GWINN AREA COMMUNITY SCHOOLS
GWINN, MICHIGAN

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

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COMPLIANCE SECTION

COMMUNICATIONS SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Gwinn Area Community Schools
50 West M-35
Gwinn, Michigan 49841

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gwinn Area Community Schools (the School District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2022

Our discussion and analysis of Gwinn Area Community Schools (School District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2022. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for the School District as a whole was reported at ($15,285,526). Net position is comprised of 100% governmental activities.

- During the year, the School District's expenses were $12,906,572, while revenues from all sources totaled $15,978,925, resulting in an increase in net position of $3,072,353.

- The General Fund reported a net increase of $789,502. This is $76,699 more than the forecasted increase of $712,803. This was a result of revenues being $40,221 lower than forecasted, expenses being $102,512 lower than forecasted, other financing sources being $10,983 more than forecasted, and other financing uses being $3,425 less than forecasted.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

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

The School District as a Whole

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

Table 1
Net Position

	Governmental Activities – 2022	Governmental Activities – 2021
Current and other assets	$4,939,976	$4,909,473
Capital assets, net	7,484,977	7,272,507
Total Assets	12,424,953	12,181,980
Deferred outflows of resources	4,454,797	6,051,089
Current liabilities	1,626,075	2,456,391
Long-term liabilities	21,468,138	30,852,604
Total Liabilities	23,094,213	33,308,995
Deferred inflows of resources	9,071,063	3,281,953
Net Position:		
Net investment in capital assets	2,298,607	1,874,700
Restricted	1,084,775	1,123,418
Unrestricted	(18,668,908)	(21,355,997)
Total Net Position	($15,285,526)	($18,357,879)

The School District's net position was ($15,285,526) as of June 30, 2022. Net investment in capital assets of $2,298,607, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. There is an unrestricted net position balance of ($18,668,908).

The ($18,668,908) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2022 and 2021.

Table 2
Statement of Activities

	Governmental Activities – 2022	Governmental Activities – 2021
Revenues:		
Program Revenues:		
Charges for services	$84,661	$36,644
Operating grants and contributions	6,282,437	5,722,182
General Revenues:		
Property taxes	3,834,079	3,756,026
State sources not restricted to specific program	5,696,896	5,315,781
Investment earnings	3,752	5,247
Gain (loss) on sale of fixed assets	-	-
Miscellaneous	77,100	184,072
Total Revenues	15,978,925	15,019,952
Program Expenses:		
Instruction	6,748,872	8,142,849
Supporting services	4,358,655	4,315,100
Community services	2,086	-
Other	-	-
Food services	834,661	713,787
Capital outlay	192,249	116,556
Interest on long-term debt	120,130	142,820
Annual sinking fund deposit	137,354	80,545
Depreciation – unallocated	512,565	506,073
Total Expenses	12,906,572	14,017,730
Increase (decrease) in net position	3,072,353	1,002,222
Net position, beginning	(18,357,879)	(19,360,101)
Net Position, Ending	($15,285,526)	($18,357,879)

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $12,906,572. Certain activities were partially funded from those who benefited from the programs $84,661 or by other governments and organizations that subsidized certain programs with grants and contributions $6,282,437. We paid for the remaining "public benefit" portion of our governmental activities with $3,834,079 in taxes, $5,696,896 in State Aid, and $80,852 in other revenues, such as interest and general entitlements.

The School District experienced an increase in net position of $3,072,353 for the year.

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

- Net change in governmental fund balances of $858,332.
- Depreciation charged to expense of ($512,565).
- Purchase of capital assets in the amount of $725,035.

- Net book value of disposed assets of $-0-.
- Proceeds from issuance of debt in the amount of $-0-.
- Principal payments on debt in the amount of $345,269.
- Change in accrued interest of $2,487.
- Deferred amounts on debt in the amount of $14,356.
- Change in employee benefit obligations of $43,737.
- Change in pension and OPEB expense related to timing of contributions $1,595,702.

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

Table 3
Governmental Activities

	Total Cost of Services	Net Cost (Benefit) of Services
Instruction	$6,748,872	$2,798,334
Supporting services	4,358,655	2,913,070
Food services	834,661	(136,314)

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

The School District's Funds

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

As the School District completed the year, its governmental funds (as presented in the balance sheet as listed on the table of contents) reported a combined fund balance of $3,339,153, an increase of $858,332 from the beginning of the year. The General Fund had an increase in the current year of $789,502; a portion of this increase is due various federal sources of revenue which were received in response to the on-going COVID-19 pandemic. Unique federal funding in the current year included continuation of the Elementary and Secondary School Emergency Relief (ESSER) and Governor's Emergency Education Relief (GEER). The School Lunch Fund had a decrease of $74,233 during the year. In March 2020 the School District passed 1.5000 millage for a Sinking Fund. Tax revenues related to the Sinking Fund exceeded current year expenditures by $129,782. The Non-major Governmental Funds had an increase of $13,281 during the current year.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Board of Education to approve the original budget for the upcoming fiscal year prior to the start of its fiscal year, which is July 1. Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. For fiscal year 2022, the budget was amended in February 2022 and again in June 2022. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

BUDGETED REVENUES

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

	Original Budget	Final Budget	Increase / (Decrease) Amount	Increase / (Decrease) Percentage
Total revenues	$12,958,847	$13,903,248	$944,401	7.29%

The increase in budgeted revenues of $944,401 was mainly due to receiving $339 more per pupil coupled with an additional 39 students. We also received a one-time Special Ed payment from MARESA of approximately $113,000.

BUDGETED EXPENDITURES

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

	Original Budget	Final Budget	Increase / (Decrease) Amount	Increase / (Decrease) Percentage
Total expenditures	$13,031,729	$13,100,510	$68,781	0.53%

The increase in budgeted expenditures of $68,781 was added expenses due to increased operational costs in response to the COVID-19 pandemic, settlement of personnel contracts, and the purchase of a new school bus. This amount is negligible compared to overall expenditures as it is less than a 1% increase and is not attributable to any main area.

ACTUAL REVENUES

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

	Revenues		Budget Variance Positive / (Negative)	
	Final Budget	Actual	Amount	Percentage
Total revenues	$13,903,248	$13,863,027	($40,221)	(0.29%)

The decrease in actual revenues of $40,221 was mainly due to spending less on reimbursement-based grants and therefore not receiving the reimbursement revenue as originally anticipated.

ACTUAL EXPENDITURES

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

	Expenditures		Budget Variance Positive / (Negative)	
	Final Budget	Actual	Amount	Percentage
Total expenditures	$13,100,510	$12,997,998	$102,512	0.78%

The expenditures decrease of $102,512 was attributable to various grant awards going unspent with the funds able to be carried over into the next fiscal year.

Enrollment

The School District's 2021-2022 State Aid blended membership enrollment from the fall count totaled 998. This is an increase of 15 students from the previous year.

Enrollment changes over the last five years can be illustrated as follows:

Fiscal Year	Fall Student FTE	Increase/ (Decrease)
2021-2022	998	15
2020-2021	984	(48)
2019-2020	1,032	(25)
2018-2019	1,057	(11)
2017-2018	1,068	(1)

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

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the School District had $7,484,977 invested in a variety of capital assets including land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and buses and other vehicles. (See Table 4 below)

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

	Governmental Activities – 2022	Governmental Activities – 2021
Land	$36,064	$36,064
Construction in progress	111,732	-
Land improvements	675,373	779,010
Buildings and improvements	5,923,132	5,762,097
Equipment	207,790	189,429
Buses and other vehicles	530,886	505,907
Total	$7,484,977	$7,272,507

During the year, the School District purchased two buses and a new weld table utilizing the General Fund. With the Sinking Fund millage, the School District made various electrical, flooring, and plumbing improvements throughout the district buildings. Preliminary designs for HVAC improvements throughout the district which is reported as construction in progress above is funded through federal ESSER III dollars. In an effort to reduce the balance in the School Lunch Fund the School District purchased new cafeteria tables for the elementary schools along with new steamers and ovens for the kitchen. There were no disposals in the current year.

Future projects include HVAC improvements, lighting upgrades, and door replacements. These projects are out on bid and are subject to change based on final pricing as the School District intends to utilize grant funding, if possible. Additionally, the start and completion for some of these projects is unknown as there are still extended waiting periods due to supply chain issues.

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

Debt

At the end of this year, the School District had $5,052,538 in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year End

	Governmental Activities – 2022	Governmental Activities – 2021
Notes	$47,786	$60,019
General obligation bonds	5,004,752	5,337,788
Total	$5,052,538	$5,397,807

The School District did not issue any new debt in the current year and made principal payments totaling $345,269 in the current year.

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

Economic Factors and Next Year's Budgets

Under State law, the School District cannot assess additional property tax revenue for general obligations. As a result, funding is heavily dependent on the State's ability, or lack thereof, to fund local school operations. Our elected officials and administration consider many factors when setting the School District's fiscal year 2022-2023 budget. One of the most important factors affecting the budget is our student count. Generally, State Aid is determined by multiplying the blended student count by the foundation allowance per pupil.

In 2022-2023 the School District borrowed $275,000 from the MMBA to bridge the cash flow gap, due to timing of the State Aid Payments. This was $425,000 less than the previous year. The School District will be required to make seven monthly set-aside payments on the note beginning with January 2023.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers and parents with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, Gwinn Area Community Schools, 50 W. M-35, Gwinn, Michigan, 49841. For more information on contracts, insurance plans, board adopted budgets, and past audits please visit the district's website: www.gwinn.k12.mi.us

Gwinn Area Community Schools

STATEMENT OF NET POSITION

June 30, 2022

		Governmental Activities
ASSETS		
Current Assets:		
Cash and cash equivalents	$	1,196,130
Investments		1,999,779
Receivables:		
Accounts receivable		10,413
Due from other governmental units		1,662,574
Inventories		3,760
Prepaid expense		67,320
Non-current Assets:		
Capital assets:		
Land and construction in progress		147,796
Other capital assets, net		7,337,181
TOTAL ASSETS		12,424,953
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to proportionate share of net pension liability		1,274,700
District's contributions made subsequent to pension measurement date		1,877,861
Deferred outflows related to proportionate share of net OPEB liability		938,180
District's contributions made subsequent to OPEB measurement date		364,056
TOTAL DEFERRED OUTFLOWS OF RESOURCES		4,454,797
LIABILITIES		
Current Liabilities:		
Accounts payable		364,388
Accrued liabilities		583,350
Accrued interest		25,252
Due to other governmental units		198,014
State aid note payable		430,510
Unearned revenue		24,561
Non-current Liabilities:		
Portion due or payable within one year:		
Notes payable		47,786
Bonds payable		344,752
Employee benefits payable		-
Portion due or payable after one year:		
Notes payable		-
Bonds payable		4,793,832
Employee benefits payable		320,235
Proportionate share of net pension liability		14,981,079
Proportionate share of net OPEB liability		980,454
TOTAL LIABILITIES		23,094,213
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to proportionate share of net pension liability		5,237,396
Deferred inflows related to proportionate share of net OPEB liability		3,833,667
TOTAL DEFERRED INFLOWS OF RESOURCES		9,071,063
NET POSITION		
Net investment in capital assets		2,298,607
Restricted		1,084,775
Unrestricted		(18,668,908)
TOTAL NET POSITION	$	(15,285,526)

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

Gwinn Area Community Schools

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

Function / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instruction	$ 6,748,872	$ -	$ 3,950,538	$ -	$ (2,798,334)
Supporting services	4,358,655	54,352	1,391,233	-	(2,913,070)
Community services	2,086	-	-	-	(2,086)
Other	-	-	-	-	-
Food service activities	834,661	30,309	940,666	-	136,314
Capital outlay	192,249	-	-	-	(192,249)
Interest on retirement of debt	120,130	-	-	-	(120,130)
Annual required sinking fund deposit	137,354	-	-	-	(137,354)
Depreciation - unallocated	512,565	-	-	-	(512,565)
TOTAL GOVERNMENTAL ACTIVITIES	$ 12,906,572	$ 84,661	$ 6,282,437	$ -	(6,539,474)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	2,855,299
Property taxes, levied for debt	451,977
Property taxes, levied for capital projects	526,803
State aid not restricted to specific purposes	5,696,896
Interest and investment earnings	3,752
Gain/(loss) on sale of fixed assets	-
Miscellaneous	77,100
TOTAL GENERAL REVENUE AND TRANSFERS	9,611,827
CHANGES IN NET POSITION	3,072,353
Net Position , July 1	(18,357,879)
NET POSITION, JUNE 30	$ (15,285,526)

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

Gwinn Area Community Schools

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2022

	General Fund	Special Revenue School Lunch Fund	Capital Projects Sinking Fund	Non-Major Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 298,786	$ 46,567	$ 584,164	$ 266,613	$ 1,196,130
Investments	1,717,967	281,812	-	-	1,999,779
Accounts receivable	10,037	-	-	376	10,413
Due from other funds	900	-	-	-	900
Due from other governmental units	1,643,295	19,279	-	-	1,662,574
Inventories	-	3,760	-	-	3,760
Prepaid expense	61,925	5,395	-	-	67,320
TOTAL ASSETS	3,732,910	356,813	584,164	266,989	4,940,876
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 3,732,910	$ 356,813	$ 584,164	$ 266,989	$ 4,940,876
LIABILITIES					
Accounts payable	$ 355,525	$ 8,863	$ -	$ -	$ 364,388
Accrued liabilities	582,195	1,155	-	-	583,350
Compensated absences payable	-	-	-	-	-
Due to other funds	-	-	-	900	900
Due to other governmental units	198,014	-	-	-	198,014
State aid notes payable	430,510	-	-	-	430,510
Grants received in advance	8,112	16,449	-	-	24,561
TOTAL LIABILITIES	1,574,356	26,467	-	900	1,601,723
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES					
Non-spendable	61,925	9,155	-	-	71,080
Restricted	-	321,191	584,164	108,340	1,013,695
Committed	75,000	-	-	157,749	232,749
Assigned	372,603	-	-	-	372,603
Unassigned	1,649,026	-	-	-	1,649,026
TOTAL FUND BALANCES	2,158,554	330,346	584,164	266,089	3,339,153
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 3,732,910	$ 356,813	$ 584,164	$ 266,989	$ 4,940,876

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

Gwinn Area Community Schools

GOVERNMENTAL FUNDS

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

June 30, 2022

Total Fund Balances for Governmental Funds		$ 3,339,153
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	$ 16,307,901	
Accumulated depreciation	(8,822,924)	7,484,977
Proportionate share of net pension liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Deferred outflows related to proportionate share of net pension liability	1,274,700	
District's contributions made subsequent to pension measurement date	1,877,861	
Proportionate share of net pension liability	(14,981,079)	
Deferred inflows related to proportionate share of net pension liability	(5,237,396)	(17,065,914)
Proportionate share of net OPEB liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Deferred outflows related to proportionate share of net OPEB liability	938,180	
District's contributions made subsequent to OPEB measurement date	364,056	
Proportionate share of net OPEB liability	(980,454)	
Deferred inflows related to proportionate share of net OPEB liability	(3,833,667)	(3,511,885)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:		
Accrued interest	(25,252)	
Notes payable - current	(47,786)	
Notes payable - long-term	-	
Bonds payable - current	(344,752)	
Bonds payable - long-term	(4,660,000)	
Employee benefits payable - current	-	
Employee benefits payable - long-term	(320,235)	
Early retirement incentive payable - current	-	
Early retirement incentive payable - long-term	-	(5,398,025)
Unamortized bond discounts are not financial resources and therefore are not reported in the funds.		
Bond discount	1,325	
Bond premium	(135,157)	(133,832)
Net Position of Governmental Activities		$ (15,285,526)

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

Gwinn Area Community Schools

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE

For the Year Ended June 30, 2022

	General Fund	Special Revenue School Lunch Fund	Capital Projects Sinking Fund	Non-Major Governmental Funds	Total
REVENUES:					
Local sources	$ 3,783,338	$ 42,075	$ 529,931	$ 608,241	$ 4,963,585
State sources	7,942,588	31,256	-	3,249	7,977,093
Federal sources	2,137,101	901,146	-	-	3,038,247
TOTAL REVENUES	13,863,027	974,477	529,931	611,490	15,978,925
EXPENDITURES:					
Current:					
Instruction	7,876,270	-	-	-	7,876,270
Supporting services	5,047,656	-	-	125,117	5,172,773
Community services	2,086	-	-	-	2,086
Other	-	-	-	-	-
Food service activities	-	834,661	-	-	834,661
Capital outlay	71,986	143,072	400,149	-	615,207
Debt Service:					
Annual required sinking fund deposit	-	-	-	137,354	137,354
Principal	-	-	-	333,036	333,036
Interest	-	-	-	149,206	149,206
Bond issuance costs	-	-	-	-	-
TOTAL EXPENDITURES	12,997,998	977,733	400,149	744,713	15,120,593
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	865,029	(3,256)	129,782	(133,223)	858,332
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	-	-	-	-
Proceeds from borrowing	-	-	-	-	-
Transfers in	70,983	6	-	146,504	217,493
Transfers (out)	(146,510)	(70,983)	-	-	(217,493)
TOTAL OTHER FINANCING SOURCES (USES)	(75,527)	(70,977)	-	146,504	-
NET CHANGE IN FUND BALANCES	789,502	(74,233)	129,782	13,281	858,332
Fund Balance, July 1	1,369,052	404,579	454,382	252,808	2,480,821
FUND BALANCE, JUNE 30	$ 2,158,554	$ 330,346	$ 584,164	$ 266,089	$ 3,339,153

Gwinn Area Community Schools

GOVERNMENTAL FUNDS

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

For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds		$ 858,332
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Depreciation expense	$ (512,565)	
Capital outlays	725,035	
Net book value of disposed assets	-	212,470
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		-
Repayment of note and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		345,269
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		2,487
Premium and discounts are recognized in the financial statements as other financing sources or uses but, they are amortized over the term of the bonds in the government-wide financial statements.		
Amortized bond discount	(661)	
Amortized bond premium	15,017	14,356
Some expense reported in the Statement of Activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	1,737	
Change in early retirement incentive	42,000	43,737
Change in proportionate share of net pension and OPEB liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.		
Pension expense	540,678	
OPEB expense	1,055,024	1,595,702
Change in Net Position of Governmental Activities		$ 3,072,353

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Gwinn Area Community Schools (School District) provides elementary and secondary education for the residents of Forsyth, Sands, West Branch and Skandia Townships, and secondary education for the residents of Wells Township. A seven-member Board of Education elected by the public has oversight responsibility over all operations of the School District. The School District operates under a Board-Superintendent form of government. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

FINANCIAL REPORTING ENTITY

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

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

BASIS OF PRESENTATION

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

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

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

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

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

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

<u>Governmental Funds</u>

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

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The School Lunch fund is a special revenue fund for the School District. Under GASB 84, the Student Scholarship Fund is reported as a special revenue fund due to the School District's administrative involvement in the activities.

Debt Service Funds – The debt service funds are used to account for debt service expenditures. The debt service funds for the School District are the Debt Service Fund, the Debt Service QZAB Fund, and the Debt Service QSCB Fund.

Capital Projects Funds – The capital projects funds are used to account for financial resources of major capital expenditures, including equipment. In March 2020 the constituents of the School District approved a four year millage of 1.5000 for a Sinking Fund. Taxes collected related to the millage are accounted for in the Sinking Fund and may only be used for activities in compliance with provisions of §1212 of the Revised School Code.

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

Due From and To Other Funds

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

Inventory

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets, which include land, construction in progress, land improvements, buildings, machinery and equipment, and vehicles, are reported in the applicable governmental activities' column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than $5,000 and useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	10 – 20 years
Buildings and improvements	20 – 50 years
Equipment	5 – 10 years
Buses and other vehicles	5 – 10 years

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

Deferred Outflows of Resources

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

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

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

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

Long-Term Liabilities

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

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

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Pension

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

Postemployment Benefits Other Than Pensions

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

Deferred Inflows of Resources

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

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

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

Equity Classification

District-Wide Statements

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

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.

3. Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Governmental Fund Statements

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

Revenues

District-Wide Statements

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

Fund Statements

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

Property Taxes

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

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

Expenses/Expenditures

District-Wide Statements

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

Fund Statements

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

Interfund Activity

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

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

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

Budgets and Budgetary Accounting

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

a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is approved by the Board of Education.

d. Budgets for all governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as approved and amended by the Board of Education.

e. All annual appropriations lapse at fiscal year-end.

Use of Estimates

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

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

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 26, 2022, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2022, the School District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Total Primary Government
Cash and cash equivalents	$1,196,130
Investments	1,999,779
Total	$3,195,909

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. State law does not require it, but the School District has a deposit policy for custodial credit risk. The carrying amounts of the School District's deposit with financial institutions were $1,196,130 and the bank balance was $1,252,299. The bank balance is categorized as follows:

Amount insured by the FDIC	$500,000
Amount uncollateralized and uninsured	752,299
Total	$1,252,299

Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2022, the School District had the following investments:

			Investment Maturities (in years)			
	Level	Fair Value	Less than 1	1-5	6-10	More than 10
Primary Government:						
MILAF Funds	2	$1,999,779	$1,999,779	$-	$-	$-
Mutual Funds	2	-	-	-	-	-
TOTAL		$1,999,779	$1,999,779	$-	$-	$-

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Interest Rate Risk

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

Credit Risk

Michigan statutes authorize the School District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School District has an investment policy that would further limit its investment choices. Ratings are not required for the School District's investment in Treasury Notes. The School District's investments are in accordance with statutory authority.

Concentration of Credit Risk

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

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments totaled $1,662,574. Of that balance $1,459,721 is due from the State of Michigan for State Aid, $202,853 from federal government grants, and $0 is due from other governmental units.

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

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

The amounts of interfund receivables and payables as of June 30, 2022 are as follows:

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

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS: General Fund	School Lunch Fund	Non-Major Governmental Funds	Total Due To Other Funds
General Fund	$-	$-	$-	$-
School Lunch Fund	-	-	-	-
Sinking Fund	-	-	-	-
Non-Major Gov'tl Funds	900	-	-	900
Total Due From Other Funds	$900	$-	$-	$900

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The amounts transferred to and from individual funds for the year ended June 30, 2022 are as follows:

TRANSFERS IN FROM OTHER FUNDS	TRANSFERS OUT TO OTHER FUNDS: General Fund	School Lunch Fund	Non-Major Governmental Funds	Total Transfers In
General Fund	$-	$70,983	$-	$70,983
School Lunch Fund	6	-	-	6
Sinking Fund	-	-	-	-
Debt Service Fund	-	-	-	-
Debt Service QZAB Fund	146,504	-	-	146,504
Total Transfers Out	$146,510	$70,983	$-	$217,493

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

NOTE E – CAPITAL ASSETS:

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

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022
Governmental Activities:				
Capital assets not being depreciated:				
Land	$36,064	$-	$-	$36,064
Construction in progress	-	111,732	-	111,732
Subtotal	36,064	111,732	-	147,796
Capital assets being depreciated:				
Land improvements	953,960	-	-	953,960
Buildings and improvements	12,559,404	364,044	-	12,923,448
Equipment	799,992	66,817	-	866,809
Buses and other vehicles	1,233,446	182,442	-	1,415,888
Subtotal	15,546,802	613,303	-	16,160,105
Total Capital Assets	15,582,866	725,035	-	16,307,901
Less accumulated depreciation:				
Land improvements	(174,950)	(51,818)	-	(226,768)
Buildings and improvements	(6,797,307)	(254,828)	-	(7,052,135)
Equipment	(610,563)	(48,456)	-	(659,019)
Buses and other vehicles	(727,539)	(157,463)	-	(885,002)
Total Accumulated Depreciation	(8,310,359)	(512,565)	-	(8,822,924)
Capital Assets, Net	$7,272,507	$212,470	$-	$7,484,977

Depreciation expense charged to governmental activities was $512,565.

Construction In Progress

During the fiscal year the School District began the preliminary plans for various projects throughout the district including replacement of the HVAC system, replacement of the PA system, replacement of exterior building doors among other things. Total cost incurred through June 30, 2022 were $111,732. Work for replacing the PA system began during the summer and is expected to be completed in November 2022. The other projects are currently in the bidding stage.

NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities as of June 30, 2022 is as follows:

	Governmental Activities
Accrued wages	$562,809
Accrued fringes	20,541
Other accrued	-
Total	$583,350

NOTE G – SHORT-TERM OBLIGATIONS:

The School District utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of the changes in short-term debt for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022
State anticipation note:				
Fiscal year 2020-2021	$1,171,988	$-	($1,171,988)	$-
Fiscal year 2021-2022	-	700,782	(270,272)	430,510
TOTAL	$1,171,988	$700,782	($1,442,260)	$430,510

The School District signed a State Aid Anticipation Note, secured by its State Aid payments from the Michigan Finance Authority. The State Anticipation Note has a face value of $700,000, which is composed of $315,000 at an interest rate of 0.110% with set aside payments beginning January 2022 maturing July 20, 2022 and $385,000 at an interest rate of 0.1200% with no set aside payments maturing August 20, 2022. The total amount of the principal and interest was payable in August 2022 but was subsequently renewed from August 2022 with a maturity of August 2023. This note was used for operations during the summer months. The outstanding principal and interest balance is carried as a current liability in the financial statements.

NOTE H – LONG-TERM OBLIGATIONS:

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

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Notes Payable:					
Bus installment, 11/15/2019	$60,019	$-	($12,233)	$47,786	$47,786
Total Notes Payable	60,019	-	(12,233)	47,786	47,786
Bonds:					
2007 Energy Conservation and Building Imp. and Site	287,788	-	(143,036)	144,752	144,752
2009 School Building and Site	1,550,000	-	-	1,550,000	-
2016 School Improvement	3,500,000	-	(190,000)	3,310,000	200,000
Subtotal	5,337,788	-	(333,036)	5,004,752	344,752
Deferred Amounts on Bonds:					
Discount 2009 School Bonds	(1,986)	661	-	(1,325)	-
Premium 2016 School Bonds	150,174	-	(15,017)	135,157	-
Subtotal	148,188	661	(15,017)	133,832	-
Total Bonds Payable	5,485,976	661	(348,053)	5,138,584	344,752
Total Notes and Bonds Payable	5,545,995	661	(360,286)	5,186,370	392,538
Employee Benefits:					
Compensated absences	321,972	-	(1,737)	320,235	-
Early retirement incentive	42,000	-	(42,000)	-	-
Subtotal	363,972	-	(43,737)	320,235	-
TOTAL LONG-TERM DEBT	$5,909,967	$661	($404,023)	$5,506,605	$392,538

NOTE H – LONG-TERM OBLIGATIONS (Continued):

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

NOTES PAYABLE

Bus note payable originally issued for $86,850 and dated November 15, 2019 matures annually as scheduled below on the 15th of November 2019 through July 15, 2022 bearing an interest rate of 3.75% per annum.

Bus Installment dated 11/15/2019
June 30, 2022

	November 15		
Fiscal Year	Interest	Principal	Total
2023	$1,571	$47,786	$49,357
Total	$1,571	$47,786	$49,357

BONDS PAYABLE

The Energy Conservation and Building Improvement and Site Bonds, Series 2007 ($2,000,000) dated December 6, 2007 mature annually on December 6th, with interest at a rate of 1.20% per annum. The primary revenue source for making the debt service payment on these Building Improvement Bonds is property taxes, which are levied within the authorized constitutional and statutory tax limitations for general operating purposes.

2007 Energy Conservation and Building Improvement and Site Bonds
June 30, 2022

	December		
Fiscal Year	Interest	Principal	Total
2023	$1,738	$144,752	$146,490
Total	$1,738	$144,752	$146,490

The 2009 School Building and Site Bonds (General Obligation – Unlimited Tax) (Qualified School Construction Bonds) ($1,550,000) dated November 5, 2009 mature on May 1, 2024. The Bonds were issued as "qualified school construction bonds" as defined in Section 54F of the Code and are comprised of a principal component and tax credit components evidenced by the tax credit certificates associated with each Bond. Interest on the Bonds is payable on each November 1 and May 1 to maturity with the principal on the Bonds payable at maturity, May 1, 2024 from the Sinking Fund. The Sinking Fund is held by a third-party agent for disbursement of all principal and interest requirements. The estimated schedule of sinking fund deposits for principal and interest earnings estimated are listed in the table below. The permitted sinking fund yield is 4.53% - which is maximum permitted yield for the sinking fund expected to be used to repay the issue. Proceeds of the bonds were used for school building and site purposes. The primary revenue source for making the debt service payment on these Qualified School Construction Bonds will be property taxes, which are levied through a voted millage within the authorized constitutional and statutory tax limitations.

NOTE H – LONG-TERM OBLIGATIONS (Continued):

2009 School Building and Site (QSCB) Bonds
Payments from Sinking Fund Agent
June 30, 2022

	November 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2023	$21,119	$21,119	$-	$42,238
2024	21,119	21,119	1,550,000	1,592,238
Total	$42,238	$42,238	$1,550,000	$1,634,476

2009 School Building and Site (QSCB) Bonds
Estimated Schedule of Sinking Fund Deposits with Agent
June 30, 2022

Fiscal Year	Estimated Interest Earnings	Estimated Net Sinking Fund Deposit	Estimated Balance of Funds on Deposit
2011-2022	$199,120	$1,129,449	$1,328,569
2023	36,203	74,511	1,439,283
2024	39,220	71,497	1,550,000
Total	$274,543	$1,275,457	

The actual amount of funds on deposit as of June 30, 2022 with the Agent was $1,269,099.

The School Improvement Bonds, Series 2016 ($4,295,000) dated July 14, 2016 mature annually on May 1st, with interest at a rate varying from 2.000% to 3.000% per annum. The primary revenue source for making the debt service payment on these Bonds will be property taxes, which are levied through a voted millage within the authorized constitutional and statutory tax limitations.

2016 School Improvement Bonds
June 30, 2022

	November 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2023	$48,650	$48,650	$200,000	$297,300
2024	46,650	46,650	230,000	323,300
2025	43,200	43,200	365,000	451,400
2026	37,725	37,725	385,000	460,450
2027	31,950	31,950	400,000	463,900
2028-2031	66,000	66,000	1,730,000	1,862,000
Total	$274,175	$274,175	$3,310,000	$3,858,350

NOTE H – LONG-TERM OBLIGATIONS (Continued):

As of June 30, 2022, the aggregate maturities of long-term debt are as follows:

Fiscal Year	Interest	Principal	Total
2023	$142,847	$392,538	$535,385
2024	135,538	1,780,000	1,915,538
2025	86,400	365,000	451,400
2026	75,450	385,000	460,450
2027	63,900	400,000	463,900
2028-2031	132,000	1,730,000	1,862,000
Total	$636,135	$5,052,538	$5,688,673

NOTE I – EMPLOYEE BENEFITS PAYABLE:

COMPENSATED ABSENCES
The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. Teachers meeting the requirements for retirement are paid $85 per day up to 120 days of unused accumulated sick leave. Other non-teaching employees are paid for sick leave based on their appropriate contract.

As of June 30, 2022, composition of the liability for employee benefits as reported in the statement of net position is as follows:

	Paid Time Off	Sick Leave	Vacation Leave	Total
Teachers	$163,700	$-	$-	$163,700
Teamsters	58,160	-	-	58,160
GESPA	17,269	-	-	17,269
Central Office	-	10,131	32,594	42,725
Principals	38,381	-	-	38,381
Total	$277,510	$10,131	$32,594	$320,235

The liability has been recognized as follows:

Current portion		$-
Long-term portion		320,235
	Total	$320,235

EARLY RETIREMENT INCENTIVE
The School District offered an early retirement incentive in fiscal year 2017-2018. Based on the number of teachers that opted for the early retirement incentive each teacher will receive a total of $30,000 paid out over the course of five years.

During the current fiscal year the School District paid $42,000 in early retirement incentive. As of June 30, 2022, the liability reported in the statement of net position is recognized as follows:

Current portion		$-
Long-term portion		-
	Total	$-

NOTE J – FUND BALANCES – GOVERNMENTAL FUNDS:

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

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

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

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

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

Unassigned — all other spendable amounts.

As of June 30, 2022, fund balances are composed of the following:

	General Fund	School Lunch Fund	Sinking Fund	Non-major Gov'tl Funds	Total
Non-spendable:					
Inventories	$-	$3,760	$-	$-	$3,760
Prepaids	61,925	5,395	-	-	67,320
Subtotal	61,925	9,155	-	-	71,080
Restricted:					
School lunch	-	164,295	-	-	164,295
Debt service	-	-	-	108,340	108,340
Sinking fund millage	-	-	584,164	-	584,164
FY22/23 budgeted shortfall	-	156,896	-	-	156,896
Subtotal	-	321,191	584,164	108,340	1,013,695
Committed:					
Student Activities	-	-	-	157,749	157,749
Retirement benefits	75,000	-	-	-	75,000
FY22/23 budgeted shortfall	-	-	-	-	-
Subtotal	75,000	-	-	157,749	232,749
Assigned:					
FY22/23 budgeted shortfall	372,603	-	-	-	372,603
Unassigned:	1,649,026	-	-	-	1,649,026
Total Fund Balance	$2,158,554	$330,346	$584,164	$266,089	$3,339,153

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

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

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

NOTE K – ECONOMIC DEPENDENCY:

The School District received approximately 69 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Gwinn and surrounding townships. The School District's Foundation Allowance is set by the state and includes the local contribution from Non-Homestead taxes. Increases in the local Non-Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

NOTE L – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the year ended June 30, 2022, the foundation allowance was based on the pupil membership counts taken in February and October.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2021 - August 2022.

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

NOTE M – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized $42,643 during fiscal year 2021-22 in revenues and expenditures for USDA commodities.

NOTE N – PROPERTY TAXES:

The taxable value of real and personal property located in the School District for the 2021 tax year which represents approximately 50% of the estimated current value, totaled $348,216,213 ($179,346,378 designated as Homestead, $7,080,075 as industrial personal property, $153,826,905 designated as Non-Homestead, $3,099,600 as Renaissance Zone, and $4,863,255 designated as Commercial personal property). The total tax levy consists of 18.0000 mills on all non-homestead property (one mill is equal to $1.00 per $1,000 of taxable value), 6.0000 mills on all commercial personal property for the General Fund. For debt service funds and the Sinking Fund total tax levy consists of 0.5100 mills for the Debt Service QSCB Fund, 0.8100 mills for the Debt Service Fund, and 1.5000 mills for the Sinking Fund applied to all properties.

NOTE O – CONTINGENT LIABILITIES:

Grant Assistance

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

Risk Management

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

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

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

NOTE P – SINKING FUND COMPLIANCE:

The Sinking Fund records capital project activities funded with the Sinking Fund millage. The School District's Sinking Fund millage was authorized on or after March 16, 2017, which allows the Sinking Fund the additional benefit of being able to utilize its funds to offset various technology and school security improvements. For this fund, the School District has complied with the applicable provisions of §1212 of the Revised School Code.

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan 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) (see Note S for information on the System's OPEB plan).

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

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for 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 member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2021.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0-4.0%	19.78%
Member Investment Plan	3.0-7.0%	19.78%
Pension Plus	3.0-6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were $1,899,968 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of $14,981,079 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.06327695 percent, which was an increase of 0.00042366 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense of $1,527,395. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$232,063	($88,221)
Changes of assumptions	944,354	-
Net difference between projected and actual earnings on pension plan investments	-	(4,816,369)
Changes in proportion and differences between the employer contributions and proportionate share of contributions	98,283	(332,806)
Subtotal	1,274,700	($5,237,396)
Employer contributions subsequent to the measurement date	1,877,861	
Total	$3,152,561	

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended September 30	Amount
2022	($583,190)
2023	(912,360)
2024	(1,172,660)
2025	(1,294,486)
Total	($3,962,696)

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:

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

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans	6.80% net of investment expenses
- Pension Plus	6.80% net of investment expenses
- Pension Plus 2	6.00% net of investment expenses
Projected Salary Increases	2.75 – 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active members	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: 4.4367
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
0Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
Total	100.0%	

*Long term rates of return are net of administrative expenses and 2.0% inflation

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. 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 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using a discount rate of 6.80 % (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

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

1% Decrease 5.80% / 6.80% / 5.00%*	Current Single Discount Rate Assumption 6.80% / 6.80% / 6.00%*	1% Increase (Non-Hybrid/Hybrid) 7.80% / 7.80% / 7.00%*
$21,418,880	$14,981,079	$9,643,720

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

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

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

Payables to the Michigan Public Schools Employees' Retirement System (MPSERS)

At June 30, 2022, the School District reported a payable of $270,826 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2022.

NOTE R – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS:

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

Pension Plus Plan

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

Defined Contribution Plan

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

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

contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

The total amount contributed to the Plan for the year ended June 30, 2022 was $214,766 which consisted of $76,343 from the School District and $138,423 from employees.

Personal Healthcare Fund

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

The total amount contributed to the Plan for the year ended June 30, 2022 was $85,412 which consisted of $42,706 from the School District and $42,706 from employees.

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

Plan Description

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

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.

NOTE S – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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, 2020, valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2021.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the School District were $476,838 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of $980,454 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each employers' statutorily required OPEB contributions to

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

the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.06423401 percent, which was an increase of 0.001668 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized OPEB expense of ($597,042). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred (Inflows) of Resources**
Differences between actual and expected experience	$-	($2,798,635)
Changes of assumptions	819,611	(122,644)
Net difference between projected and actual earnings on OPEB plan investments	-	(738,986)
Changes in proportion and differences between employer contributions and proportionate share of contributions	118,569	(173,402)
Subtotal	938,180	($3,833,667)
Employer contributions subsequent to the measurement date	364,056	
Total	$1,302,236	

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. 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)

Year Ended September 30	Amount
2022	($788,130)
2023	(705,556)
2024	(618,765)
2025	(576,716)
2026	(182,392)
Thereafter	(23,928)
Total	($2,895,487)

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

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

employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Investment Rate of Return:	6.95% net of investment expenses
Healthcare Cost Trend Rate:	
Pre-65:	7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Post-65:	5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
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:

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. 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 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

The following presents the School District's proportionate share of the net OPEB liability calculated using a discount rate of 6.95%, as well as what the School 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 point higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
$1,821,860	$980,454	$266,400

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

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of the 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
$238,635	$980,454	$1,815,089

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

NOTE T – LITIGATION:

On September 3, 2015, an incident occurred on school property that ultimately resulted in a loss of life. The authorities concluded their investigation, and no criminal charges were filed against the School District. Litigation was filed against the School District related to this matter. The matter has been presented to the Michigan Court of Appeals and subsequently to the Michigan Supreme Court. Currently, the matter is set to go to trial at the Marquette County's 25th Circuit Court. A pretrial conference is set for January 2023 with the trial set to commence June 2023.

NOTE U – SINGLE AUDIT:

The School District's schedule of expenditures of federal awards reports a total of $3,038,248 in federal expenditures. As the amount is more than the single audit threshold of $750,000, the School District is therefore required to have an audit in accordance with the Uniform Guidance for the fiscal year ended June 30, 2022.

NOTE V – TAX ABATEMENTS:

For financial reporting purposes, GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise

NOTE V – TAX ABATEMENTS (Continued):

benefits the government or its citizens. The Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and about tax abatement agreements entered into by other governments that reduce the reporting government's tax revenues.

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

For purposes of disclosure under GASB 77, the School District discloses tax abatements by issuing government and type greater than $5,000 in the aggregate. Information relevant to tax abatements within the School District for the year ended June 30, 2022 are as follows:

Issuing Government	Type of Tax Abatement Agreement	Tax Abated	Gross Amount Abated in Fiscal Year
Forsyth Township	Ren. Zone	Prop. Tax	$55,793
Forsyth Township	IFT	Prop. Tax	16,989
Marquette County	Brownfield	Prop. Tax	3,016
			$75,798

For the fiscal year ended June 30, 2022, there were no significant tax abatements made by the School District.

NOTE W – NEW GASB STANDARDS:

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

Recently Issued and Adopted Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by 18 months, to periods beginning after June 15, 2021. The School District has implemented the requirements of the activities which apply to the School District under GASB

NOTE W – NEW GASB STANDARDS (Continued):

87. For the current fiscal year, there are no material leases that require recognition in the School District's financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB 92 enhances comparability of accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports. This Statement also addresses reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits are also discussed along with the applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements. Lastly, the Statement discusses measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and terminology used to refer to derivative instruments. This Statement was originally effective for periods beginning after June 15, 2020. However, under GASB 95, the effective date was postponed by one year, to periods beginning after June 15, 2021. The School District does have activities that meet the criteria for GASB 92; therefore, GASB 92 is applicable to the School District.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* GASB 97 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. This Statement also mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. Lastly, this Statement enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement is effective for periods beginning after June 15, 2021. The School District does have activities that meet the criteria for GASB 97; therefore, GASB 97 is applicable to the School District.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objective of GASB 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. GASB 99 includes requirements related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions,

NOTE W – NEW GASB STANDARDS (Continued):

pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 and are effective upon issuance. GASB 99 also has requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 with early implementation permitted. The last requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 with early implementation permitted. The School District has implemented the requirements of the activities which apply to the School District under GASB 99; therefore, GASB 99 is applicable to the School District.

Other Recently Issued Accounting Pronouncements

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by one year, to periods beginning after December 15, 2020. The School District does not have activities that meet the criteria for GASB 89; therefore, GASB 89 is not applicable to the School District.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. GASB 98 was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for the comprehensive financial report sounds like a profoundly objectionable racial slur. This Statement’s introduction of the new term is founded on a commitment to promoting inclusiveness. This statement is effective for periods ending after December 15, 2021. The School District does not issue an Annual Comprehensive Financial Report; therefore, GASB 98 is not applicable to the School District.

NOTE X – UPCOMING STANDARDS:

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the School District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the School District.

GASB 91: Conduit Debt Obligations
Originally effective for fiscal years beginning after December 15, 2020; postponed by GASB 95 to fiscal years beginning after December 15, 2021 (School District’s fiscal year 2023)

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for account and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

NOTE X – UPCOMING STANDARDS (Continued):

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

<u>GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements</u>
Effective for fiscal years beginning after June 15, 2022 (School District's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

Under this Statement, a PPP is defined as an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital assts (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Under this Statement a PPP meets the definition of a service concession arrangement (SCA) if: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

<u>GASB 95: Postponement of the Effective Dates of Certain Authoritative Guidance</u>
Effective for fiscal years beginning after June 15, 2018 until below GASBs implemented (beginning with the School District's fiscal year 2020)

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*

NOTE X – UPCOMING STANDARDS (Continued):

- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

<u>GASB 96: Subscription-Based Information Technology Arrangements</u>
Effective for fiscal years beginning after June 15, 2022 (School District's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) for government end users (governments) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

<u>GASB 100: Accounting Changes and Error Corrections – An Amendment of GASB Stmt No. 62</u>
Effective for fiscal years beginning after June 15, 2023 (School District's fiscal year 2024)

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB 101: Compensated Absences
Effective for fiscal years beginning after December 15, 2023 (School District's fiscal year 2025)

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

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. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

REQUIRED SUPPLEMENTARY INFORMATION

Gwinn Area Community Schools

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

For the Plan Year Ended September 30

	2021	2020	2019	2018	2017	2016	2015	2014		
District's proportion of net pension liability	0.06328%	0.06285%	0.06337%	0.06468%	0.06620%	0.06390%	0.06302%	0.06244%		
District's proportionate share of net pension liability	$ 14,981,079	$ 21,590,789	$ 20,985,583	$ 19,444,550	$ 17,155,496	$ 15,943,493	$ 15,392,896	$ 13,752,827		
District's covered-employee payroll	$ 5,823,459	$ 5,546,576	$ 5,557,362	$ 5,387,863	$ 5,625,411	$ 5,453,450	$ 5,298,982	$ 5,349,330		
District's proportionate share of net pension liability as a percentage of covered-employee payroll	257.25%	389.26%	377.62%	360.90%	304.96%	292.36%	290.49%	257.09%		
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%		

Notes to Required Supplementary Information:

Changes in benefit terms:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*
Changes in assumptions:	*2021*	*2020*	*2019*	*2018*	*NONE*	*NONE*	*NONE*	*NONE*

2021 - Recognition period for liabilities decreased from 4.4892 to 4.4367

2020 - Recognition period for liabilities decreased from 4.4977 to 4.4892

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

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

Gwinn Area Community Schools

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

For the Fiscal Year Ended June 30

	2021	2021	2020	2019	2018	2017	2016	2015		
Statutorily required contributions	$ 2,133,133	$ 1,882,368	$ 1,732,468	$ 1,681,888	$ 1,646,487	$ 1,866,510	$ 1,799,475	$ 1,789,009		
Contributions in relation to statutorily required contributions	2,133,133	1,882,368	1,732,468	1,681,888	1,646,487	1,866,510	1,799,475	1,789,009		
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
District's covered-employee payroll	$ 6,134,476	$ 5,685,606	$ 5,558,478	$ 5,534,877	$ 5,458,335	$ 5,524,221	$ 5,472,823	$ 5,308,302		
Pension contributions as a percentage of covered-employee payroll	34.77%	33.11%	31.17%	30.39%	30.16%	33.79%	32.88%	33.70%		

Gwinn Area Community Schools

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

For the Plan Year Ended September 30

	2021	**2020**	**2019**	**2018**	**2017**					
District's proportion of net OPEB liability	0.06423%	0.06257%	0.06358%	0.06327%	0.06623%					
District's proportionate share of net OPEB liability	$ 980,454	$ 3,351,848	$ 4,563,706	$ 5,029,275	$ 5,865,055					
District's covered-employee payroll	$ 5,823,459	$ 5,546,576	$ 5,557,362	$ 5,387,863	$ 5,625,411					
District's proportionate share of net OPEB liability as a percentage of covered-employee payroll	16.84%	60.43%	82.12%	93.34%	104.26%					
Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%					

Notes to Required Supplementary Information:					
Changes in benefit terms:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*
Changes in assumptions:	*2021*	*2020*	*2019*	*2018*	*NONE*

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

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

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

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

Gwinn Area Community Schools

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

For the Fiscal Year Ended June 30

	2022	2021	2020	2019	2018					
Statutorily required contributions	$ 466,595	$ 455,643	$ 430,186	$ 427,006	$ 409,124					
Contributions in relation to statutorily required contributions	466,595	455,643	430,186	427,006	409,124					
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
District's covered-employee payroll	$ 6,134,476	$ 5,685,606	$ 5,558,478	$ 5,534,877	$ 5,458,335					
OPEB contributions as a percentage of covered-employee payroll	7.61%	8.01%	7.74%	7.71%	7.50%					

Gwinn Area Community Schools

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	$ 3,677,779	$ 3,753,773	$ 3,783,338	$ 75,994	$ 29,565
State sources	7,459,146	7,983,961	7,942,588	524,815	(41,373)
Federal sources	1,821,922	2,165,514	2,137,101	343,592	(28,413)
TOTAL REVENUES	12,958,847	13,903,248	13,863,027	944,401	(40,221)
EXPENDITURES:					
Instruction:					
Basic programs	6,061,964	5,591,326	5,618,787	470,638	(27,461)
Added needs	2,141,341	2,338,999	2,257,483	(197,658)	81,516
Total Instruction	8,203,305	7,930,325	7,876,270	272,980	54,055
Supporting Services:					
Pupil services	749,595	853,109	847,720	(103,514)	5,389
Instructional staff	266,530	234,650	233,452	31,880	1,198
General administration	292,789	341,596	325,545	(48,807)	16,051
School administration	621,523	743,766	727,281	(122,243)	16,485
Fiscal services	301,972	297,200	291,779	4,772	5,421
Operation and maintenance	1,322,716	1,113,841	1,098,504	208,875	15,337
Transportation	745,393	997,916	983,841	(252,523)	14,075
Central	276,208	291,450	289,506	(15,242)	1,944
Other	246,593	236,615	250,028	9,978	(13,413)
Total Supporting Services	4,823,319	5,110,143	5,047,656	(286,824)	62,487
Community services	5,105	2,500	2,086	2,605	414
Other	-	57,542	-	(57,542)	57,542
Capital outlay	-	-	71,986	-	(71,986)
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	13,031,729	13,100,510	12,997,998	(68,781)	102,512
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(72,882)	802,738	865,029	875,620	62,291
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	-	-	-	-
Proceeds from borrowing	-	-	-	-	-
Transfers in	52,737	60,000	70,983	7,263	10,983
Transfers (out)	(146,493)	(149,935)	(146,510)	(3,442)	3,425
TOTAL OTHER FINANCING SOURCES (USES)	(93,756)	(89,935)	(75,527)	3,821	14,408
NET CHANGE IN FUND BALANCE	(166,638)	712,803	789,502	879,441	76,699
Fund Balance, July 1	1,369,052	1,369,052	1,369,052	-	-
FUND BALANCE, JUNE 30	$ 1,202,414	$ 2,081,855	$ 2,158,554	$ 879,441	$ 76,699

Gwinn Area Community Schools

SCHOOL LUNCH FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variances Positive (Negative) Original Budget to Final Budget	Variances Positive (Negative) Final Budget to Actual
REVENUES:					
Local sources	$ 11,158	$ 38,005	$ 42,075	$ 26,847	$ 4,070
State sources	36,457	19,305	31,256	(17,152)	11,951
Federal sources	987,824	881,805	901,146	(106,019)	19,341
TOTAL REVENUES	1,035,439	939,115	974,477	(96,324)	35,362
EXPENDITURES:					
Food service activities:					
Salaries and fringe benefits	351,688	469,241	464,804	(117,553)	4,437
Purchased services	15,835	16,495	4,418	(660)	12,077
Supplies and materials and other expenses	346,301	530,191	365,439	(183,890)	164,752
Capital outlay	-	-	143,072	-	(143,072)
TOTAL EXPENDITURES	713,824	1,015,927	977,733	(302,103)	38,194
EXCESS REVENUES OVER (UNDER) EXPENDITURES	321,615	(76,812)	(3,256)	(398,427)	73,556
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	6	-	6
Transfers (out)	(51,141)	(60,000)	(70,983)	(8,859)	(10,983)
TOTAL OTHER FINANCING SOURCES (USES)	(51,141)	(60,000)	(70,977)	(8,859)	(10,977)
NET CHANGE IN FUND BALANCE	270,474	(136,812)	(74,233)	(407,286)	62,579
Fund Balance, July 1	404,579	404,579	404,579	-	-
FUND BALANCE, JUNE 30	$ 675,053	$ 267,767	$ 330,346	$ (407,286)	$ 62,579

OTHER SUPPLEMENTAL INFORMATION

Gwinn Area Community Schools

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2022

	Special Revenue Funds		
	Student Scholarship Fund	Debt Service Funds	Total
ASSETS			
Cash and cash equivalents	$ 157,749	$ 108,864	$ 266,613
Investments	-	-	-
Accounts receivable	-	376	376
Due from other funds	-	-	-
Inventory	-	-	-
TOTAL ASSETS	157,749	109,240	266,989
DEFERRED OUTFLOWS OF RESOURCES		-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 157,749	$ 109,240	$ 266,989
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Due to other funds	-	900	900
TOTAL LIABILITIES	-	900	900
DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES			
Non-spendable	-	-	-
Restricted	-	108,340	108,340
Committed	157,749	-	157,749
Assigned	-	-	-
TOTAL FUND BALANCES	157,749	108,340	266,089
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 157,749	$ 109,240	$ 266,989

Gwinn Area Community Schools

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2022

	Special Revenue Funds		
	Student Scholarship Fund	Debt Service Funds	Total
REVENUES:			
Local sources	$ 148,412	$ 459,829	$ 608,241
State sources	-	3,249	3,249
Federal sources	-	-	-
TOTAL REVENUES	148,412	463,078	611,490
EXPENDITURES:			
Supporting service	125,117	-	125,117
Capital outlay	-	-	-
Debt service activities			
Annual required sinking fund deposit	-	137,354	137,354
Principal	-	333,036	333,036
Interest and fees	-	149,206	149,206
TOTAL EXPENDITURES	125,117	619,596	744,713
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,295	(156,518)	(133,223)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	146,504	146,504
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	146,504	146,504
NET CHANGE IN FUND BALANCE	23,295	(10,014)	13,281
Fund Balance, July 1	134,454	118,354	252,808
FUND BALANCE, JUNE 30	$ 157,749	$ 108,340	$ 266,089

Gwinn Area Community Schools

NON-MAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

June 30, 2022

	Debt Service Fund	Debt Service QZAB Fund	Debt Service QSCB Fund	Total
ASSETS				
Cash and cash equivalents	$ 62,894	$ -	$ 45,970	$ 108,864
Investments	-	-	-	-
Accounts receivable	376	-	-	376
Due from other funds	-	-	-	-
TOTAL ASSETS	63,270	-	45,970	109,240
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 63,270	$ -	$ 45,970	$ 109,240
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds	-	-	900	900
TOTAL LIABILITIES	-	-	900	900
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted	63,270	-	45,070	108,340
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 63,270	$ -	$ 45,970	$ 109,240

Gwinn Area Community Schools

NON-MAJOR DEBT SERVICE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2022

	Debt Service Fund	Debt Service QZAB Fund	Debt Service QSCB Fund	Total
REVENUES:				
Local sources	$ 276,293	$ -	$ 183,536	$ 459,829
State sources	-	-	3,249	3,249
TOTAL REVENUES	276,293	-	186,785	463,078
EXPENDITURES:				
Debt service activities:				
Annual required sinking fund deposit	-	-	137,354	137,354
Principal	190,000	143,036	-	333,036
Interest and fiscal charges	102,100	3,468	43,638	149,206
TOTAL EXPENDITURES	292,100	146,504	180,992	619,596
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,807)	(146,504)	5,793	(156,518)
OTHER FINANCING SOURCES:				
Transfers in	-	146,504	-	146,504
TOTAL OTHER FINANCING SOURCES	-	146,504	-	146,504
NET CHANGE IN FUND BALANCE	(15,807)	-	5,793	(10,014)
Fund Balance, July 1	79,077	-	39,277	118,354
FUND BALANCE, JUNE 30	$ 63,270	$ -	$ 45,070	$ 108,340

COMPLIANCE SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
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PARTNERS
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Michael A. Grentz, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of the
Gwinn Area Community Schools
50 West M-35
Gwinn, Michigan 49841

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gwinn Area Community Schools (the School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 26, 2022.

Report on Internal Control over Financial Reporting

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

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

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

To the Board of Education of the
Gwinn Area Community Schools

Report on Compliance and Other Matters

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

Purpose of this Report

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2022

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education of the
Gwinn Area Community Schools
50 West M-35
Gwinn, Michigan 49841

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Gwinn Area Community Schools' (the School District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2022. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

Report on Internal Control over Compliance

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.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2022

GWINN AREA COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2021	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2022	Current Year Amount Transferred to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE:								
Child Nutrition Cluster:								
School Breakfast Program:								
Passed through the Michigan Department of Education:								
221970	10.553	$ 3,568	$ -	$ -	$ 3,568	$ 3,568	$ -	$ -
Seamless Summer Option - Breakfast:								
Passed through the Michigan Department of Education:								
211971	10.553	24,179	-	-	24,179	24,179	-	-
221971	10.553	180,764	-	-	180,764	180,764	-	-
Total School Breafast Program		208,511	-	-	208,511	208,511	-	-
National School Lunch Program:								
Direct award:								
Non-Cash Entitlement Commodities	10.555	-	48,043	-	42,643	42,643	-	-
Non-Cash Entitlement Bonus Commodities	10.555	-	773	-	-	-	-	-
Passed through the Michigan Department of Education:								
National School Lunch Program:								
Supply Chain Assistance								
220910	10.555	-	-	-	5,907	22,356	(16,449)	-
Lunch								
191960	10.555	344,962	154	-	-	-	-	-
221960	10.555	7,493	-	-	7,493	7,493	-	-
Seamless Summer Option (SSO) - Lunch								
211961	10.555	-	-	-	63,467	63,467	-	-
221961	10.555	-	-	-	420,025	420,025	-	-
Emergency Operations - SNP Meals								
211965	10.555	-	-	-	44,113	44,113	-	-
Snack								
181980	10.555	-	(2,688)	-	-	-	-	-
191980	10.555	13,266	(9,503)	-	-	-	-	-
211980	10.555	433	433	-	-	-	-	
Total National School Lunch Program		366,154	37,212	-	583,648	600,097	(16,449)	-
Summer Food Service Program for Children:								
Passed through the Michigan Department of Education:								
Summer Food Service Program for Children:								
200900	10.559	169,721	169,721	-	-	-	-	
220900	10.559	3,856	-		3,856	-	3,856	
Extended Summer Food Service Program for Children:								
210904	10.559	1,021,351	747,894	36,882	103,736	140,618	-	-
Total Summer Food Service Program for Children		1,194,928	917,615	36,882	107,592	140,618	3,856	-
Fresh Fruit and Vegetable Program:								
Passed through the Michigan Department of Education:								
200950	10.582	8,457	144	-	-	-	-	-
210950	10.582	9,882	9,738	-	-	-	-	-
Total Fresh Fruit and Vegetable Program		18,339	9,882	-	-	-	-	-
Total Child Nutrition Cluster		1,787,932	964,709	36,882	899,751	949,226	(12,593)	-
Team Nutrition Grants:								
Passed through the Michigan Department of Education								
Team Nutrition Training Grant Program	10.574	1,394	-	-	1,394	1,394	-	-
Total Team Nutrition Grants		1,394	-	-	1,394	1,394	-	-

The accompanying notes are an integral part of this schedule.

GWINN AREA COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2021	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2022	Current Year Amount Transferred to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE (Continued):								
Food Equipment Grant:								
Passed through the Michigan Department of Education:								
191991 EAG2021	10.579	$ 4,395	$ 4,395	$ -	$ -	$ -	$ -	$ -
Total Food Equipment Grant		4,395	4,395	-	-	-	-	-
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant:								
Passed through the Michigan Department of Education:								
210980	10.649	3,063	-	-	3,063	3,063	-	
Total State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant		3,063	-	-	3,063	3,063	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		**1,796,784**	**969,104**	**36,882**	**904,208**	**953,683**	**(12,593)**	**-**
DEPARTMENT OF TREASURY:								
Coronavirus Relief Funds								
Passed through the Michigan Department of Education:								
COVID-19 - Coronavirus Relief Funds	21.019	368,260	368,260	-	-	-	-	-
COVID-19 - COVID District Costs	21.019	12,963	12,963	-	-	-	-	-
Passed through the Copper Country ISD:				-				
COVID-19 - MiConnect	21.019	22,200	25,325	-	-	-	-	-
Total Coronavirus Relief Funds		403,423	406,548	-	-	-	-	-
TOTAL DEPARTMENT OF TREASURY		**403,423**	**406,548**	**-**	**-**	**-**	**-**	**-**
DEPARTMENT OF EDUCATION:								
Title I, Part A:								
Passed through Michigan Department of Education:								
211530 2021	84.010	484,885	460,427	68,028	-	68,028	-	-
221530 2122	84.010	456,752	-	-	414,358	332,674	81,684	-
Total Title I, Part A		941,637	460,427	68,028	414,358	400,702	81,684	-
Special Education Cluster:								
Passed through Marquette-Alger Regional Educational Service Agency:								
IDEA Part B Mandated Activities Projects:								
220470/2D33	84.027A	7,344	-	-	7,344	7,344	-	-
P.L. 94-142 Flow Through:								
210450 2021	84.027A	22,716	22,716	-	-	-	-	-
220450 2122	84.027A	22,606	-	-	22,606	22,606	-	-
Total Special Education Cluster		52,666	22,716	-	29,950	29,950	-	-
Perkins:								
Passed through Marquette-Alger Regional Educational Service Agency:								
213520	84.048A	5,330	5,330	5,330	-	5,330	-	-
223520	84.048A	5,267	-	-	5,267	5,267	-	-
Total Perkins		10,597	5,330	5,330	5,267	10,597	-	-
Indian Education:								
Direct Award:								
S060A202343	84.060	13,462	13,462	624	-	624	-	-
S060A212343	84.060	13,150	-	-	13,150	13,150	-	-
Total Indian Education		26,612	13,462	624	13,150	13,774	-	-
Title V, Part B:								
Passed through Michigan Department of Education:								
210660 2021	84.358	19,798	19,798	19,798	-	19,798	-	-
Total Title VI, Part B		19,798	19,798	19,798	-	19,798	-	-

The accompanying notes are an integral part of this schedule.

GWINN AREA COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2021	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2022	Current Year Amount Transferred to Subrecipients
DEPARTMENT OF EDUCATION (Continued):								
Title II, Part A:								
Passed through Michigan Department of Education:								
210520 2021	84.367	$ 94,889	$ 92,945	$ 5,130	$ -	$ 5,130	$ -	$ -
220520 2122	84.367	62,427	-	-	60,364	49,236	11,128	-
Total Title II, Part A		157,316	92,945	5,130	60,364	54,366	11,128	-
Title IV, Part A:								
Passed through Michigan Department of Education:								
210750 2021	84.424	49,656	41,924	19,501	-	19,501	-	
220750 2122	84.424	40,537	-	-	32,114	16,936	15,178	
Total Title IV, Part A		90,193	41,924	19,501	32,114	36,437	15,178	-
Education Stabilization Fund:								
Passed through Michigan Department of Education:								
Governor's Emergency Education Relief (GEER):								
COVID-19 - 201200 20-21	84.425C	74,924	74,924	-	-	-	-	-
Governor's Emergency Education Relief (GEER II):								
COVID-19 - 211202 2122	84.425C	14,000	-	-	14,000	14,000	-	-
Elementary and Secondary School Emergency Relief (ESSER):								
COVID-19 - 203710 1920	84.425D	371,913	187,783	-	-	-	-	-
Elementary and Secondary School Emergency Relief (ESSER II):								
COVID-19 - 213712 20-21	84.425D	1,524,619	344,405	-	1,180,214	1,115,856	64,358	
COVID-19 - 213722 2122	84.425D	51,644	-	-	51,644	51,644	-	
COVID-19 - 213742 2122	84.425D	51,644	-	-	14,850	14,850	-	
COVID-19 - 213762 2122	84.425D	9,025	-	-	8,845	8,845	-	
ESSER Education Equity Funds:								
COVID-19 - 203720 1920	84.425D	54,576	54,576	-	-	-	-	-
Elementary and Secondary School Emergency Relief (ESSER III):								
COVID-19 - 213713 2122	84.425U	2,282,718	-	-	302,601	275,952	26,649	
Total Education Stabilization Fund		4,435,063	661,688	-	1,572,154	1,481,147	91,007	-
TOTAL DEPARTMENT OF EDUCATION		**5,733,882**	**1,318,290**	**118,411**	**2,127,357**	**2,046,771**	**198,997**	**-**
DEPARTMENT OF HEALTH & HUMAN SERVICES								
LEA Medicaid Outreach								
Passed through Marquette-Alger Regional Educational Service Agency:								
Fiscal year 20-21	93.778	3,242	3,242	3,242	-	3,242	-	-
Fiscal year 21-22	93.778	6,683	-	-	6,683	6,683	-	-
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES		**9,925**	**3,242**	**3,242**	**6,683**	**9,925**	**-**	**-**
TOTAL FEDERAL FINANCIAL ASSISTANCE		**$ 7,944,014**	**$ 2,697,184**	**$ 158,535**	**$ 3,038,248**	**$ 3,010,379**	**$ 186,404**	**$ -**

The accompanying notes are an integral part of this schedule.

GWINN AREA COMMUNITY SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the School District for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts on the schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – OVERSIGHT AGENCY:

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

NOTE D – FINAL COST REPORT – FORM DS4044:

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

NOTE E – SCHEDULE OF FEDERAL AWARDS:

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

NOTE E – SCHEDULE OF FEDERAL AWARDS (Continued):

Current Payments per Grant Auditor Report:		$2,902,096
Plus: Payments not on Grant Auditor Report:		
Passed through MARESA	$50,472	
Passed through Michigan Department of Education	1,394	
Title VII	13,774	
Food distribution commodities	42,643	108,283
Less: Accrued revenue at the beginning of the year:		
MARESA	(8,572)	
Michigan Department of Education	(149,339)	
Title VII	(624)	(158,535)
Plus: Accrued (deferred) revenue at the end of the year:		
MARESA	-	
Michigan Department of Education	(16,449)	
Michigan Department of Education	202,853	
Title VII	-	186,404
Rounding		-
PER THE SCHEDULE OF FEDERAL EXPENDITURES		$3,038,248

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

Total Federal Revenue Sources reported in the financial statements:	
General Fund	$2,137,101
School Lunch Fund	901,146
Rounding	1
TOTAL FEDERAL AWARD EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS	$3,038,248

GWINN AREA COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

General Purpose Financial Statements

- Type of auditors' report issued: *Unmodified.*
- Internal control over financial reporting:
  No material weaknesses were reported.
  No significant deficiencies or reportable instances of noncompliance were reported.
- There were no instances of noncompliance material to the financial statements reported.

Federal Awards

- Types of auditors' report issued on compliance for major programs: *Unmodified.*
- Internal control over major programs:
  No material weaknesses were reported.
  No significant deficiencies were reported.
- There were no audit findings that are required to be reported in accordance with the Uniform Guidance.

Major Programs

- The programs tested as a major program were:

Program	Assistance Listing
Child Nutrition Cluster:	
School Breakfast Program	10.553
Seamless Summer Option – Breakfast	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Fresh Fruit and Vegetable Program	10.582
Education Stabilization Fund Program	
Governor's Emergency Education Relief (GEER II)	84.425C
Elementary and Secondary School Emergency Relief (ESSER II)	84.425D
Elementary and Secondary School Emergency Relief (ESSER III)	84.425U

- Dollar threshold used to distinguish between Type A and Type B Programs: *$750,000*
- Auditee qualified as low-risk auditee? *YES.*

SECTION II – FINANCIAL STATEMENT FINDINGS:

- None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

- None reported.

GWINN AREA COMMUNITY SCHOOLS
GWINN, MICHIGAN 49841-9180

(906) 346-9283
FAX (906) 346-3616

BRANDON BRUCE
Superintendent

AMY FINKBEINER
Business Manager

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS:

- None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

- None reported.

COMMUNICATIONS SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Gwinn Area Community Schools
Report to Management
For the Year Ended June 30, 2022

To the Board of Education and Management
of the Gwinn Area Community Schools
50 West M-35
Gwinn, Michigan 49841

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gwinn Area Community Schools (the School District) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2022

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Gwinn Area Community Schools
Communications with Those Charged with Governance
For the Year Ended June 30, 2022

October 26, 2022

To Board of Education of the
Gwinn Area Community Schools
50 West M-35
Gwinn, Michigan 49841

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gwinn Area Community Schools (the School District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 9, 2022. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

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

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

> Management's estimate of accumulated depreciation and depreciation expense is based on historical costs and useful lives of the assets. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

> Management's estimate of compensated absences is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the School District's proportionate share of Net Pension Liability and Net OPEB Liability is based on an actuarial performed for the Michigan Public Employees' Retirement System (MPSERS) to determine its liability. We evaluated the key factors and assumptions used to develop the School District's proportionate share of Net Pension Liability and Net OPEB Liability, based on information provided by the Michigan Department of Technology, Management and Budget Office of Retirement Services, in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's allocation of the School District's pension and OPEB contributions subsequent to the measurement date is based contribution rates set by the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

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

> The disclosure of the School District's proportionate share of the Defined Benefit Pension Plan and OPEB Plan includes significant actuarial assumptions used in calculating the valuation. Gabriel, Roeder, Smith & Company was the actuarial company hired by the Retirement Board of the Michigan Public Employees' Retirement System (MPSERS) and the Michigan Department of Technology, Management and Budget Office of Retirement Services for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MPSERS' Annual Comprehensive Financial Report of the Fiscal Year Ended September 30, 2021.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation dated October 26, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Our consideration of internal control was for the limited purpose described in separate letter 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.

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Board of Education of the
Gwinn Area Community Schools

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountant