary net position as a percentage of total OPEB liability                                 |      |      | 143.08%        | 105.04%      | 83.09%       | 87.33%       | 59.44%       | 48.46%       | 42.95%       | 36.39%       |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2025

|   | 2027 | 2026 | 2025         | 2024         | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         |
|---|------|------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contributions                              |      |      | \$ 158,972   | \$ 514,994   | \$ 494,939   | \$ 469,513   | \$ 465,910   | \$ 495,297   | \$ 474,915   | \$ 448,756   |
| Contributions in relation to statutorily required contributions |      |      | 158,972      | 514,994      | 494,939      | 469,513      | 465,910      | 495,297      | 474,915      | 448,756      |
| Contribution deficiency (excess)                                |      |      | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 0         |
| Covered Payroll   |      |      | \$ 7,007,315 | \$ 6,833,430 | \$ 6,661,677 | \$ 6,241,844 | \$ 5,993,431 | \$ 6,457,466 | \$ 6,377,083 | \$ 6,200,615 |
| Contributions as a percentage of covered payroll                |      |      | 2.27%        | 7.54%        | 7.43%        | 7.52%        | 7.77%        | 7.67%        | 7.45%        | 7.24%        |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2025

Pension Information

**Changes of Benefit Terms** - There were no changes of benefit terms for the plan year ended September 30, 2024.

**Changes of Assumptions** – The assumption changes for the plan year ended September 30, 2024 were:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

**Changes of Benefit Terms** - There were no changes of benefit terms for the plan year ended September 30, 2024.

**Changes of Assumptions** – The assumption changes for the plan year ended September 30, 2024 were:

- 2024 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage point for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2025

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2025

|  | SPECIAL REVENUE   |                             |                         | DEBT SERVICE                      |                                   |                                   | TOTAL                       |
|--|-------------------|-----------------------------|-------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------|
|  | FOOD SERVICE FUND | PRESCHOOL & KID'S CLUB FUND | STUDENT ACTIVITIES FUND | 2017 SCHOOL IMPROVEMENT BOND FUND | 2020 SCHOOL IMPROVEMENT BOND FUND | 2023 SCHOOL IMPROVEMENT BOND FUND | NONMAJOR GOVERNMENTAL FUNDS |
| <b>ASSETS</b>                              |                   |                             |                         |                                   |                                   |                                   |                             |
| Investments                                | \$ 414,850        | \$ 47,546                   | \$ 506,297              | \$ 0                              | \$ 0                              | \$ 0                              | \$ 968,693                  |
| Due from Other Governments                 | 16,624            | 333,109                     | 0                       | 0                                 | 0                                 | 0                                 | 349,733                     |
| Due from Other Funds                       | 0                 | 13,088                      | 33,740                  | 0                                 | 0                                 | 0                                 | 46,828                      |
| Inventory                                  | 38,891            | 0                           | 0                       | 0                                 | 0                                 | 0                                 | 38,891                      |
| <b>TOTAL ASSETS</b>                        | <b>\$ 470,365</b> | <b>\$ 393,743</b>           | <b>\$ 540,037</b>       | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 1,404,145</b>         |
| <b>LIABILITIES AND FUND BALANCES</b>       |                   |                             |                         |                                   |                                   |                                   |                             |
| <b>LIABILITIES</b>                         |                   |                             |                         |                                   |                                   |                                   |                             |
| Accounts Payable                           | \$ 7,580          | \$ 5,637                    | \$ 0                    | \$ 0                              | \$ 0                              | \$ 0                              | \$ 13,217                   |
| Due to Other Funds                         | 99,670            | 161,180                     | 9,313                   | 0                                 | 0                                 | 0                                 | 270,163                     |
| Salaries Payable                           | 0                 | 0                           | 0                       | 0                                 | 0                                 | 0                                 | 0                           |
| Accrued Expenses                           | 0                 | 0                           | 0                       | 0                                 | 0                                 | 0                                 | 0                           |
| Unearned Revenue                           | 12,136            | 0                           | 69,780                  | 0                                 | 0                                 | 0                                 | 81,916                      |
| <b>Total Liabilities</b>                   | <b>119,386</b>    | <b>166,817</b>              | <b>79,093</b>           | <b>0</b>                          | <b>0</b>                          | <b>0</b>                          | <b>365,296</b>              |
| <b>FUND BALANCES</b>                       |                   |                             |                         |                                   |                                   |                                   |                             |
| Nonspendable for                           |                   |                             |                         |                                   |                                   |                                   |                             |
| Inventory                                  | 38,891            | 0                           | 0                       | 0                                 | 0                                 | 0                                 | 38,891                      |
| Restricted for                             |                   |                             |                         |                                   |                                   |                                   |                             |
| Food Service                               | 312,088           | 0                           | 0                       | 0                                 | 0                                 | 0                                 | 312,088                     |
| Assigned for                               |                   |                             |                         |                                   |                                   |                                   |                             |
| Student Activities                         | 0                 | 0                           | 460,944                 | 0                                 | 0                                 | 0                                 | 460,944                     |
| Preschool and Kids Club                    | 0                 | 226,926                     | 0                       | 0                                 | 0                                 | 0                                 | 226,926                     |
| <b>Total Fund Balances (Deficit)</b>       | <b>350,979</b>    | <b>226,926</b>              | <b>460,944</b>          | <b>0</b>                          | <b>0</b>                          | <b>0</b>                          | <b>1,038,849</b>            |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 470,365</b> | <b>\$ 393,743</b>           | <b>\$ 540,037</b>       | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 1,404,145</b>         |

ELK RAPIDS SCHOOLS  
ELK RAPIDS, MICHIGAN

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

YEAR ENDED JUNE 30, 2025

|  | <del>X</del><br>FOOD<br>SERVICE<br>FUND | <del>X</del><br>SPECIAL REVENUE<br>PRESCHOOL &<br>KID'S CLUB<br>FUND | STUDENT<br>ACTIVITIES<br>FUND | GASB 100 Change in<br>Reporting         |   |   | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |
|--|---|--|-------------------------------|---|---|---|--|
|  |   |  |                               | FORMERLY NONMAJOR<br>DEBT SERVICE       |   |   |  |
|  |   |  |                               | 2017 SCHOOL<br>IMPROVEMENT<br>BOND FUND | 2020 SCHOOL<br>IMPROVEMENT<br>BOND FUND | 2023 SCHOOL<br>IMPROVEMENT<br>BOND FUND |  |
| <u>REVENUES</u>                                      |   |  |                               |   |   |   |  |
| Local Sources  | \$ 72,866                               | \$ 216,980   | \$ 623,041                    | \$ 0                                    | \$ 0                                    | \$ 0                                    | \$ 912,887                                 |
| State Sources  | 351,284                                 | 393,364  | 0                             | 0                                       | 0                                       | 0                                       | 744,648                                    |
| Federal Sources                                      | 471,070                                 | 22,110   | 0                             | 0                                       | 0                                       | 0                                       | 493,180                                    |
| Total Revenues                                       | 895,220                                 | 632,454  | 623,041                       | 0                                       | 0                                       | 0                                       | 2,150,715                                  |
| <u>EXPENDITURES</u>                                  |   |  |                               |   |   |   |  |
| Instruction  |   |  |                               |   |   |   |  |
| Basic Programs                                       | 0                                       | 233,378  | 0                             | 0                                       | 0                                       | 0                                       | 233,378                                    |
| Support Services                                     |   |  |                               |   |   |   |  |
| Instructional Staff                                  | 0                                       | 85,238   | 0                             | 0                                       | 0                                       | 0                                       | 85,238                                     |
| Operation and Maintenance                            | 0                                       | 8,450  | 0                             | 0                                       | 0                                       | 0                                       | 8,450                                      |
| Support Services - Other                             | 0                                       | 0  | 640,495                       | 0                                       | 0                                       | 0                                       | 640,495                                    |
| Food Service Activities                              | 913,519                                 | 0  | 0                             | 0                                       | 0                                       | 0                                       | 913,519                                    |
| Community Services                                   |   |  |                               |   |   |   |  |
| Custody and Care of Children                         | 0                                       | 206,995  | 0                             | 0                                       | 0                                       | 0                                       | 206,995                                    |
| Facilities Acquisition                               |   |  |                               |   |   |   |  |
| Construction and Improvements                        |   |  |                               |   |   |   |  |
| Capital Outlay                                       | 0                                       | 25,000   | 0                             | 0                                       | 0                                       | 0                                       | 25,000                                     |
| Total Expenditures                                   | 913,519                                 | 559,061  | 640,495                       | 0                                       | 0                                       | 0                                       | 2,113,075                                  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (18,299) <del>X</del>                   | 73,393   | (17,454)                      | 0                                       | 0                                       | 0                                       | 37,640                                     |
| <u>OTHER FINANCING SOURCES (USES)</u>                |   |  |                               |   |   |   |  |
| Transfers In   | 0                                       | 0  | 0                             | 0                                       | 0                                       | 1,000                                   | 1,000                                      |
| Transfers Out  | 0                                       | 0  | 0                             | (29,801)                                | 0                                       | 0                                       | (29,801)                                   |
| Total Other Financing Sources (Uses)                 | 0                                       | 0  | 0                             | (29,801)                                | 0                                       | 1,000                                   | (28,801)                                   |
| Net Change in Fund Balance                           | (18,299)                                | 73,393   | (17,454)                      | (29,801)                                | 0                                       | 1,000                                   | 8,839                                      |
| <u>FUND BALANCE - Beginning of Year (Deficit)</u>    | 369,278                                 | 153,533  | 478,398                       | 29,801                                  | 582,278                                 | (1,000)                                 | 1,612,288                                  |
| Adjustments to beginning fund balances               | 0                                       | 0  | 0                             | 0                                       | (582,278)                               | 0                                       | (582,278)                                  |
| Beginning of the year, as restated                   | 369,278                                 | 153,533  | 478,398                       | 29,801                                  | 0                                       | (1,000)                                 | 1,030,010                                  |
| <u>FUND BALANCE - End of Year</u>                    | \$ 350,979                              | \$ 226,926   | \$ 460,944                    | \$ 0                                    | \$ 0                                    | \$ 0                                    | \$ 1,038,849                               |



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Rapids Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Elk Rapids Schools' basic financial statements, and have issued our report thereon dated October 30, 2025.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below as items that we consider to be material weaknesses:

**2025-001 – Lack of Adequate Controls to Timely Record, Process and Reconcile Accounting Data**

**Criteria:** Management is responsible for ensuring that a reliable system exists for recording, processing, and reconciling accounting data on a timely basis

**Condition:** The District has requirements imposed by the State of Michigan to ensure transactions are recorded, processed, and summarized timely in a manner prescribed by the Michigan Department of Education. During the year these processes were not functioning properly.

**Cause:** This condition was caused by a lack of adequate training and understanding needed to carry out the duties of the business office.

Effect: As a result of this condition, significant additional time and resources are necessary throughout the year and at year end in an effort to mitigate the effect of unreliable and untimely reporting of data.

Recommendation: We recommend that the District implement and adhere to monthly close out procedures to ensure that accounting data is recorded, processed and reconciled on a timely basis and that the Superintendent and Board of Education review the close out reports monthly.

View of Responsible Officials: The district is aware of this limitation and is in the process of implementing solutions.

#### **2025-002 – Auditor Identified Material Adjusting Journal Entries**

Criteria: The District is responsible for making adjusting journal entries as needed.

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

Cause: Many general ledger accounts were not reconciled at the end of the year.

Effect: Auditors were relied upon, which was not identified as needing to be done in the risk assessment, to make material journal entries in order to properly reflect year end balances.

Recommendation: We recommend that the District implement procedures to ensure that general ledger accounts are reconciled on a monthly basis in order to ensure accurate financial records.

View of Responsible Officials: The District now has an accounting system that has balances that agree to the audited financial statements and a better understanding of the requirements and responsibility for making material adjustments on their own accord.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Elk Rapids Schools’ financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

#### **2025-003 – Unfavorable Budget Variance – Material Noncompliance**

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

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

Cause: The condition was caused by the District officials not monitoring the adopted budget against actual expenditures.

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

Recommendation: The District should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed.

View of Responsible Officials: The District will monitor expenditures against adopted budgets to make appropriate amendments as needed.

#### **Elk Rapids Schools' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Elk Rapids Schools' response to the findings identified in the corrective action plan. Elk Rapids Schools' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### **Purpose of This Report**

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

*UHY LLP*

Cadillac, Michigan  
October 30, 2025



Bryan McKenna, ERS Superintendent, 231-264-8692  
Jack Young, Senior High School Principal, 231-264-8108  
Brett Graham, Senior High School AP/AD, 231-264-8108  
Josh Haggerty, Cherryland Middle School Principal, 231-264-8991  
Angie Nichols, Lakeland Elementary Principal, 231-264-8289  
Nate Plum, Mill Creek Academy Principal, 231-267-9955

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

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

## CORRECTIVE ACTION PLAN

JUNE 30, 2025

**Finding 2025-001:** Material Weakness Financial Statement Finding

**Condition:** The School District did not record, process and reconcile accounting data in a timely manner.

**Corrective Steps Taken:** The District has implemented monthly procedures to follow to keep up with the reconciliation processes and timely recording of accounting data.

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

**Plan for Monitoring Adherence:** The Board will continue to monitor monthly processes and reach out to external consultants when necessary.

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

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

**Finding 2025-002:** Material Weakness Financial Statement Finding (Repeat)

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

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

**Corrective Steps to be Taken:** The District will reach out to external consultants for any assistance with any material adjustments and balance sheet reconciliations.

**Plan for Monitoring Adherence:** The District will consult available resources when necessary and monitor the status of balance sheet account balances throughout the year to determine all material entries are made by the District.

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

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



Bryan McKenna, ERS Superintendent, 231-264-8692  
Jack Young, Senior High School Principal, 231-264-8108  
Brett Graham, Senior High School AP/AD, 231-264-8108  
Josh Haggerty, Cherryland Middle School Principal, 231-264-8991  
Angie Nichols, Lakeland Elementary Principal, 231-264-8289  
Nate Plum, Mill Creek Academy Principal, 231-267-9955

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

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

**Finding 2025-003:** Material Noncompliance Financial Statement Finding (Repeat)

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

**Corrective Steps Taken:** At this time, no corrective action has been taken.

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

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

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

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



COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
AT THE CONCLUSION OF THE AUDIT

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elk Rapids Schools for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 18, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Elk Rapids Schools are described in Note 1 to the financial statements. During the fiscal year, the District adopted GASB Statement No. 101 Compensated Absences, which required changes to how the compensated absences are reported. The application of existing policies was not changed during 2024-2025. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities, each major fund, and the aggregate remaining fund information of Elk Rapids Schools' financial statements were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimates of the liability of the payout of employee compensated absences are based on probable payout. Management's estimates of unfunded liabilities (assets) related to the Michigan Public School Employees' Retirement System are based on actuarial valuations. We evaluated the methods, assumptions, and data used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of converting the entity's financial records from cash basis to modified accrual basis of accounting and providing client assistance as the client knew the adjustment was necessary but requested our assistance, and several auditor proposed material adjustments to adjust the District's general ledger to the appropriate balances.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 30, 2025.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

During the course of our audit of the basic financial statements of the Elk Rapids Schools for the year ended June 30, 2025, we noted the following items which we feel deserve comment:

#### Organization of Records

During the course of the audit, it was noted that the school district was not adequately prepared for the audit process. Requested documentation was not readily available, and records provided were often incomplete, disorganized, or delayed. This resulted in inefficiencies in the audit.

#### Insufficient Support

Several financial transactions selected for testing lacked appropriate supporting documentation, such as invoices or receipts. In some cases, only partial documentation was available, making it difficult to determine the legitimacy and appropriateness of the transactions.

#### Paying Sales Tax

During the audit we found several instances where the District paid sales tax on purchases made. The District is exempt from most sales tax and should not pay or reimburse sales tax.

#### Bond Interest Payments

The audit identified that the interest payments made on certain bond obligations were less than the amounts outlined in the bond amortization schedule. This discrepancy suggests that the district may not be adhering to the prescribed debt service schedule as established at the time of bond issuance. The District should look into this further as there is the potential that the District could owe the difference at a future date.

#### Inconsistency in Transfers Between Funds

At the start of the audit, the recorded transfers between funds did not agree, indicating discrepancies in the amounts reported by the individual funds. This lack of reconciliation caused difficulties in verifying the accuracy and completeness of interfund transfers.

#### Reconciliation of Elk Rapids to Mill Creek Interdistrict Payables and Receivables

The audit revealed that the Due To and Due From balances between the district and Mill Creek Academy were inaccurate and not properly reconciled. Records were inconsistent and lacking support, making it difficult to verify the validity and accuracy of these balances.

#### Excess Food Service Fund Balance

The State of Michigan monitors the fund balance in the Food Service Fund. The District has excess fund balance and will be required to submit a spend down plan to the State to Michigan related to spending down its excess fund balance by June 30, 2026. The excess is approximately \$83,000 on June 30, 2025. The District likely won't receive notification from the state until February of 2026, so we recommend that spend down discussions occur prior to receiving notification from the state to allow adequate time for spending of the excess balance.

#### Budgeting

Expenditures exceeded appropriated amounts in various line items in the General Fund. The District should continue to monitor its budgets on an ongoing basis and make budget amendments prior to incurring expenditures in excess of budgeted amounts.

#### Other Matters

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

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

Restriction on Use

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

*UHY LLP*

Cadillac, Michigan  
October 30, 2025



MILL CREEK ACADEMY

WILLIAMSBURG, MICHIGAN

YEAR ENDED JUNE 30, 2025



MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

|   | <u>PAGES</u> |
|---|--------------|
| <b>Independent Auditor's Report</b>   | 1-3          |
| <b>Management's Discussion and Analysis</b>   | 4-8          |
| <b>Basic Financial Statements</b>   |              |
| Government-Wide Financial Statements  |              |
| Statement of Net Position   | 9            |
| Statement of Activities   | 10           |
| Fund Financial Statements   |              |
| Balance Sheet - Governmental Funds  | 11           |
| Reconciliation of the Balance Sheet of Governmental Funds to<br>the Statement of Net Position   | 12           |
| Statement of Revenues, Expenditures and Changes in Fund Balances -<br>Governmental Funds  | 13           |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances of Governmental Funds<br>to the Statement of Activities   | 14           |
| Notes to Financial Statements   | 15-28        |
| <b>Required Supplementary Information</b>   |              |
| Budgetary Comparison Schedule – General Fund  | 29           |
| Independent Auditor's Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with <i>Government Auditing Standards</i> | 30-32        |
| Corrective Action Plan  | 33-34        |





## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Mill Creek Academy  
Williamsburg, Michigan

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the major fund of Mill Creek Academy, Williamsburg, Michigan as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Mill Creek Academy, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mill Creek Academy'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mill Creek Academy's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 4-8 and 29 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025, on our consideration of Mill Creek Academy'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 Mill Creek Academy'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 Mill Creek Academy's internal control over financial reporting and compliance.

*UHY LLP*

Cadillac, Michigan  
October 30, 2025

MILL CREEK ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

This section of Mill Creek Academy's ("the Academy") annual report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2025. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

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

**A. Government-Wide Financial Statements**

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

The *Statement of Net Position* presents information on all of the Academy's assets, deferred inflows and outflows of resources and liabilities, with the difference 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 Academy is improving or deteriorating.

The *Statement of Activities* presents the information showing how the Academy'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 for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the Academy that are principally supported by state aid (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the Academy include instruction, supporting services, community services, interest on long-term debt, and unallocated amortization.

**B. 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. Mill Creek Academy, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the Academy are considered governmental funds.

**Governmental Funds** Governmental funds are used to account for essentially the same functions 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 assessing 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

MILL CREEK ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

**Notes to Financial Statements**

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

**Other Information**

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

**C. Summary of Net Position**

The following schedule summarizes the net position at June 30,

|                                       | <u>2025</u>         |
|---------------------------------------|---------------------|
| <b>Assets</b>                         |                     |
| Current Assets                        | \$ 2,458,159        |
| <b>Non Current Assets</b>             |                     |
| Right to Use Assets                   | 401,927             |
| Less Accumulated Amortization         | (80,385)            |
| Total Non Current Assets              | <u>321,542</u>      |
| Total Assets                          | <u>\$ 2,779,701</u> |
| <b>Liabilities and Net Position</b>   |                     |
| <b>Liabilities</b>                    |                     |
| Current Liabilities                   | \$ 2,480,252        |
| Non Current Liabilities               | 250,363             |
| Total Liabilities                     | <u>2,730,615</u>    |
| <b>Net Position</b>                   |                     |
| Net Investment in Right to Use Assets | (5,481)             |
| Unrestricted                          | 54,567              |
| Total Net Position                    | <u>49,086</u>       |
| Total Liabilities and Net Position    | <u>\$ 2,779,701</u> |

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2025, the Academy's net position increased by \$49,086. A few of the more significant factors affecting net position during the year are discussed below:

**1. Amortization Expense**

School academies are required to maintain a record of annual amortization expense and the accumulation of amortization expense over time. The net increase in accumulated amortization expense is a reduction in net position.

MILL CREEK ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

Amortization expense is recorded on a straight-line basis over the shorter of the lease period or the estimated useful lives of the assets. For the fiscal year ended June 30, 2025, \$80,385 was recorded for amortization expense.

**2. Capital Outlay Acquisitions**

For the year ended June 30, 2025, \$401,927 of the Academy's expenditures were capitalized and recorded as assets of the Academy.

The net effect of the current year's amortization, additions, and disposals (if any) is an increase in the net investment in right to use assets in the amount of \$321,542 for the year ended June 30, 2025.

**E. Results of Operations**

For the years ended June 30, the results of operations, on an academy-wide basis, were:

|                            | <u>2025</u>      |
|----------------------------|------------------|
| <b>General Revenues</b>    |                  |
| Investment Earnings        | \$ 4,108         |
| State Sources              | <u>2,335,955</u> |
| Total General Revenues     | 2,340,063        |
| <b>Program Revenues</b>    |                  |
| Operating Grants           | <u>237,852</u>   |
| Total Revenues             | <u>2,577,915</u> |
| <b>Expenses</b>            |                  |
| Instruction                | 1,779,211        |
| Supporting Services        | 652,807          |
| Community Services         | 2,330            |
| Interest on Long Term Debt | 14,096           |
| Unallocated Amortization   | <u>80,385</u>    |
| Total Expenses             | <u>2,528,829</u> |
| Change in Net Position     | <u>\$ 49,086</u> |

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

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

|                   | <u>2025</u> | <u>2024</u> | <u>Increase<br/>(Decrease)</u> |
|-------------------|-------------|-------------|--------------------------------|
| <b>Major Fund</b> |             |             |                                |
| General Fund      | \$ 54,567   | \$ 0        | \$ 54,567                      |

MILL CREEK ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

**General Fund** – 2024-2025 was the first year of operations for the Academy. The General Fund's fund balance increased by \$54,567, all of which is unassigned. The reason for the increase is due to state and federal grants outweighing the costs of operating the Academy.

**G. General Fund Budgetary Highlights**

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

For the 2024-2025 fiscal year, the Academy amended the General Fund throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

|                            | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>       |
|----------------------------|----------------------------|-------------------------|---------------------|
| Total Revenues             | <u>\$ 2,497,000</u>        | <u>\$ 2,579,353</u>     | <u>\$ 2,577,915</u> |
| <b><u>EXPENDITURES</u></b> |                            |                         |                     |
| Instruction                | \$ 1,750,000               | \$ 1,729,563            | \$ 1,779,211        |
| Supporting Services        | 770,000                    | 751,790                 | 1,054,734           |
| Community Services         | 0                          | 0                       | 2,330               |
| Debt Service               | <u>50,000</u>              | <u>89,000</u>           | <u>89,000</u>       |
| Total Expenditures         | <u>\$ 2,570,000</u>        | <u>\$ 2,570,353</u>     | <u>\$ 2,925,275</u> |

The changes from original budgeted revenues and final budget revenues were a result of changes in state and other revenues. The variance between the final budgeted and actual revenue was minimal. The variance between the final budgeted and actual expenditures was primarily a result of the Academy spending more on operations and maintenance than it budgeted for due to the recording of a capital lease in accordance with GASB 87.

**H. Right to Use Asset and Obligation Administration**

**1. Right to Use Assets**

At the end of the 2024-2025 fiscal year, the Academy had invested \$321,542, net of amortization, in a leased building. Amortization expense for the year amounted to \$80,385, bringing the accumulation to \$80,385 as of June 30, 2025. More information can be found related to right to use assets later in this report. During the year, the Academy obtained the right to use a building through a lease contract.

**2. Long-Term Obligation**

At the end of this year, Academy had \$327,023 in long-term obligations outstanding. The obligations are made up of a capital lease payable.

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

MILL CREEK ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2025

**I. Factors Bearing on the Academy's Future**

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

- Because per pupil state aid funding is the driving force behind the majority of the Academy's revenue, student enrollment strongly effects the budget. The Academy will continue to monitor its pupil count and any changes to state funding.
- The Academy continues to try and improve its facilities and programs offered to keep up with other schools in order to attract students to the Academy.

**J. Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Academy at 9039 Old M-72, Williamsburg, MI 49690.

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2025

ASSETS

|   |                  |
|---|------------------|
| Investments   | \$ 470,092       |
| Due from Other Governments                                | 1,988,067        |
| Assets Being Depreciated, Net of Accumulated Amortization | 321,542          |
| TOTAL ASSETS  | <u>2,779,701</u> |

LIABILITIES

|                           |                  |
|---------------------------|------------------|
| Due to Other Governments  | 2,403,592        |
| Noncurrent Liabilities    |                  |
| Due Within One Year       |                  |
| Capital Lease Payable     | 76,660           |
| Due in More Than One Year |                  |
| Capital Lease Payable     | 250,363          |
| TOTAL LIABILITIES         | <u>2,730,615</u> |

NET POSITION

|                                       |                  |
|---------------------------------------|------------------|
| Net Investment in Right to Use Assets | (5,481)          |
| Unrestricted                          | 54,567           |
| TOTAL NET POSITION                    | <u>\$ 49,086</u> |

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

| FUNCTIONS/PROGRAMS                      | EXPENSES     | PROGRAM REVENUES        |  |                   | GOVERNMENTAL<br>ACTIVITIES<br>NET (EXPENSE)<br>REVENUE AND<br>CHANGES IN<br>NET POSITION |
|---|--------------|-------------------------|--|-------------------|--|
|   |              | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL<br>GRANTS |  |
| <u>GOVERNMENTAL ACTIVITIES</u>          |              |                         |  |                   |  |
| Instruction                             | \$ 1,779,211 | \$ 0                    | \$ 98,597                                | \$ 0              | \$ (1,680,614)   |
| Supporting Services                     | 652,807      | 0                       | 136,925                                  | 0                 | (515,882)  |
| Community Services                      | 2,330        | 0                       | 2,330                                    | 0                 | 0  |
| Interest on Long-Term Debt              | 14,096       | 0                       | 0  | 0                 | (14,096)   |
| Unallocated Amortization                | 80,385       | 0                       | 0  | 0                 | (80,385)   |
| TOTAL GOVERNMENTAL ACTIVITIES           | \$ 2,528,829 | \$ 0                    | \$ 237,852                               | \$ 0              | (2,290,977)  |
| <u>GENERAL REVENUES</u>                 |              |                         |  |                   |  |
| Investment Earnings                     |              |                         |  |                   | 4,108  |
| State Sources                           |              |                         |  |                   | 2,335,955  |
| Total General Revenues                  |              |                         |  |                   | 2,340,063  |
| Change in Net Position                  |              |                         |  |                   | 49,086   |
| <u>NET POSITION</u> - Beginning of Year |              |                         |  |                   | 0  |
| <u>NET POSITION</u> - End of Year       |              |                         |  |                   | \$ 49,086  |

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2025

|  | <u>GENERAL<br/>FUND</u> |
|--|-------------------------|
| <u>ASSETS</u>                          |                         |
| Investments                            | \$ 470,092              |
| Due from Other Governments             | 1,988,067               |
|  | <hr/>                   |
| TOTAL ASSETS                           | \$ 2,458,159            |
|  | <hr/> <hr/>             |
| <u>LIABILITIES AND FUND BALANCES</u>   |                         |
| <u>LIABILITIES</u>                     |                         |
| Due to Other Governments               | \$ 2,403,592            |
|  | <hr/>                   |
| <u>FUND BALANCES</u>                   |                         |
| Unassigned                             | 54,567                  |
|  | <hr/>                   |
| TOTAL LIABILITIES AND<br>FUND BALANCES | \$ 2,458,159            |
|  | <hr/> <hr/>             |

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

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

JUNE 30, 2025

|                                  |    |        |
|----------------------------------|----|--------|
| Total Governmental Fund Balances | \$ | 54,567 |
|----------------------------------|----|--------|

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

Right to use assets used in governmental activities are not financial resources and are not reported in the funds.

|  |    |                 |         |
|--|----|-----------------|---------|
| The cost of the right to use assets is | \$ | 401,927         |         |
| Accumulated amortization is            |    | <u>(80,385)</u> | 321,542 |

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

|                         |  |                  |
|-------------------------|--|------------------|
| Capital Lease Liability |  | <u>(327,023)</u> |
|-------------------------|--|------------------|

|   |    |               |
|---|----|---------------|
| NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES | \$ | <u>49,086</u> |
|---|----|---------------|

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

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

YEAR ENDED JUNE 30, 2025

|  | <u>GENERAL<br/>FUND</u> |
|--|-------------------------|
| <u>REVENUES</u>                                      |                         |
| Local Sources  | \$ 4,108                |
| State Sources  | 2,459,897               |
| Federal Sources                                      | 45,600                  |
| Other Transactions                                   | 68,310                  |
| Total Revenues                                       | 2,577,915               |
| <u>EXPENDITURES</u>                                  |                         |
| Instruction  |                         |
| Basic Programs                                       | 1,481,281               |
| Added Needs  | 297,930                 |
| Supporting Services                                  |                         |
| Instructional Staff                                  | 88,355                  |
| Pupil Support Services                               | 25,484                  |
| General Administration                               | 16,084                  |
| School Administration                                | 238,529                 |
| Business Services                                    | 73,797                  |
| Operation and Maintenance                            | 612,485                 |
| Community Services                                   |                         |
| Welfare Activities                                   | 2,330                   |
| Debt Service   |                         |
| Principal  | 74,904                  |
| Interest   | 14,096                  |
| Total Expenditures                                   | 2,925,275               |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (347,360)               |
| <u>OTHER FINANCING SOURCES (USES)</u>                |                         |
| Capital Lease Proceeds                               | 401,927                 |
| Net Change in Fund Balance                           | 54,567                  |
| <u>FUND BALANCE</u> - Beginning of Year              | 0                       |
| <u>FUND BALANCE</u> - End of Year                    | \$ 54,567               |

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

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

YEAR ENDED JUNE 30, 2025

|  |    |        |
|--|----|--------|
| Net Change in Fund Balances Total Governmental Funds | \$ | 54,567 |
|--|----|--------|

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

Governmental funds report capital outlays as expenditures, in the Statement of Activities these costs are allocated over the shorter of the lease period or estimated useful lives:

|                      |          |
|----------------------|----------|
| Amortization Expense | (80,385) |
| Capital Outlay       | 401,927  |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

|  |           |
|--|-----------|
| Proceeds from Capital Lease Transactions | (401,927) |
| Payments on Capital Lease Liability      | 74,904    |

|   |    |               |
|---|----|---------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>49,086</u> |
|---|----|---------------|

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

**A. Reporting Entity**

Mill Creek Academy ("the Academy") is located in Antrim County with its administrative offices located in Williamsburg, Michigan. The Academy operates under an elected five-member Board of Education and provides services to its 234 students in elementary school. The Academy receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members were appointed to various terms by the Board of Education for Elk Rapids Schools and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

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

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

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

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

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

The Academy reports the following major governmental fund:

The *General Fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources*

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

**E. Budgetary Information**

**1. Budgetary Basis of Accounting**

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

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

- a) Prior to July 1, the business office submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the academy, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted in September 2024, or as amended by the School Board of Education throughout the year.

**2. *Excess of Expenditures Over Appropriations***

General Fund

Instruction

- a) Added Needs expenditures of \$297,930 exceed appropriations by \$89,106.

Supporting Services

- b) Business Services expenditures of \$73,797 exceeded appropriations by \$73,797.
- c) Operation and Maintenance expenditures of \$612,485 exceeded appropriations by \$407,970.

Community Services

- d) Welfare Activities expenditures of \$2,330 exceeded appropriations by \$2,330.

These overages were funded by functions that were under budget and capital lease proceeds.

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

**1. *Cash and Cash Equivalents***

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**2. Investments**

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

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**3. *Inventory and Prepaid Items***

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

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

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

**4. *Capital Assets and Right to Use***

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Land is not depreciated and construction in progress is not depreciated until the underlying assets are placed in service upon completion of the project. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. At that time, the asset costs are reclassified out of construction in progress and into the appropriate depreciable category.

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

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

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

**5. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**6. *Unearned Revenue***

Unearned revenue arises when resources are received by the Academy before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Academy does not have any unearned revenue.

**7. *Net Position Flow Assumption***

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

**8. *Fund Balance Flow Assumption***

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

**9. *Fund Balance Policies***

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

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**10. Use of Estimates**

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

**11. Leases**

Lessee: The District is a lessee for a noncancelable lease of a building. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

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 judgements related to leases included 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 noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price 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.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

**G. Revenues and Expenditures/Expenses**

**1. State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the academy based on information supplied by the academy. For the year ended June 30, 2025, the foundation allowance was based on pupil membership

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

based on counts taken in October 2024 and February 2025. For fiscal year ended June 30, 2025, the per pupil foundation allowance was \$9,608 for Mill Creek Academy.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2024 to August 2025. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

**2. Federal Revenue**

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

**3. Program Revenues**

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

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

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

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2025.

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

**A. Investments**

As of June 30, 2025 the Academy had investments subject to the following risks:

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

|                                      | Fair<br>Value | Weighted<br>Average<br>Maturity<br>(Years) |
|--------------------------------------|---------------|--|
| MILAF External Investment Pool - CMC | \$ 470,092    | N/A  |
| Portfolio Weighted Average Maturity  | \$ 470,092    | N/A  |

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

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

|                                      | Fair<br>Value | Standard<br>& Poor's<br>Rating |
|--------------------------------------|---------------|--------------------------------|
| MILAF External Investment Pool - CMC | \$ 470,092    | AAAm                           |
|                                      | \$ 470,092    |                                |

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

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

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

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

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

|                                      | Amortized<br>Cost |
|--------------------------------------|-------------------|
| MILAF External Investment Pool - CMC | \$ 470,092        |
|                                      | \$ 470,092        |

**B. Intergovernmental Receivables**

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

|                              | Governmental<br>Funds |
|------------------------------|-----------------------|
| Due from Other Governments   |                       |
| State Aid                    | \$ 444,277            |
| Federal                      | 45,600                |
| Intermediate School District | 68,311                |
| Other School District        | 1,429,879             |
| Total                        | \$ 1,988,067          |

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**C. Capital and Right to Use Assets**

Capital and right to use assets activity for the year ended June 30, 2025, was as follows:

|   | Balance<br>July 1, 2024 | Additions  | Deletions | Balance<br>June 30, 2025 |
|---|-------------------------|------------|-----------|--------------------------|
| Right to Use Assets:                                |                         |            |           |                          |
| Right to Use Buildings                              | \$ 0                    | \$ 401,927 | \$ 0      | \$ 401,927               |
| Less Accumulated Amortization for:                  |                         |            |           |                          |
| Right to Use Buildings                              | 0                       | 80,385     | 0         | 80,385                   |
| Net Capital and Right to Use Assets Being Amortized | \$ 0                    | \$ 321,542 | \$ 0      | \$ 321,542               |

Amortization for the fiscal year ended June 30, 2025, amounted to \$80,385. The Academy determined that it was impractical to allocate amortization to the various governmental activities as the assets serve multiple functions.

**D. Long-Term Obligations**

The following is a summary of the governmental long-term obligation transactions for the Academy for the year ended June 30, 2025:

|   | Long-Term<br>Obligation<br>at July 1, 2024 | Additions  | Deletions | Long-Term<br>Obligations<br>at June 30, 2025 | Portion Due<br>Within<br>One Year |
|---|--|------------|-----------|--|-----------------------------------|
| Notes from Direct Borrowings<br>and Direct Placements | \$ 0                                       | \$ 401,927 | \$ 74,904 | \$ 327,023                                   | \$ 76,660                         |
| Total   | \$ 0                                       | \$ 401,927 | \$ 74,904 | \$ 327,023                                   | \$ 76,660                         |

The District's debt obligations at June 30, 2025, are comprised of the following issues:

**Notes from Direct Borrowings and Direct Placements**

|  |                   |
|--|-------------------|
| Building - Right to Use Lease - Due in monthly installments of \$8,900 through June 2029 | <u>\$ 327,023</u> |
| Interest Rate at 4.44%   |                   |

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$327,023 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2025, including interest payments of \$28,977 are as follows:

| YEAR<br>ENDING<br>JUNE 30, | NOTES FROM DIRECT<br>BORROWINGS AND<br>DIRECT PLACEMENTS |           | TOTAL      |
|----------------------------|--|-----------|------------|
|                            | PRINCIPAL  | INTEREST  |            |
| 2026                       | \$ 76,660  | \$ 12,340 | \$ 89,000  |
| 2027                       | 79,961   | 9,039     | 89,000     |
| 2028                       | 83,405   | 5,595     | 89,000     |
| 2029                       | 86,997   | 2,003     | 89,000     |
|                            | \$ 327,023   | \$ 28,977 | \$ 356,000 |

Interest expense for the year ended June 30, 2025 was approximately \$14,000.

**E. Risk Management**

Mill Creek Academy is exposed to various risks of loss related to property loss, torts, and errors and omissions.

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

**F. Subsequent Event**

After June 30, 2025, Elk Rapids Schools approved waiving the Lease revenue for the leased building and the 5% administrative fee for the 2024-25 fiscal year. No adjustments were made to the financial statements as a result of this subsequent event.

**G. Oversight Fees**

The Academy pays an administrative oversight fee of 3 percent of its unrestricted state school aid to Elk Rapids Schools as set forth by contract, to reimburse the Board of Education for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2025, the Academy incurred \$73,797 of expenses for oversight fees.

**H. Contracted Services/Related Party Transaction**

The Academy contracted with Elk Rapids Schools to provide teaching, administrative and various other services for the Academy. Payments for such services were made to Elk Rapids Schools throughout the year as the Academy incurred these expenses.

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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

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

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

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

MILL CREEK ACADEMY  
WILLIAMSBURG, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2025

|  | GENERAL FUND       |                  |                  |                               |
|--|--------------------|------------------|------------------|-------------------------------|
|  | ORIGINAL<br>BUDGET | FINAL<br>BUDGET  | ACTUAL           | VARIANCE WITH<br>FINAL BUDGET |
| <u>REVENUES</u>                                      |                    |                  |                  |                               |
| Local Sources  | \$ 5,000           | \$ 2,000         | \$ 4,108         | \$ 2,108                      |
| State Sources  | 2,402,000          | 2,459,901        | 2,459,897        | (4)                           |
| Federal Sources                                      | 90,000             | 50,276           | 45,600           | (4,676)                       |
| Other Transactions                                   | 0                  | 67,176           | 68,310           | 1,134                         |
| Total Revenues                                       | <u>2,497,000</u>   | <u>2,579,353</u> | <u>2,577,915</u> | <u>(1,438)</u>                |
| <u>EXPENDITURES</u>                                  |                    |                  |                  |                               |
| Instruction  |                    |                  |                  |                               |
| Basic Programs                                       | 1,400,000          | 1,520,739        | 1,481,281        | (39,458)                      |
| Added Needs  | 350,000            | 208,824          | 297,930          | 89,106                        |
| Supporting Services                                  |                    |                  |                  |                               |
| Instructional Staff                                  | 35,000             | 126,651          | 88,355           | (38,296)                      |
| Pupil Support Services                               | 100,000            | 85,160           | 25,484           | (59,676)                      |
| General Administration                               | 70,000             | 91,269           | 16,084           | (75,185)                      |
| School Administration                                | 250,000            | 241,365          | 238,529          | (2,836)                       |
| Business Services                                    | 80,000             | 0                | 73,797           | 73,797                        |
| Operation and Maintenance                            | 110,000            | 204,515          | 612,485          | 407,970                       |
| Pupil Transportation Services                        | 120,000            | 0                | 0                | 0                             |
| Central Support Services                             | 5,000              | 2,830            | 0                | (2,830)                       |
| Community Services                                   |                    |                  |                  |                               |
| Welfare Activities                                   | 0                  | 0                | 2,330            | 2,330                         |
| Debt Service   |                    |                  |                  |                               |
| Principal  | 50,000             | 74,904           | 74,904           | 0                             |
| Interest   | 0                  | 14,096           | 14,096           | 0                             |
| Total Expenditures                                   | <u>2,570,000</u>   | <u>2,570,353</u> | <u>2,925,275</u> | <u>354,922</u>                |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (73,000)           | 9,000            | (347,360)        | (356,360)                     |
| <u>OTHER FINANCING SOURCES (USES)</u>                |                    |                  |                  |                               |
| Capital Lease Proceeds                               | 0                  | 0                | 401,927          | 401,927                       |
| Net Change in Fund Balance                           | (73,000)           | 9,000            | 54,567           | 45,567                        |
| <u>FUND BALANCE</u> - Beginning of Year              | 0                  | 0                | 0                | 0                             |
| <u>FUND BALANCE</u> - End of Year                    | <u>\$ (73,000)</u> | <u>\$ 9,000</u>  | <u>\$ 54,567</u> | <u>\$ 45,567</u>              |



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

To the Board of Education  
Mill Creek Academy  
Williamsburg, 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 and the major fund of Mill Creek Academy, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Mill Creek Academy's basic financial statements, and have issued our report thereon dated October 30, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mill Creek Academy'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 Mill Creek Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Mill Creek Academy'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below as items that we consider to be material weaknesses:

**2025-001 – Lack of Adequate Controls to Timely Record, Process and Reconcile Accounting Data**

Criteria: Management is responsible for ensuring that a reliable system exists for recording, processing, and reconciling accounting data on a timely basis

Condition: The Academy has requirements imposed by the State of Michigan to ensure transactions are recorded, processed, and summarized timely in a manner prescribed by the Michigan Department of Education. During the year these processes were not functioning properly.

Cause: This condition was caused by a lack of adequate training and understanding needed to carry out the duties of the business office.

Effect: As a result of this condition, significant additional time and resources are necessary throughout the year and at year end in an effort to mitigate the effect of unreliable and untimely reporting of data.

Recommendation: We recommend that the Academy implement and adhere to monthly close out procedures to ensure that accounting data is recorded, processed and reconciled on a timely basis and that the Superintendent and Board of Education review the close out reports monthly.

View of Responsible Officials: The Academy is aware of this limitation and is in the process of implementing solutions.

#### **2025-002 – Auditor Identified Material Adjusting Journal Entries**

Criteria: The Academy is responsible for making adjusting journal entries as needed.

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

Cause: Many general ledger accounts were not reconciled at the end of the year.

Effect: Auditors were relied upon, which was not identified as needing to be done in the risk assessment, to make material journal entries in order to properly reflect year end balances.

Recommendation: We recommend that the Academy implement procedures to ensure that general ledger accounts are reconciled on a monthly basis in order to ensure accurate financial records.

View of Responsible Officials: The Academy now has an accounting system that has balances that agree to the audited financial statements and a better understanding of the requirements and responsibility for making material adjustments on their own accord.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mill Creek Academy’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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

#### **2025-003 – Unfavorable Budget Variance – Material Noncompliance**

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

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

Cause: The condition was caused by the Academy officials not monitoring the adopted budget against actual expenditures.

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

Recommendation: The Academy should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed.

View of Responsible Officials: The Academy will monitor expenditures against adopted budgets to make appropriate amendments as needed.

**Purpose of This Report**

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

*UHY LLP*

Cadillac, Michigan  
October 30, 2025



Principal, Nate Plum 231-267-9955 nplum@millcreekpsa.com  
9039 Old State Hwy 72, Williamsburg, MI 49690  
Director of Finance, Laurie McCann 231-264-8692 lmccann@erschools.com  
308 Meguzee Point Rd, Elk Rapids, MI 49629

### CORRECTIVE ACTION PLAN

JUNE 30, 2025

**Finding 2025-001:** Material Weakness Financial Statement Finding

**Condition:** The Academy did not record, process and reconcile accounting data in a timely manner.

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

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

**Monitoring:** The Board will continue to monitor monthly processes to not fall behind.

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

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

**Finding 2025-002:** Material Weakness Financial Statement Finding

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

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

**Corrective Steps to be Taken:** The Academy will reach out to external consultants for any assistance with any material adjustments and balance sheet reconciliations.

**Monitoring:** The Board will continue to monitor monthly processes to not fall behind. The Academy will reach out to external consulting sources for any assistance.

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

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



Principal, Nate Plum 231-267-9955 nplum@millcreekpsa.com  
9039 Old State Hwy 72, Williamsburg, MI 49690  
Director of Finance, Laurie McCann 231-264-8692 lmccann@erschools.com  
308 Meguzee Point Rd, Elk Rapids, MI 49629

**Finding 2025-003:** Material Noncompliance Financial Statement Finding

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

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

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

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

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

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





COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
AT THE CONCLUSION OF THE AUDIT

To the Board of Education  
Mill Creek Academy  
Williamsburg, Michigan

We have audited the financial statements of the governmental activities and the major fund of Mill Creek Academy for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 4, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mill Creek Academy are described in Note 1 to the financial statements and were all adopted by the Academy during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimates of the capital lease is based on the net present value of future payments. We evaluated the methods, assumptions, and data used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of several auditor proposed material adjustments to adjust the Academy's general ledger to the appropriate balances.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 30, 2025.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

During the course of our audit of the basic financial statements of the Mill Creek Academy for the year ended June 30, 2025, we noted the following items which we feel deserve comment:

#### Organization of Records

During the course of the audit, it was noted that the Academy was not adequately prepared for the audit process. Requested documentation was not readily available, and records provided were often incomplete, disorganized, or delayed. This resulted in inefficiencies in the audit.

#### Insufficient Support

Several financial transactions selected for testing lacked appropriate supporting documentation, such as invoices, purchase orders, approvals, or receipts. In some cases, only partial documentation was available, making it difficult to determine the legitimacy and appropriateness of the transactions.

#### Paying Sales Tax

During the audit we found several instances where the Academy paid sales tax on purchases made. The Academy is exempt from most sales tax and should not pay or reimburse sales tax.

Reconciliation of Mill Creek Academy to Elk Rapids Schools interdistrict payables and receivables

The audit revealed that the balances between the Academy and Elk Rapids Schools were inaccurate and not properly reconciled. Records were inconsistent and lacking support, making it difficult to verify the validity and accuracy of these balances.

Other Matters

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

Restriction on Use

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

*UHY LLP*

Cadillac, Michigan  
October 30, 2025

**CONFLICTS OF INTEREST - ANNUAL DISCLOSURE FORM**

**ELK RAPIDS SCHOOLS DISTRICT (the "District")**

Please complete and return this completed form to the District Clerk of the District by August 1 of each fiscal year.

**School Year 2025 - 2026**

**1. Name, Address, Office / Title:**

Name: \_\_\_\_\_

Full Address: \_\_\_\_\_

District Officer or District Employee Title: \_\_\_\_\_

**2. Spouse and Dependent Children: NO SPOUSE** (circle if appropriate) Provide the name of your spouse (if married) and/or the names and ages of any dependent children:

Spouse \_\_\_\_\_ Child/Age \_\_\_\_\_

Child/Age \_\_\_\_\_ Child/Age \_\_\_\_\_

**3. Financial Interests.**

a. **Business Positions.** List any office, trusteeship, directorship, partnership or other position in any business, association, proprietary, or for profit organization for you (and/or your spouse and/or dependent children), and indicate whether any of these businesses are involved with the District in any manner.

**NONE** (circle if appropriate)

Name of Family Member Position Name of Business Work with District \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

b. **Employment.** Describe any occupation, employment, trade, business or profession providing more than \$1,000.00 per year for you (and/or your spouse and/or dependent children), and indicate whether such work is in any way connected to the District.

**NONE** (circle if appropriate)

Name of Family Member Position Organization Connection to District \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**PAGE 2 CONFLICTS OF INTEREST - ANNUAL DISCLOSURE FORM**

**NAME:** \_\_\_\_\_

c. **Past Employment.** Identify the source and nature of any income in excess of \$1,000.00 per year from any prior employer, including deferred income, and Address of Income Source to a pension or retirement fund, profit sharing plan, severance pay, or payments under a buy-out agreement, and indicate whether such work was in any way connected to the District.

**NONE** (circle if appropriate)

**Name and Address of Source of Income Description of Income (i.e. pension, deferred, etc.)**

|       |       |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

d. **Investments.** Itemize and describe all investments in excess of \$5,000.00 or five percent (5%) of the value in any business, corporation, partnership, or other assets including stocks, bonds, loans, pledged collateral, and other investments, for you (and/or your spouse and/or dependent children).

**NONE** (circle if appropriate)

**Name and Address of Family Member Name/Address of Business Description of Investment**

|       |       |       |
|-------|-------|-------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

e. **Other Income.** Identify the source and nature of any other income in excess of \$1,000.00 per year from any source not described above, including teaching income, lecture fees, consultant fees, contractual income, or other income of any nature, for you (and/or your spouse and/or dependent children).

**NONE** (circle if appropriate)

**Name and Address of Family Member Name and Address of Income Source Nature of Income**

|       |       |       |
|-------|-------|-------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

**PAGE 3 CONFLICTS OF INTEREST - ANNUAL DISCLOSURE FORM**

**NAME:** \_\_\_\_\_

**4. Gifts and Honorariums.** List the source of all gifts aggregating in excess of \$75.00 received during the last year by you (and/or spouse and/or dependent children) excluding gifts from a relative. The term “gifts” includes gifts of cash, meals, event tickets, property, personal items, payments to third parties on your behalf, forgiveness of debt, honorariums, or any other payments that are not reportable income.

**NONE** (circle if appropriate)

**Name and Address of Family Member      Name and Address of Donor**

|       |       |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

**5. Third-Party Honorariums.** Identify and describe the source of any third-party disbursement for travel-related expenditures in excess of \$250.00 for any matter that relates to you official duties. The term “reimbursement” includes any travel-related expenses provided by anyone other than the District to speaking engagements, conferences, or fact finding events that relate to your School District duties.

**NONE** (circle if appropriate)

**Source Description**

|       |       |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

**6. Interest in Contracts.** Describe any interest you (and/or spouse and/or dependent children) have in any contracts involving the District or any Michigan State Boards of Cooperative Educational Services (BOCES).

**NONE** (circle if appropriate)

**Name of Family Member      Contract Description**

|       |       |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

**PAGE 4 CONFLICTS OF INTEREST - ANNUAL DISCLOSURE FORM**

**NAME:** \_\_\_\_\_

**7. Certification:**

I hereby certify, under penalty of perjury, that the information disclosed on this form is true and complete to the best of my knowledge.

I have received a copy and read the District's Board of Education Policy "Code of Ethics." I hereby acknowledge my continuing responsibility to disclose any conflicts of interest or potential conflict of interest and/or reclude myself from any act or action as required by New York State Law and the School District Code of Ethics. I certify that I will undertake and carry out this responsibility to the best of my ability.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Please complete and return this completed form to the District Clerk by August 1 of each fiscal year.