

AU GRES-SIMS SCHOOL DISTRICT
Au Gres, Michigan

FINANCIAL STATEMENTS
June 30, 2024



Gardner | Provenzano
Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

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Frederick C. Gardner
Giacamo Provenzano
Heather A. Thomas
Brett A. Luplow

INDEPENDENT AUDITOR'S REPORT

October 30, 2024

To the Board of Education
Au Gres-Sims School District
Au Gres, Michigan

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

To the Board of Education
Au Gres-Sims School District
Page Three

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Au Gres-Sims School District's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024 on our consideration of Au Gres-Sims School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Au Gres-Sims School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Au Gres-Sims School District's internal control over financial reporting and compliance.

Mardner, Provinsano, Thomas & Inglow

Certified Public Accountants

AU GRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the annual financial report presents management's discussion and analysis of Au Gres-Sims School District's performance during the fiscal year ending June 30, 2024. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the School District.

Annual Report

The annual report consists of our Management's Discussion and Analysis, a series of financial statements, notes to those statements, and supplemental information. The financial statements are divided into two sections. The District-Wide Financial Statements provide information about the activities of the School District as a whole. They present a year-end aggregate view and a longer-term view of the District's finances. All funds and capital assets and debt are combined. The Governmental Fund Statements provide more detail showing the year's activity by fund. They also show the amount available to finance future programs. Governmental Fund Statements do not include long-term items such as capital assets or long-term debt.

District-Wide Financial Statements

The District-Wide Financial Statements appear first in the financial statements. They present information on the School District as a whole. They show net position and a statement of activities for the year. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Net position, the difference between assets and liabilities, are one way of measuring the financial health of the School District. In the statement of activities, the revenues less the expenses result in an increase or decrease in the net position. Increases or decreases in net position, over time, affect the financial health of the District. However, the goal of the School District is to provide quality education and a safe environment, not to make a profit.

The statement of activities covers all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid, and State and Federal grants finance most of these activities.

AU GRES-SIMS SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Governmental Fund Statements

The Governmental Fund Statements provide detailed information on a fund level instead of the School District as a whole. Some funds are required to be established by State law and by bond covenants. Many of the other funds are created to help control and manage money for a particular purpose or to meet legal responsibilities for certain taxes, grants, and other money. The governmental funds of the School District focus on showing how money flows into and out of funds and the balances left at year-end. They provide a detailed, short-term view of the operations and services of the School District. This helps determine whether more or fewer financial resources are available for future programs. An accounting method called modified accrual accounting is used in fund accounting. This method measures cash and all other financial assets that can readily be converted to cash.

The relationship between District-Wide Financial Statements and Governmental Fund Statements will be reconciled later in the annual report.

Summary of District-Wide Financial Statement

Table 1 provides a summary of our net position as of June 30, 2024 and June 30, 2023. They represent the School District as a whole.

| | <u>2024</u> | <u>2023</u> |
|--|--------------------|-----------------------|
| Assets | | |
| Current assets | \$ 3,623,757 | \$ 3,262,014 |
| Net OPEB asset | 134,878 | - |
| Capital assets - net of accumulated depreciation | 11,619,060 | 11,725,518 |
| Total Assets | <u>15,377,695</u> | <u>14,987,532</u> |
| | | |
| Deferred outflows of resources | <u>2,494,862</u> | <u>3,139,074</u> |
| | | |
| Liabilities | | |
| Current liabilities | 1,256,854 | 1,315,883 |
| Long-term liabilities | 7,137,016 | 7,410,344 |
| Net pension liability | 7,648,713 | 8,879,716 |
| Net OPEB liability | - | 487,522 |
| Total Liabilities | <u>16,042,583</u> | <u>18,093,465</u> |
| | | |
| Deferred inflows of resources | <u>1,877,160</u> | <u>1,376,487</u> |
| | | |
| Net position | | |
| Net investment in capital assets | 4,358,452 | 4,268,329 |
| Restricted for debt service | 297,274 | 155,233 |
| Unrestricted | (4,701,912) | (5,766,908) |
| Total Net Position | <u>\$ (46,186)</u> | <u>\$ (1,343,346)</u> |

AU GRES-SIMS SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Analysis of Overall Financial Position and Results of Operations

The School District's net position was \$(47,186) as of June 30, 2024. Net investment in capital assets totaled \$4,358,452. This represents the original cost, less depreciation of the School District's capital assets, less long-term debt related to capital assets. Restricted net position of \$297,274 is reported separately to show legal constraints from debt covenants and enabling legislation that limits the School District's ability to use that net position for day-to-day operations. The remaining amount of net position was unrestricted. The unrestricted net position balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

The following table provides a summary of the School District's operations as a whole for the years ended June 30, 2024 and 2023.

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Revenue | | |
| Program revenue | | |
| Charges for services | \$ 44,644 | \$ 47,733 |
| Grants and contributions | 2,992,995 | 2,544,651 |
| General revenue | | |
| Property taxes | 3,214,050 | 2,983,439 |
| State aid - unrestricted | 1,399,530 | 1,391,754 |
| Other | 107,229 | 318,007 |
| Total revenue | <u>7,758,448</u> | <u>7,285,584</u> |
| Function/Program expenses | | |
| Instruction | 3,034,736 | 4,062,244 |
| Support services | 1,815,527 | 2,339,909 |
| Food services | 353,702 | 410,860 |
| Athletics | 129,327 | 105,887 |
| Student activities | 18,150 | 16,383 |
| Interest & misc. expense on long-term debt | 262,162 | 299,245 |
| Depreciation and amortization (unallocated) | 848,684 | 817,216 |
| Total expenses | <u>6,462,288</u> | <u>8,051,744</u> |
| Increase (decrease) in net position | <u>\$ 1,296,160</u> | <u>\$ (766,160)</u> |

As reported in the statement of activities, the cost of all governmental activities this year was \$6,462,288. Certain activities were partially funded from those who benefited by the programs, \$44,644, or by other governments and organizations that subsidized certain programs with grants and categoricals, \$2,992,995. The remaining "public benefit" portion of the governmental activities was paid with \$3,214,050 in taxes, \$1,399,530 in State Foundation Allowance, and with other revenues, such as interest and general entitlements.

Analysis of Overall Financial Position and Results of Operations (cont.)

The School District experienced an increase in net position of \$1,296,160, as compared to a decrease of \$766,160 in the prior year. The reduction of the variance is due to a decrease in total expenses of \$1,589,456. This decrease was driven by a decrease in pension and OPEB expenses in 2024 compared to 2023.

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

Governmental Fund Statements

As the School District completed this year, the governmental funds reported a combined fund balance of \$2,634,271, which is an increase of \$434,522 from last year. In the general fund, our principal operating fund, the fund balance increased by \$404,233 to \$1,954,948. The total increase in the fund balance was planned and resulted from an increase in state revenue compared to 2023.

The food service fund balance decreased by \$44,564 bringing the fund balance to \$103,016.

The debt service fund showed a fund balance increase of \$142,041. Millage rates are determined annually to ensure that the School District accumulates sufficient funds to pay annual bond issue-related debt service. The fund balance in the debt service fund is reserved since it can only be used to pay debt service obligations.

The District utilized capital project funds to continue the remodeling and upgrading of school facilities. The capital projects fund has a fund balance of \$191,505.

During the year ended June 30, 2024, the student activity fund balance increased by \$4,596 to \$87,528.

Fund Budget Analysis

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 July 1, the start of the fiscal year. Over the course of the year, the District revises its budget to reflect changes in revenues and expenditures. For fiscal year 2023-24 the budget was amended twice during the year. A budgetary comparison schedule showing the school district's original budget and final amended budget amounts compared with actual amounts for revenue and expenditures is provided in required supplemental information of these financial statements.

AU GRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Final Budget vs. Original Budget

The general fund original budgeted revenues were increased by \$794,752 for a final budget estimate of \$6,706,976.

Our State revenue budget was increased by \$363,685 due to an increase in categorical grants and several prior year adjustments that were received and incorporated into the final budget.

Federal revenues were increased \$424,862 from the original budget due to an expected increase in the amounts spent on Federal programs.

The general fund original budgeted expenditures were increased \$486,673 for a final budgeted estimate of \$6,414,691.

Actual Results vs. Final Budget

The actual results for the general fund revenues were \$635 less than anticipated. The individual line-item variances are not considered to be significant by management.

The actual results for the general fund expenditures were \$111,313 less than anticipated. The individual line-item variances are not considered to be significant by management.

Capital Assets

The upgrades to the school complex (construction in progress) are still ongoing and are being funded with the bond proceeds of 2019. Capital assets at June 30, 2024 and 2023 are as follows:

| | <u>2024</u> | <u>2023</u> |
|-----------------------------------|----------------------|---------------------|
| Land | \$ 7,079 | \$ 7,079 |
| Construction in progress | 48,510 | 48,510 |
| Buildings and improvements | 17,234,094 | 16,965,295 |
| Library books | 375,683 | 375,683 |
| Machinery & Equipment | 1,162,699 | 1,132,218 |
| Furniture | 639,581 | 639,581 |
| Buses | 994,654 | 614,184 |
| Leased buses | 161,415 | 161,415 |
| Vehicles | 202,408 | 139,932 |
| Total Capital Assets | <u>20,826,123</u> | <u>20,083,897</u> |
| Less acc. depreciation and amort. | <u>9,207,063</u> | <u>8,358,379</u> |
| Net Capital Assets | <u>\$ 11,619,060</u> | <u>\$11,725,518</u> |

AU GRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Debt

As of June 30, 2024, the School District had \$7,262,368 in Long-Term Debt versus \$7,516,029 in the previous year.

| | <u>2024</u> | <u>2023</u> |
|------------------------------|--------------------|--------------------|
| Governmental Activities | | |
| Bonds | \$7,205,000 | \$7,405,000 |
| Leased assets liability | 55,608 | 109,226 |
| Accrued compensated absences | 1,760 | 1,803 |
| Totals | <u>\$7,262,368</u> | <u>\$7,516,029</u> |

The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the School District's boundaries. If the School District issued "qualified debt," such obligations are not subject to this debt limit. The School District has no unqualified general obligation debt. The notes to the financial statements contain detailed information on long-term liabilities.

Economic Conditions Affecting Next Year's Budget

The following are factors that will affect the 2024-2025 school year:

- Our elected officials and administration consider many factors when setting the 2025 fiscal year budget. Since the District is heavily dependent on State Funding and the health of the State School Aid fund, the actual revenue received depends on the ability to collect revenues to fund its appropriations to the Districts. The State periodically holds a revenue estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation. The overall State economy remains a cause for concern, and the District will be properly cautious in fiscal matters.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions regarding this report, please contact:

Superintendent
Au Gres-Sims School District
310 Court Street
P.O. Box 648
Au Gres, Michigan 48703

AU GRES-SIMS SCHOOL DISTRICT
District - Wide Statement of Net Position
June 30, 2024

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash | \$ 2,964,554 |
| Inventories | 8,944 |
| Deposits | 16,750 |
| Due from other governmental units | 615,889 |
| Receivables | 3,435 |
| Prepays | 14,185 |
| Net OPEB asset | 134,878 |
| Capital assets less accumulated depreciation/amortization | 11,619,060 |
| Total Assets | 15,377,695 |
| | |
| Deferred outflows of resources-related to OPEB | 556,568 |
| Deferred outflows of resources-related to pension liability | 1,938,294 |
| Total Deferred Outflows | 2,494,862 |
| | |
| Liabilities | |
| Current liabilities | |
| Accounts payable | 21,076 |
| Accrued liabilities | 507,977 |
| Unearned revenue | 460,433 |
| Bonds payable, due within one year | 210,000 |
| Right to use assets lease payable, due within one year | 55,608 |
| Long-term liabilities | |
| Compensated absences, due in more than one year | 1,760 |
| Bonds payable, due in more than one year | 6,995,000 |
| Bond premium | 142,016 |
| Net pension liability | 7,648,713 |
| Total Liabilities | 16,042,583 |
| | |
| Deferred inflows of resources-related to OPEB | 1,088,867 |
| Deferred inflows of resources-related to pension liability | 788,293 |
| Total Deferred Inflows | 1,877,160 |
| | |
| Net Position | |
| Net investment in capital assets | 4,358,452 |
| Restricted for debt service | 297,274 |
| Unrestricted | (4,702,912) |
| Total Net Position | \$ (47,186) |

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

AU-GRES SIMS SCHOOL DISTRICT
District-Wide Statement of Activities
For the Year Ended June 30, 2024

| Functions/Programs | Expenses | Program Revenues | | Governmental |
|--|---------------------|----------------------|------------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Activities |
| | | | | Net (Expense) Revenue and Changes in Net Position |
| Instruction | \$ 3,034,736 | \$ - | \$ 1,461,912 | \$ (1,572,824) |
| Support services | 1,815,527 | - | 1,165,078 | (650,449) |
| Food services | 353,702 | 19,910 | 343,259 | 9,467 |
| Athletics | 129,327 | 24,734 | - | (104,593) |
| Student activities | 18,150 | - | 22,746 | 4,596 |
| Interest & misc. expense on long-term debt | 262,162 | - | - | (262,162) |
| Depreciation (unallocated) | 794,879 | - | - | (794,879) |
| Amortization (unallocated) | 53,805 | - | - | (53,805) |
| Totals | \$ 6,462,288 | \$ 44,644 | \$ 2,992,995 | (3,424,649) |

General revenues:

| | |
|--|--------------------|
| Taxes: | |
| Property taxes levied for general purposes | 2,585,672 |
| Property taxes levied for debt service | 628,378 |
| State aid - unrestricted | 1,399,530 |
| Interest | 99,302 |
| Other | 7,927 |
| Subtotal General Revenues | <u>4,720,809</u> |
| Change in Net Position | 1,296,160 |
| Net Position - Beginning of Year | (1,343,346) |
| Net Position - End of Year | <u>\$ (47,186)</u> |

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

AU-GRES SIMS SCHOOL DISTRICT
Governmental Funds Balance Sheet
June 30, 2024

| | General | Non-major Food Service | Non-major Student Activities | Non-major Debt Service | Non-major Capital Projects | Totals |
|--|------------------------|------------------------------|------------------------------------|------------------------------|----------------------------------|-------------------------|
| <u>Assets</u> | | | | | | |
| Cash | \$2,379,346 | \$ 8,901 | \$ 87,528 | \$297,274 | \$ 191,505 | \$ 2,964,554 |
| Inventory | - | 8,944 | - | - | - | 8,944 |
| Due from other funds | - | 86,710 | - | - | - | 86,710 |
| Prepays | 14,185 | - | - | - | - | 14,185 |
| Deposits | 16,750 | - | - | - | - | 16,750 |
| Accounts receivable | 3,435 | - | - | - | - | 3,435 |
| Due from other governmental units | 615,889 | - | - | - | - | 615,889 |
| Total Assets | <u>\$3,029,605</u> | <u>\$ 104,555</u> | <u>\$ 87,528</u> | <u>\$297,274</u> | <u>\$ 191,505</u> | <u>\$ 3,710,467</u> |
| <u>Liabilities</u> | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 21,076 | \$ - | \$ - | \$ - | \$ - | \$ 21,076 |
| Due to other funds | 86,710 | - | - | - | - | 86,710 |
| Unearned revenue | 458,894 | 1,539 | - | - | - | 460,433 |
| Accrued expenditures | 507,977 | - | - | - | - | 507,977 |
| Total Liabilities | <u>1,074,657</u> | <u>1,539</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,076,196</u> |
| <u>Fund Balance</u> | | | | | | |
| Restricted for debt retirement | - | - | - | 297,274 | - | 297,274 |
| Nonspendable: | | | | | | |
| Inventory | - | 8,944 | - | - | - | 8,944 |
| Deposits | 16,750 | - | - | - | - | 16,750 |
| Assigned | - | - | - | - | 191,505 | 191,505 |
| Committed | - | 94,072 | 87,528 | - | - | 181,600 |
| Unassigned | 1,938,198 | - | - | - | - | 1,938,198 |
| Total Fund Balance | <u>1,954,948</u> | <u>103,016</u> | <u>87,528</u> | <u>297,274</u> | <u>191,505</u> | <u>2,634,271</u> |
| Total Liabilities and Fund balance | <u>\$3,029,605</u> | <u>\$ 104,555</u> | <u>\$ 87,528</u> | <u>\$297,274</u> | <u>\$ 191,505</u> | <u>\$ 3,710,467</u> |

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

AU-GRES SIMS SCHOOL DISTRICT
Reconciliation of Balance Sheet of Governmental Funds
to District-Wide Statement of Net Position
June 30, 2024

| | |
|---|--------------|
| Total Fund Balances - Governmental Funds | \$ 2,634,271 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Deferred outflows of resources - related to pension | 1,938,294 |
| Deferred outflows of resources - related to OPEB | 556,568 |
| Deferred inflows of resources - related to pension | (788,293) |
| Deferred inflows of resources - related to OPEB | (1,088,867) |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | |
| The cost of the capital assets is | 20,826,123 |
| Accumulated depreciation/amortization is | (9,207,063) |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. | |
| Bonds payable | (7,205,000) |
| Bond premium | (142,016) |
| Liability on right to use assets | (55,608) |
| Compensated absences | (1,760) |
| Net pension liability | (7,648,713) |
| Net OPEB (asset) | 134,878 |
| Total Net Position - Government Activities (Academy Wide) | \$ (47,186) |

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

AU-GRES SIMS SCHOOL DISTRICT
Governmental Funds Statement of Revenues,
Expensitures, and Changes in Fund Balances
For the Year Ended June 30, 2024

| | General | Non-major Food Service | Non-major Student Activities | Non-major Debt Service | Non-major Capital Projects | Totals |
|---|---------------------|------------------------------|------------------------------------|------------------------------|----------------------------------|---------------------|
| Revenue | | | | | | |
| Local | \$ 2,921,127 | \$ 21,162 | \$ 22,746 | \$ 640,053 | \$ 4,618 | \$ 3,609,706 |
| State | 2,886,820 | 26,170 | - | - | - | 2,912,990 |
| Federal | 873,389 | 316,088 | - | - | 20,000 | 1,209,477 |
| Other | 26,275 | - | - | - | - | 26,275 |
| Total Revenue | <u>6,707,611</u> | <u>363,420</u> | <u>22,746</u> | <u>640,053</u> | <u>24,618</u> | <u>7,758,448</u> |
| Expenditures | | | | | | |
| Instruction | | | | | | |
| Basic programs | 2,898,409 | - | - | - | - | 2,898,409 |
| Added needs | 529,867 | - | - | - | - | 529,867 |
| Support services | | | | | | |
| Pupil | 217,300 | - | - | - | - | 217,300 |
| Instructional staff | 266,510 | - | - | - | - | 266,510 |
| General administration | 351,250 | - | - | - | - | 351,250 |
| School administration | 248,210 | - | - | - | - | 248,210 |
| Business | 133,362 | - | - | 1,812 | - | 135,174 |
| Operation and maintenance | 749,899 | - | - | - | - | 749,899 |
| Pupil transportation services | 589,141 | - | - | - | - | 589,141 |
| Central | 33,354 | - | - | - | - | 33,354 |
| Community | 1,252 | - | - | - | - | 1,252 |
| Building acquisition and construction | - | - | - | - | 196,402 | 196,402 |
| Debt service | 55,497 | - | - | 496,200 | - | 551,697 |
| Food service | - | 407,984 | - | - | - | 407,984 |
| Student activities | - | - | 18,150 | - | - | 18,150 |
| Athletics | 129,327 | - | - | - | - | 129,327 |
| Total Expenditures | <u>6,203,378</u> | <u>407,984</u> | <u>18,150</u> | <u>498,012</u> | <u>196,402</u> | <u>7,323,926</u> |
| Excess (Deficiency) of Revenues over Expenditures | 504,233 | (44,564) | 4,596 | 142,041 | (171,784) | 434,522 |
| Other Financing Sources (Uses) | | | | | | |
| Operating transfers in/out | (100,000) | - | - | - | 100,000 | - |
| Total Other Financing Sources (Uses) | <u>(100,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>100,000</u> | <u>-</u> |
| Net Change in Fund Balances | 404,233 | (44,564) | 4,596 | 142,041 | (71,784) | 434,522 |
| Fund Balances - Beginning of Year | <u>1,550,715</u> | <u>147,580</u> | <u>82,932</u> | <u>155,233</u> | <u>263,289</u> | <u>2,199,749</u> |
| Fund Balances - End of Year | <u>\$ 1,954,948</u> | <u>\$ 103,016</u> | <u>\$ 87,528</u> | <u>\$ 297,274</u> | <u>\$ 191,505</u> | <u>\$ 2,634,271</u> |

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

AU-GRES SIMS SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2024

Net Change in Fund Balances - Governmental Funds \$ 434,522

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of these assets is depreciated over their
estimated useful lives.

| | |
|----------------------|-----------|
| Capital outlay | 742,226 |
| Depreciation expense | (794,879) |
| Amortization expense | (53,805) |

Repayment of principal is an expenditure in the
governmental funds, but not in the statement of activities

| | |
|--------------------------------------|---------|
| Bond payable | 200,000 |
| Obligation under right to use assets | 53,618 |

Bond premium amortizations is reported in the statement of activities
but not in the funds

| | |
|------------------------------|-------|
| Amortization of bond premium | 5,917 |
|------------------------------|-------|

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

| | |
|--------------------------------|---------|
| Pension and OPEB related items | 708,518 |
|--------------------------------|---------|

In the statement of activities, liabilities at the end of the period for compensated
absences are adjusted for their current balance, whereas in governmental
funds, an expenditure is reported when paid.

43

| | |
|---|--------------|
| Change in Net Position of Governmental Activities (District Wide) | \$ 1,296,160 |
|---|--------------|

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

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The Au Gres-Sims School District (the "School District") operates under an elected Board of Education and provides educational services to approximately 395 students.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

B. District-Wide Statements

The District-Wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the activities of the primary government. The purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered to be governmental activities.

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

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the District's policy to spend funds in this order, committed, assigned, and unassigned.

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

B. District-Wide Statements (continued)

The District-Wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The District-Wide approach is focused more on the sustainability of the School District as an entity and the change in the District's net position from the current year's activities.

C. Fund Financial Statements

The accounts of the School District are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following fund types are used by the School District:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the District.

General Fund is the general operating fund of the School District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The food service fund and student activity funds are special revenue funds.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Student Activity Fund accounts for revenue sources from student related activities. The District accounts for its student activity fund in a special revenue fund.

The School District has opted to display information for all funds without regard to the criteria established by GASB 34 for determination of major funds. If the criteria for major fund determination had been used, only the general fund would have been considered major.

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures /expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The full accrual basis of accounting records revenues when earned and expenses when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The modified accrual basis recognizes revenues when they are measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are still recognized when incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

E. Financial Statement Amounts

Cash

Cash includes cash on hand and demand deposits.

Receivables

Receivables consist of all revenues earned at year-end but not yet received. In general, outstanding balances between funds are reported as "due to/from other funds".

Inventories

Inventories consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method.

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Prepaid

Prepaid amounts consist of payments for which the District will have a future benefit and will be used up at a date beyond the current year-end.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The School District does not possess infrastructure type assets.

Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

| | |
|------------------------------------|------------|
| Buildings | 50 years |
| Land improvements | 20 years |
| Buses and other vehicles | 8 years |
| Furniture, equipment and computers | 3-20 years |

Accounts Payable

Accounts payable consist of items from which the District benefited during the current fiscal year but has not yet paid.

Accrued Liabilities

Accrued liabilities consist of amounts due on employees' contracts that are due and payable for the current fiscal year and items related to salaries payable, specifically the District's portion of FICA and Medicare taxes and retirement contributions.

Unearned Revenue

Unearned revenue represents amounts for which the District has received or is due to receive but has not yet earned. Unearned revenue is usually caused by the receipt of certain categorical funds that are not expended by the close of the fiscal year. The revenues are deferred until the proceeds have been fully expensed/expended.

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Long-Term Liabilities

Bonds payable are the result of long-term obligations issued for the purpose of making capital purchases and improvements or the refinancing of previously issued obligations. The liability for compensated absences reported in the District-Wide statements consists of unused, accumulated absence balances per support staff. The liability has been calculated based on a per employee limit of 100 days accumulated at a \$10.00 per day payment. The District has concluded that estimating a current portion of compensated absences would be impossible; therefore, no portion is recorded as such.

Inter-fund Activity

Inter-fund activity is reported as loans, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables and are eliminated upon consolidation. Transfers are eliminated upon consolidation.

Fund Balance

The District recognizes the following categories of fund balance:

- Non-spendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed – Amounts that have been formally set aside by the Board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board.
- Assigned – Intent to spend resources on specific purposes expressed by the Board.
- Unassigned – Amounts that are available for any purpose.

At June 30, 2024, the general fund had \$16,750 in unspendable fund balance for deposits and prepaid deposits. The food service fund had \$8,944 in unspendable fund balance for inventory and \$94,072 in committed fund balance. The debt service had \$297,274 restricted for future debt payments. The capital projects fund had \$191,505 assigned for capital projects. As of June 30, 2024, the student activity fund has a committed fund balance of \$87,528.

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows at June 30, 2024 are pension and OPEB related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows at June 30, 2024 are pension and OPEB related.

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 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 – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

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.

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Leases

The District is a lessee for noncancelable leases of three school buses. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$10,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, 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 include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.

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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 30, 2024, which is the date the financial statements were available to be issued.

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Pension

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

Postemployment Benefits Other Than Pensions

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

NOTE 2--Stewardship, Compliance, and Accountability

The School District is required to adopt an annual budget before the beginning of the fiscal year for the general fund and the food service fund. The accounting basis of the budgets is the modified accrual method. Following are the procedures used in establishing the budgetary data reflected in the financial statements:

1. The District's Superintendent submits to the Board of Education a proposed budget by June 30 of each year. The budget includes proposed expenditures and the means to finance them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The Superintendent is authorized to transfer budgeted amounts within functional expenditure lines as approved by the Board; however, any revisions that alter functional expenditure lines of any fund must be approved by the Board of Education.
4. Budgeted amounts shown in the supplemental information reflect amendments through June 30.

AU GRES-SIMS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 2--Stewardship, Compliance, and Accountability (continued)

The budgetary comparison presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by June 30.

Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. The School District variances are illustrated in the required supplemental information.

NOTE 3--Deposits and Investments

The School District is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The District is also authorized to invest in the following:

- a. Direct bonds and obligations of the U.S. or agency or instrumentality,
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. Banker’s acceptance of U.S. banks,
- f. Mutual funds – investments which local unit can make directly.

All cash is held by federally insured financial institutions. The FDIC insures up to \$250,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposit for the \$250,000 limitation.

A summary of bank cash and investments is as follows:

| Cash | Total | Insured | Collateralized | Uninsured |
|----------------------|--------------------|-------------------|----------------|---------------------|
| | | | | Uncollateralized |
| General fund | \$2,446,474 | \$ 250,000 | \$ - | \$ 2,196,474 |
| Food service | 8,901 | - | - | 8,901 |
| High school activity | 87,528 | - | - | 87,528 |
| Debt service | 297,274 | - | - | 297,274 |
| Capital projects | 191,505 | - | - | 191,505 |
| Total | <u>\$3,031,682</u> | <u>\$ 250,000</u> | <u>\$ -</u> | <u>\$ 2,781,682</u> |

The primary objective of the District’s investment policy, in priority order, of investment activities shall be safety, liquidity and yield.

AU GRES-SIMS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 4--Capital Assets and Accumulated Depreciation

Capital asset activity of the School District was as follows:

| | Balance July 1, 2023 | Additions | Disposals | Balance June 30, 2024 |
|---|-------------------------|---------------------|-------------|--------------------------|
| Capital assets not subject to depreciation/amortization | | | | |
| Land | \$ 7,079 | \$ - | \$ - | \$ 7,079 |
| Construction in progress | | | | |
| Athletic complex & bond issue | 48,510 | - | - | 48,510 |
| Subtotal | <u>55,589</u> | <u>-</u> | <u>-</u> | <u>55,589</u> |
| Capital assets subject to depreciation/amortization | | | | |
| Buildings and improvements | 16,965,295 | 268,799 | - | 17,234,094 |
| Library books | 375,683 | - | - | 375,683 |
| Machinery and equipment | 1,132,218 | 30,481 | - | 1,162,699 |
| Furniture | 639,581 | - | - | 639,581 |
| Buses | 614,184 | 380,470 | - | 994,654 |
| Right to use - leased buses | 161,415 | - | - | 161,415 |
| Vehicles | 139,932 | 62,476 | - | 202,408 |
| Subtotal | <u>20,028,308</u> | <u>742,226</u> | <u>-</u> | <u>20,770,534</u> |
| Total Capital Assets | <u>20,083,897</u> | <u>742,226</u> | <u>-</u> | <u>20,826,123</u> |
| Accumulated depreciation/amortization | | | | |
| Buildings and improvements | 5,746,209 | 706,872 | - | 6,453,081 |
| Library books | 375,683 | - | - | 375,683 |
| Machinery and equipment | 1,084,966 | 21,136 | - | 1,106,102 |
| Furniture | 388,372 | 19,651 | - | 408,023 |
| Buses | 584,822 | 38,419 | - | 623,241 |
| Right to use - leased buses | 49,321 | 53,805 | - | 103,126 |
| Vehicles | 129,006 | 8,801 | - | 137,807 |
| Total Accumulated Depreciation | <u>8,358,379</u> | <u>848,684</u> | <u>-</u> | <u>9,207,063</u> |
| Total Net Capital Assets | <u>\$11,725,518</u> | <u>\$ (106,458)</u> | <u>\$ -</u> | <u>\$11,619,060</u> |

Depreciation expense was not charged to activity as the District considers its capital assets to impact multiple activities and allocation is not practical.

NOTE 5--Inter-fund – Receivables, Payables, and Transfers

The makeup of inter-fund balances is as follows:

| | | | |
|-------------------|-------------------|-----------------|------------------|
| <u>Due to</u> | <u>Receivable</u> | <u>Due from</u> | <u>Payable</u> |
| Food service fund | <u>\$ 86,710</u> | General fund | <u>\$ 86,710</u> |

| | |
|----------------------|-----------------------|
| <u>Transfers out</u> | <u>Transfers in</u> |
| General fund | Capital projects fund |
| <u>\$ 100,000</u> | <u>\$ 100,000</u> |

AU GRES-SIMS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 6--Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the Long-term debt activity is summarized as follows:

| | Balance July 1, 2023 | Additions | Retirements | Balance June 30, 2024 | Current Portion |
|------------------------------|-------------------------|-------------|-------------------|--------------------------|--------------------|
| Governmental Activities | | | | | |
| 2019 Building & site bonds | \$ 7,405,000 | \$ - | \$ 200,000 | \$ 7,205,000 | \$ 210,000 |
| Leased buses | 109,226 | - | 53,618 | 55,608 | 55,608 |
| Accrued compensated absences | 1,803 | - | 43 | 1,760 | - |
| Totals | <u>\$ 7,516,029</u> | <u>\$ -</u> | <u>\$ 253,661</u> | <u>\$ 7,262,368</u> | <u>\$ 265,608</u> |

Annual debt service requirements to maturity for the above governmental bonds and retirement obligations are as follows:

| Fiscal Year Ended | Compensated Absences | Bonds Principal | Interest | Total |
|----------------------|-------------------------|---------------------|---------------------|----------------------|
| 2025 | \$ 1,760 | \$ 210,000 | \$ 288,200 | \$ 499,960 |
| 2026 | - | 220,000 | 279,800 | 499,800 |
| 2027 | - | 230,000 | 271,000 | 501,000 |
| 2028 | - | 240,000 | 261,000 | 501,000 |
| 2029 | - | 250,000 | 252,200 | 502,200 |
| 2030-2048 | - | 6,055,000 | 2,518,800 | 8,573,800 |
| Totals | <u>\$ 1,760</u> | <u>\$ 7,205,000</u> | <u>\$ 3,871,000</u> | <u>\$ 11,077,760</u> |

For the year ended June 30, 2024, the total interest paid on bonded debt was \$296,200.

Governmental Activities:

General obligation bonds consist of the following:

2018 refunding serial bonds due in annual installments
 of \$155,000 to \$350,000; interest 4%

\$ 7,205,000

NOTE 7--Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The District has joined together with other school districts in Michigan to form SET-SEG, a public entity risk pool currently operating as a common risk management and insurance program for member Michigan school districts. The District pays an annual premium to SET-SEG for its workers' compensation insurance coverage. The Agreement for formation of SET-SEG provides that SET-SEG will be self-sustaining through member premiums. The District continues to carry commercial insurance for all other risks of loss.

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8--Pension Plan

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

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

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

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

Benefits Provided

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

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

AU GRES-SIMS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 8--Pension Plan (continued)

Contributions

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

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

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

| Benefit Structure | Pension Contributio Member | Employer | |
|------------------------|----------------------------------|--------------|------------------|
| | | Universities | Non-Universities |
| Basic | 0.0 - 4.0% | 16.52% | 20.16% |
| Member Investment Plan | 3.0 - 7.0% | 16.52% | 20.16% |
| Pension Plus | 3.0 - 6.4% | N/A | 17.24% |
| Pension Plus 2 | 6.2% | N/A | 19.95% |
| Defined Contribution | 0.00% | 10.00% | 13.75% |

Required contributions to the pension plan from the District were \$851,720 for the year ended September 30, 2023.

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

At June 30, 2023, the District reported a liability of \$7,648,713 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was .02363 percent, which was an increase of .00002 percent from its proportion measured as of September 30, 2022.

AU GRES-SIMS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 8--Pension Plan (continued)

For the year ending June 30, 2024, the District recognized pension expense of \$1,076,512. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Source Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between actual and expected experience | \$ 241,447 | \$ 11,717 |
| Changes of assumptions | 1,036,435 | 597,585 |
| Net difference between projected and actual earnings on pension plan investments | - | 156,517 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 282,157 | 22,474 |
| District contributions subsequent to the measurement date | 378,255 | - |
| Total | <u>\$ 1,938,294</u> | <u>\$ 788,293</u> |

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

Deferred (Inflows) and Deferred Outflows of Resources by Year
 (to be Recognized in Future Pension Expenses)

| <u>Plan Year Ended</u> | |
|------------------------|-------------|
| 2024 | \$ 299,140 |
| 2025 | \$ 221,715 |
| 2026 | \$ 361,971 |
| 2027 | \$(111,080) |

Actuarial Assumptions

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

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8--Pension Plan (continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

| | |
|-------------------------------------|---|
| Valuation Date: | September 30, 2022 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 2.75% |
| Investment Rate of Return: | |
| - MIP and Basic Plans: | 6.00% net of investment expenses |
| - Pension Plus Plan: | 6.00% net of investment expenses |
| - Pension Plus 2 Plan: | 6.00% net of investment expenses |
| Projected Salary Increases: | 2.75 - 11.55%, including wage inflation at 2.75% |
| Cost-of-Living Pension Adjustments: | 3% Annual Non-Compounded for MIP Members |
| Mortality: Retirees: | PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010 |
| Active Members: | PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010. |

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4406 for non-university employers or 1.0000 for university employers]
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2023 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

AU GRES-SIMS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 8--Pension Plan (continued)

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

AU GRES-SIMS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 8--Pension Plan (continued)

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), 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 higher.

| 1% Decrease* | Current Single Discount Rate Assumption* | 1% Increase* |
|---------------|--|--------------|
| 5.00% | 6.00% | 7.00% |
| \$ 10,333,389 | \$ 7,648,713 | \$ 5,413,623 |

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS ACFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the Pension Plan

The District accrued liabilities to the System in the amount of \$129,578 associated with salary and wages recorded as liabilities at year end.

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9--Post-Retirement Benefits Other than Pension OPEB

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended.

Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Benefits Provided

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

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9--Post-Retirement Benefits Other than Pension (OPEB) (continued)

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare.

Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Contributions

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

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

AU GRES-SIMS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 9--Post-Retirement Benefits Other than Pension (OPEB) (continued)

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

| Benefit Structure | Member | Employer | |
|---------------------------------|--------|--------------|------------------|
| | | Universities | Non-Universities |
| Premium Subsidy | 3.00% | 0.92% | 8.07% |
| Personal Health Care Fund (PHF) | 0.00% | 0.00% | 7.21% |

Required contributions to the OPEB plan from The District were \$185,733 for the year ended September 30, 2023.

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

At June 30, 2024, The District reported a asset of \$(134,878) for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was .02384 percent, which was a increase of .00082 percent from its proportion measured as of October 1, 2022.

For the year ending June 30, 2024, The District recognized OPEB expense of \$(206,501). At June 30, 2024, The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <u>Source Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Differences between actual and expected experience | \$ - | \$ 1,019,205 |
| Changes of assumptions | 300,261 | 36,157 |
| Net difference between projected and actual earnings on OPEB plan investments | 411 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 114,848 | 33,505 |
| District contributions subsequent to the measurement date | 141,048 | - |
| Total | <u>\$ 556,568</u> | <u>\$ 1,088,867</u> |

AU GRES-SIMS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 9--Post-Retirement Benefits Other than Pension (OPEB) (continued)

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

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

| Plan Year Ended | |
|-----------------|-------------|
| 2024 | \$(227,704) |
| 2025 | \$(208,911) |
| 2026 | \$ (61,899) |
| 2027 | \$ (81,256) |
| 2028 | \$ (62,238) |
| Thereafter | \$ (31,339) |

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9--Post-Retirement Benefits Other than Pension (OPEB) (continued)

Summary of Actuarial Assumptions

| | |
|---------------------------------|---|
| Valuation Date: | September 30, 2022 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 2.75% |
| Investment Rate of Return: | 6.00% net of investment expenses |
| Projected Salary Increases: | 2.75 - 11.55%, including wage inflation at 2.75% |
| Healthcare Cost Trend Rate: | Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15 |
| Mortality: Retirees: | PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. |
| Active Members: | PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010. |
| Other Assumptions: | |
| Opt-Out 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 are assumed to have coverages continuing after the retiree's death |
| Coverage Election at Retirement | 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents. |

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.5099 for non-university employers or 1.000 for university employers].
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

AU GRES-SIMS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 9--Post-Retirement Benefits Other than Pension (OPEB) (continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

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

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

Rate of Return

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

Discount Rate

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

AU GRES-SIMS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 9--Post-Retirement Benefits Other than Pension (OPEB) (continued)

Sensitivity of the District's proportionate share of the net OPEB (asset) to changes in the discount rate

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

| 1% Decrease 5.00% | Current Discount Rate 6.00% | 1% Increase 7.00% |
|----------------------|-----------------------------------|----------------------|
| \$ 139,828 | \$ (134,878) | \$ (370,960) |

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|--------------|--|-------------|
| \$ (371,549) | \$ (134,878) | \$ 121,278 |

OPEB Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS ACFR, available on the ORS website at www.michigan.gov/orsschools.

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10--Deferred Compensation Plan

The Au Gres-Sims School District established a Section 457(b) deferred compensation plan for its employees. The plan, which became effective as of January 1, 2003, is available to all employees of the District. Employees can defer per the Internal Revenue Service guidelines. Contribution limits are subject to changes in U.S. tax laws. Au Gres-Sims School District does not make any contributions to the Plan.

NOTE 11--Bond Issue

During the fiscal year ended June 30, 2019, the District issued \$8,100,000 in general obligation County of Arenac, State of Michigan, Series 2018 School Building and Site Bonds. The District issued the bonds to remodel and upgrade schools and school facilities. The bonds bear interest at 4%, require semi-annual interest payments due November 1 and May 1, and an annual principal payment due May 1. The bonds will be paid in full on May 1, 2048. Associated with this bond issue is a bond premium of \$142,016. The premium will be amortized on a straight-line basis. The Schedule of Outstanding Bond Indebtedness is located in the additional supplemental information.

NOTE 12--Upcoming Accounting Pronouncements

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

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12--Upcoming Accounting Pronouncements (continued)

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

REQUIRED SUPPLEMENTAL INFORMATION

AU GRES-SIMS SCHOOL DISTRICT
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2024

| | General Fund | | | | Special Revenue Fund (Food Service) | | | |
|--|---------------------|---------------------|---------------------|------------------------------------|--|------------------|-------------------|------------------------------------|
| | Original Budget | Final Budget | Actual | Positive (Negative) Variance | Original Budget | Final Budget | Actual | Positive (Negative) Variance |
| Revenue | | | | | | | | |
| Local | \$ 2,945,148 | \$ 2,932,078 | \$ 2,921,127 | \$ (10,951) | \$ 25,820 | \$ 20,951 | \$ 21,162 | \$ 211 |
| State | 2,513,609 | 2,877,294 | 2,886,820 | 9,526 | 8,070 | 24,180 | 26,170 | 1,990 |
| Federal | 446,467 | 871,329 | 873,389 | 2,060 | 314,700 | 316,088 | 316,088 | - |
| Incoming transfers and other | 7,000 | 26,275 | 26,275 | - | - | 1,000 | - | (1,000) |
| Total Revenues | <u>5,912,224</u> | <u>6,706,976</u> | <u>6,707,611</u> | <u>635</u> | <u>348,590</u> | <u>362,219</u> | <u>363,420</u> | <u>\$ 1,201</u> |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | | | | | | | | |
| Basic programs | 2,898,418 | 2,852,566 | 2,898,409 | (45,843) | - | - | - | - |
| Added needs | 651,385 | 601,065 | 529,867 | 71,198 | - | - | - | - |
| Support services | | | | | | | | |
| Pupil | 215,888 | 204,303 | 217,300 | (12,997) | - | - | - | - |
| Instructional staff | 440,995 | 322,393 | 266,510 | 55,883 | - | - | - | - |
| General administration | 338,935 | 369,398 | 351,250 | 18,148 | - | - | - | - |
| School administration | 251,624 | 250,272 | 248,210 | 2,062 | - | - | - | - |
| Business | 142,546 | 132,991 | 133,362 | (371) | - | - | - | - |
| Operation and maintenance | 442,303 | 763,652 | 749,899 | 13,753 | - | - | - | - |
| Pupil transportation services | 213,751 | 597,548 | 589,141 | 8,407 | - | - | - | - |
| Central | 37,721 | 35,580 | 33,354 | 2,226 | - | - | - | - |
| Community | 1,700 | 550 | 1,252 | (702) | - | - | - | - |
| Athletic activities | 120,263 | 128,876 | 129,327 | (451) | - | - | - | - |
| Debt service | 55,497 | 55,497 | 55,497 | - | - | - | - | - |
| Building acquisition and construction | 16,992 | - | - | - | - | - | - | - |
| Food service | - | - | - | - | 363,847 | 410,815 | 407,984 | 2,831 |
| Outgoing transfers and other | 100,000 | 100,000 | 100,000 | - | - | - | - | - |
| Total Expenditures | <u>5,928,018</u> | <u>6,414,691</u> | <u>6,303,378</u> | <u>111,313</u> | <u>363,847</u> | <u>410,815</u> | <u>407,984</u> | <u>2,831</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (15,794) | 292,285 | 404,233 | 111,948 | (15,257) | (48,596) | (44,564) | 4,032 |
| Fund Balance - Beginning of Year | 1,550,715 | 1,550,715 | 1,550,715 | - | 147,580 | 147,580 | 147,580 | - |
| Fund Balance - End of Year | <u>\$ 1,534,921</u> | <u>\$ 1,843,000</u> | <u>\$ 1,954,948</u> | <u>\$ 111,948</u> | <u>\$ 132,323</u> | <u>\$ 98,984</u> | <u>\$ 103,016</u> | <u>\$ 4,032</u> |

Au Gres-Sims School District

Schedule of the District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 9/30 of each fiscal year)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| A. District's proportion of net pension liability (%) | 0.02363% | 0.02361% | 0.02255% | 0.02145% | 0.02191% | 0.02169% | 0.02101% | 0.01978% | 0.01944% | 0.01954% |
| B. District's proportionate share of net pension liability | \$ 7,648,713 | \$ 8,879,716 | \$ 5,339,968 | \$ 7,368,538 | \$ 7,256,882 | \$ 6,519,576 | \$ 5,444,574 | \$ 4,935,567 | \$ 4,748,298 | \$ 4,305,038 |
| C. District's covered-employee payroll | \$ 2,397,442 | \$ 2,254,148 | \$ 2,135,610 | \$ 1,895,564 | \$ 1,903,946 | \$ 1,871,407 | \$ 1,800,248 | \$ 1,676,260 | \$ 1,675,213 | \$ 1,697,254 |
| D. District's proportionate share of net pension liability as a percentage of its covered payroll (%) | 319.04% | 393.93% | 250.04% | 388.73% | 381.15% | 348.38% | 302.43% | 294.44% | 283.44% | 253.65% |
| E. Plan fiduciary net position as a percentage of total pension liability | 65.91% | 60.77% | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% | 63.17% | 66.20% |

Schedule of the District's Contributions
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 6/30 of each fiscal year)

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| A. Statutorily required contributions | \$ 851,720 | \$ 803,614 | \$ 677,239 | \$ 589,482 | \$ 582,130 | \$ 590,548 | \$ 492,795 | \$ 444,226 | \$ 429,497 | \$ 419,838 |
| B. Contributions in relation to statutorily required contribution | \$ 851,720 | \$ 803,614 | \$ 677,239 | \$ 589,482 | \$ 582,130 | \$ 590,548 | \$ 492,795 | \$ 444,226 | \$ 429,497 | \$ 419,838 |
| C. Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| D. District's covered-employee payroll | \$ 2,381,595 | \$ 2,376,841 | \$ 2,172,064 | \$ 2,008,018 | \$ 1,924,505 | \$ 1,882,572 | \$ 1,879,079 | \$ 1,676,260 | \$ 1,641,092 | \$ 1,688,367 |
| E. Contributions as a percentage of covered-employee payroll | 35.76% | 33.81% | 31.18% | 29.36% | 30.25% | 31.37% | 26.23% | 26.50% | 26.17% | 24.87% |

Notes to Required Supplementary Information

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

Changes of assumptions: There were no changes of benefit assumptions in 2023

Au Gres-Sims School District

Schedule of the District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 9/30 of each fiscal year)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| A. District's proportion of net OPEB liability (%) | 0.02384% | 0.02302% | 0.02340% | 0.02125% | 0.02175% | 0.02200% | 0.00209% |
| B. District's proportionate share of net OPEB liability | \$ (134,878) | \$ 487,522 | \$ 357,224 | \$ 1,138,498 | \$ 1,561,509 | \$1,748,820 | \$1,850,822 |
| C. District's covered-employee payroll | \$ 2,397,442 | \$ 2,254,148 | \$ 2,135,610 | \$ 1,895,564 | \$ 1,903,946 | \$1,871,407 | \$1,800,248 |
| D. District's proportionate share of net OPEB liability as a percentage of its covered payroll (%) | -5.63% | 21.63% | 16.73% | 60.06% | 82.01% | 93.45% | 102.81% |
| E. Plan fiduciary net position as a percentage of total OPEB liability | 105.04% | 89.09% | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

Schedule of the District's OPEB Contributions
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 6/30 of each fiscal year)

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| A. Statutorily required contributions | \$ 185,733 | \$ 175,331 | \$ 173,734 | \$ 150,147 | \$ 149,371 | \$ 142,805 | \$ 162,178 |
| B. Contributions in relation to statutorily required contribution | \$ 185,733 | \$ 175,331 | \$ 173,734 | \$ 150,147 | \$ 149,371 | \$ 142,805 | \$ 162,178 |
| C. Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| D. District's covered-employee payroll | \$ 2,381,595 | \$ 2,376,841 | \$ 2,172,064 | \$ 2,008,018 | \$ 1,924,505 | \$1,882,572 | \$1,879,079 |
| E. Contributions as a percentage of covered-employee payroll | 7.80% | 7.38% | 8.00% | 7.48% | 7.76% | 7.59% | 8.63% |

Notes to Required Supplementary Information

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

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

ADDITIONAL SUPPLEMENTAL INFORMATION

Au Gres-Sims School District
Schedule of Outstanding Bonded Indebtedness
June 30, 2024

Date of issue: December 2018
Original amount of issue: \$ 8,100,000
School Building and Site Bonds
Purpose of issue: To remodel and upgrade schools
and school facilities.

| Year Ending June 30, | Interest Rate | Principal | Interest | Total |
|-------------------------|------------------|--------------------|--------------------|---------------------|
| 2025 | 4.00% | \$ 210,000 | \$ 288,200 | \$ 498,200 |
| 2026 | 4.00% | 220,000 | 279,800 | 499,800 |
| 2027 | 4.00% | 230,000 | 271,000 | 501,000 |
| 2028 | 4.00% | 240,000 | 261,800 | 501,800 |
| 2029 | 4.00% | 250,000 | 252,200 | 502,200 |
| 2030 | 4.00% | 260,000 | 242,200 | 502,200 |
| 2031 | 4.00% | 270,000 | 231,800 | 501,800 |
| 2032 | 4.00% | 280,000 | 221,000 | 501,000 |
| 2033 | 4.00% | 295,000 | 209,800 | 504,800 |
| 2034 | 4.00% | 305,000 | 198,000 | 503,000 |
| 2035 | 4.00% | 320,000 | 185,800 | 505,800 |
| 2036 | 4.00% | 320,000 | 173,000 | 493,000 |
| 2037 | 4.00% | 320,000 | 160,200 | 480,200 |
| 2038 | 4.00% | 325,000 | 147,400 | 472,400 |
| 2039 | 4.00% | 325,000 | 134,400 | 459,400 |
| 2040 | 4.00% | 325,000 | 121,400 | 446,400 |
| 2041 | 4.00% | 330,000 | 108,400 | 438,400 |
| 2042 | 4.00% | 330,000 | 95,200 | 425,200 |
| 2043 | 4.00% | 335,000 | 82,000 | 417,000 |
| 2044 | 4.00% | 335,000 | 68,600 | 403,600 |
| 2045 | 4.00% | 340,000 | 55,200 | 395,200 |
| 2046 | 4.00% | 340,000 | 41,600 | 381,600 |
| 2047 | 4.00% | 350,000 | 28,000 | 378,000 |
| 2048 | 4.00% | 350,000 | 14,000 | 364,000 |
| | | <u>\$7,205,000</u> | <u>\$3,871,000</u> | <u>\$11,076,000</u> |



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

October 30, 2024

To the Board of Education
Au Gres-Sims School District

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 remaining fund information as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Au Gres-Sims School District's basic financial statements, and have issued our report thereon dated October 30, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

To the Board of Education
Au Gres-Sims School District
Page Two

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Marden, Provinsano, Thomas & Inghow

Certified Public Accountants

SINGLE AUDIT COMPLIANCE



Frederick C. Gardner
Giacamo Provenzano
Heather A. Thomas
Brett A. Luplow

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

October 30, 2024

To the Board of Education
Au Gres-Sims School District
Au Gres, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Au Gres-Sims School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Au Gres-Sims School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

To the Board of Education
Au Gres-Sims School District
Page Three

- Obtain an understanding of Au Gres-Sims School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Au Gres-Sims School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Mardner, Provenzano, Thomas & Inglow

Certified Public Accountants

AU GRES-SIMS SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1--Basis of Presentation

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

NOTE 2--Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, or the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3--Grant Auditor's Report

Management has utilized NexSys, Cash Management System (CMS) and the Grant Auditor's Report (GAR) in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 4--Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

NOTE 5--Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

AU GRES SIMS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

| Federal Grantor Pass-Through Grantor Program Title Grant Number | Federal ALN Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditures | Accrued (Unearned) Revenue at June 30, 2023 | Adjustments | Current Year Receipts Cash Basis | Current Year Expenditures | Accrued (Unearned) Revenue at June 30, 2024 |
|---|--------------------------|-----------------------------------|---|--|-------------|---|---------------------------------|--|
| Department of Agriculture | | | | | | | | |
| Passed Through State of Michigan | | | | | | | | |
| School Breakfast Program | | | | | | | | |
| 231970 School Breakfast Program | 10.553 | \$ 11,076 | \$ - | \$ - | \$ - | \$ 11,076 | \$ 11,076 | \$ - |
| 241970 School Breakfast Program | 10.553 | 76,321 | - | - | - | 76,921 | 76,921 | - |
| Total School Breakfast Program | | <u>87,397</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>87,997</u> | <u>87,997</u> | <u>-</u> |
| National School Lunch Program | | | | | | | | |
| 231960 School Lunch Program | 10.555 | 24,650 | 164,577 | - | - | 24,650 | 24,650 | - |
| 240910 School Lunch Program | 10.555 | 15,347 | - | - | - | 15,347 | 15,347 | - |
| 241960 School Lunch Program | 10.555 | 158,720 | - | - | - | 158,721 | 158,721 | - |
| Total National School Lunch Program | | <u>198,717</u> | <u>164,577</u> | <u>-</u> | <u>-</u> | <u>198,718</u> | <u>198,718</u> | <u>-</u> |
| USDA Commodities | 10.555 | 30,163 | 30,163 | - | - | 29,373 | 29,373 | - |
| Total Child Nutrition Cluster | | <u>316,277</u> | <u>194,740</u> | <u>-</u> | <u>-</u> | <u>316,088</u> | <u>316,088</u> | <u>-</u> |
| Total Department of Agriculture | | <u>316,277</u> | <u>194,740</u> | <u>-</u> | <u>-</u> | <u>316,088</u> | <u>316,088</u> | <u>-</u> |
| Department of Education | | | | | | | | |
| Passed Through State of Michigan | | | | | | | | |
| 231530 Title I, Part A | | | | | | | | |
| 231530 Title I, Part A | 10.582 | 174,505 | 151,660 | 78,289 | - | 78,289 | - | - |
| 241530 Title I, Part A | 10.582 | 178,839 | - | - | - | 143,462 | 150,123 | 6,661 |
| Total Title I, Part A | | <u>353,344</u> | <u>151,660</u> | <u>78,289</u> | <u>-</u> | <u>221,751</u> | <u>150,123</u> | <u>6,661</u> |
| 230520 Title II, Part A | | | | | | | | |
| 230520 Title II, Part A | 84.367 | 19,977 | 19,969 | 7,049 | - | 7,049 | - | - |
| 240520 Title II, Part A | 84.367 | 18,448 | - | - | - | 14,998 | 14,998 | - |
| Total Title II, Part A | | <u>38,425</u> | <u>19,969</u> | <u>7,049</u> | <u>-</u> | <u>22,047</u> | <u>14,998</u> | <u>-</u> |
| 230750 Title IV, Part A | | | | | | | | |
| 230750 Title IV, Part A | 84.424 | 10,001 | 8,658 | 4,525 | - | 4,525 | - | - |
| 240750 Title IV, Part A | 84.424 | 13,474 | - | - | - | 8,156 | 8,156 | - |
| Total Title IV, Part A | | <u>23,475</u> | <u>8,658</u> | <u>4,525</u> | <u>-</u> | <u>12,681</u> | <u>8,156</u> | <u>-</u> |
| 213712 ESSER II Funds - Formula | 84.425D | 448,909 | 126,285 | 110,781 | - | 110,781 | - | - |
| 213713 ESSER III Funds - Formula | 84.425U | 672,122 | 459,224 | 95,059 | - | 394,771 | 299,712 | - |
| Total Department of Education | | <u>1,536,275</u> | <u>765,796</u> | <u>295,703</u> | <u>-</u> | <u>762,031</u> | <u>472,989</u> | <u>6,661</u> |
| United States Environmental Protection Agency | | | | | | | | |
| Clean School Bus Program | | | | | | | | |
| 66.045 | 66.045 | 395,000 | - | - | - | 395,000 | 395,000 | - |
| Total U.S EPA | | <u>395,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>395,000</u> | <u>395,000</u> | <u>-</u> |
| Small Rural School Achievement Program | 84.358A | 23,659 | 23,659 | 4,597 | - | 18,213 | 25,400 | 11,784 |
| Total Federal Financial Assistance | | <u>\$ 2,271,211</u> | <u>\$ 984,195</u> | <u>\$ 300,300</u> | <u>\$ -</u> | <u>\$ 1,491,332</u> | <u>\$ 1,209,477</u> | <u>\$ 18,445</u> |

See notes to the Schedule of Expenditures of Federal Awards

AU GRES-SIMS SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2024

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over major program(s)?

| | | | |
|--|-------|--------------|---------------|
| Material Weakness(es) identified? | Yes | <u> X </u> | No |
| | _____ | _____ | |
| Significant deficiencies identified that are not considered to be material weaknesses? | Yes | <u> X </u> | None reported |
| | _____ | _____ | |
| Noncompliance material to financial statements noted? | Yes | <u> X </u> | No |
| | _____ | _____ | |

Federal Awards

Internal control over major programs:

| | | | |
|--|-------|--------------|---------------|
| Material Weakness(es) identified? | Yes | <u> X </u> | No |
| | _____ | _____ | |
| Significant deficiencies identified that are not considered to be material weaknesses? | Yes | <u> X </u> | None reported |
| | _____ | _____ | |

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

| | | | |
|--|-------|--------------|----|
| Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a) | Yes | <u> X </u> | No |
| | _____ | _____ | |

Identification of Major Programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|--------------|------------------------------------|
| 84.425U | Education Stabilization Fund |
| 66.645 | Clean School Bus Program |

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

| | | | |
|--|-------|--------------|----|
| Auditee qualified as low risk auditee? | Yes | <u> X </u> | No |
| | _____ | _____ | |

AU GRES-SIMS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Section 2 – Financial Statement Audit Findings

None

Section 3 – Federal Program Audit Findings

None

AU GRES-SIMS SCHOOL DISTRICT
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Section 4 – Financial Statement Audit Findings

None