

**GWINN AREA COMMUNITY SCHOOLS
GWINN, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

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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, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2024, 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 24, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 24, 2024

Gwinn Area Community Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2024. 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 (\$6,499,700). Net position is comprised of 100% governmental activities.
- During the year, the School District's expenses were \$14,267,174, while revenues from all sources totaled \$21,371,386, resulting in an increase in net position of \$7,104,212.
- The General Fund reported a net increase of \$1,113,294. This is \$370,215 more than the forecasted increase of \$743,079. This was a result of revenues being \$141,828 lower than forecasted, expenses being \$501,339 lower than forecasted, other financing sources being \$10,700 more than forecasted, and other financing uses being \$4 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

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	
	2024	2023
Current and other assets	\$6,703,844	\$5,291,908
Capital assets, net	9,524,910	7,907,707
Total Assets	16,228,754	13,199,615
Deferred outflows of resources	7,342,654	8,061,647
Current liabilities	1,412,588	1,672,468
Long-term liabilities	23,350,402	29,815,076
Total Liabilities	24,762,990	31,487,544
Deferred inflows of resources	5,308,118	3,377,630
Net Position:		
Net investment in capital assets	6,539,787	3,128,231
Restricted	1,823,254	1,284,793
Unrestricted	(14,862,741)	(18,016,936)
Total Net Position	(\$6,499,700)	(\$13,603,912)

The School District's net position was (\$6,499,700) as of June 30, 2024. Net investment in capital assets of \$6,539,787, 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 (\$14,862,741).

The (\$14,862,741) 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 2024 and 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 2
Statement of Activities**

	Governmental Activities	
	2024	2023
Revenues:		
Program Revenues:		
Charges for services	\$91,377	\$88,004
Operating grants and contributions	9,089,752	6,713,262
General Revenues:		
Property taxes	4,070,225	3,922,576
State sources not restricted to specific program	6,515,823	6,163,144
Investment earnings	87,894	45,355
Gain (loss) on sale of fixed assets	500	6,454
Use of accumulated sinking fund deposits	1,459,662	-
Miscellaneous	56,153	71,740
Total Revenues	<u>21,371,386</u>	<u>17,010,535</u>
Program Expenses:		
Instruction	7,359,513	8,266,456
Supporting services	5,089,357	5,230,291
Community services	6,560	2,488
Other	-	-
Food services	1,086,662	944,412
Capital outlay	4,040	170,933
Interest on long-term debt	24,166	86,924
Annual sinking fund deposit	90,338	110,714
Depreciation – unallocated	606,538	516,703
Total Expenses	<u>14,267,174</u>	<u>15,328,921</u>
Increase (decrease) in net position	<u>7,104,212</u>	<u>1,681,614</u>
Net position, beginning	<u>(13,603,912)</u>	<u>(15,285,526)</u>
Net Position, Ending	<u><u>(\$6,499,700)</u></u>	<u><u>(\$13,603,912)</u></u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$14,267,174. Certain activities were partially funded from those who benefited from the programs \$91,377 or by other governments and organizations that subsidized certain programs with grants and contributions \$9,089,752. We paid for the remaining “public benefit” portion of our governmental activities with \$4,070,225 in property taxes, \$6,515,823 in State Aid, and \$144,547 in other revenues, such as interest, gain on sales of fixed assets, and general entitlements. In the current fiscal year, the School District also used the accumulated sinking fund deposits of \$1,459,662 that were held in escrow to pay off the principal on the 2009 QSCB bonds.

The School District experienced an increase in net position of \$7,104,212 for the year.

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

- Net change in governmental fund balances of \$1,663,626.
- Depreciation charged to expense of (\$606,538).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

- Purchase of capital assets in the amount of \$2,223,741.
- 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 \$320,338.
- Use of accumulated sinking fund deposits of \$1,459,662
- Change in accrued interest of \$8,190.
- Deferred amounts on debt in the amount of \$14,353.
- Change in employee benefit obligations of \$1,204.
- Change in pension and OPEB expense related to timing of contributions \$2,019,636.

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	\$7,359,513	\$1,925,694
Supporting services	5,089,357	2,529,242
Food services	1,086,662	(100,533)

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 wise with the resources taxpayers and others provide to it and provides accountability and 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 \$5,305,656, an increase of \$1,663,626 from the beginning of the year. The General Fund had an increase in the current year of \$1,113,294. The School Lunch Fund had an increase of \$19,120 during the year. In March 2020 the School District passed a 1.5000 millage for a Sinking Fund. Tax revenues related to the Sinking Fund exceeded current year expenditures by \$482,429. The Non-major Governmental Funds had an increase of \$48,783 during the current year.

General Fund Budgetary Highlights

The Uniform Budgeting and Accounting 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 fiscal year, the School District's Board revises budgeted amounts in an attempt to reflect with changes in actual expected revenues and expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. For fiscal year 2024, the budget was amended in in June 2024. 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	Percentage
Total revenues	<u>\$15,104,756</u>	<u>\$17,659,307</u>	<u>\$2,554,551</u>	16.91%

The increase in budgeted revenues of \$2,554,551 was mainly due to additional grant funding including 31aa and HVAC project (funded through ESSER III) nearing completion in this fiscal year.

BUDGETED EXPENDITURES

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

	Original Budget	Final Budget	Increase / (Decrease)	
			Amount	Percentage
Total expenditures	<u>\$15,089,663</u>	<u>\$16,986,718</u>	<u>\$1,897,055</u>	12.57%

The increase in budgeted expenditures of \$1,897,055 was mainly due to additional grant fundings as noted above.

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	<u>\$17,659,307</u>	<u>\$17,517,479</u>	<u>(\$141,828)</u>	(0.80%)

Actual revenues overall came in 8.03% less than budgeted. While local sources and state sources actually came in slightly more than budgeted, federal sources were 5.70% less than budgeted. This was due to the HVAC project, which was funded using ESSER III monies, was not finalized by year end, accordingly the School District was not able to recognize the revenue until the next fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

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	<u>\$16,986,718</u>	<u>\$16,485,379</u>	<u>\$501,339</u>	2.95%

Actual expenditures are reasonable compared to budgeted expenditures with a decrease of \$501,339 or 2.95%. Amounts came under budgeted due to the HVAC project not being finalized until after year end. Those costs will end up being recognized in the following fiscal year.

Enrollment

The School District's 2023-2024 State Aid blended membership enrollment from the fall count totaled 977. This is an increase of 5 students from the previous year.

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

Fiscal Year	Fall Student FTE	Increase/ (Decrease)
2023-2024	977	5
2022-2023	972	(26)
2021-2022	998	15
2020-2021	984	(48)
2019-2020	1,032	(25)

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, 2024, the School District had \$9,524,910 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	
	2024	2023
Land	\$36,064	\$36,064
Construction in progress	38,638	377,267
Land improvements	571,735	623,554
Buildings and improvements	8,085,515	6,220,375
Equipment	272,314	268,010
Buses and other vehicles	520,644	382,437
Total	<u>\$9,524,910</u>	<u>\$7,907,707</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

During the year, the School District completed the door replacement project and also made other security upgrades through installing security cameras in buildings and on buses. The School District also increased exterior lighting to help with security. The HVAC project that was started in the prior year was substantially complete at year end, waiting on final walkthroughs to be performed. Additionally, grant funding was also utilized to purchase two buses.

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 \$2,880,000 in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year End

	Governmental Activities – 2024	Governmental Activities – 2023
Notes	\$-	\$-
General obligation bonds	2,880,000	4,660,000
Total	<u>\$2,880,000</u>	<u>\$4,660,000</u>

The School District did not issue any new debt in the current year and made principal payments totaling \$1,780,000 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 2024-2025 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.

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, 2024

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,697,026
Investments	2,560,477
Receivables:	
Accounts receivable	2,756
Due from other governmental units	2,260,572
Inventories	-
Prepaid expense	183,013
Non-current Assets:	
Capital assets:	
Land and construction in progress	74,702
Other capital assets, net	9,450,208
TOTAL ASSETS	16,228,754
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to proportionate share of net pension liability	3,652,137
District's contributions made subsequent to pension measurement date	2,372,545
Deferred outflows related to proportionate share of net OPEB liability	918,728
District's contributions made subsequent to OPEB measurement date	399,244
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,342,654
LIABILITIES	
Current Liabilities:	
Accounts payable	367,290
Accrued liabilities	534,691
Accrued interest	14,400
Due to other governmental units	196,472
State aid note payable	-
Unearned revenue	299,735
Non-current Liabilities:	
Portion due or payable within one year:	
Notes payable	-
Bonds payable	365,000
Employee benefits payable	-
Portion due or payable after one year:	
Notes payable	-
Bonds payable	2,620,123
Employee benefits payable	335,911
Proportionate share of net pension liability	20,390,784
Proportionate share of net OPEB liability/(benefit)	(361,416)
TOTAL LIABILITIES	24,762,990
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to proportionate share of net pension liability	2,338,678
Deferred inflows related to proportionate share of net OPEB liability	2,969,440
TOTAL DEFERRED INFLOWS OF RESOURCES	5,308,118
NET POSITION	
Net investment in capital assets	6,539,787
Restricted	1,823,254
Unrestricted	(14,862,741)
TOTAL NET POSITION	\$ (6,499,700)

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

Gwinn Area Community Schools

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

Function / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 7,359,513	\$ -	\$ 5,433,819	\$ -	\$ (1,925,694)
Supporting services	5,089,357	54,543	2,505,572	-	(2,529,242)
Community services	6,560	-	-	-	(6,560)
Other	-	-	-	-	-
Food service activities	1,086,662	36,834	1,150,361	-	100,533
Capital outlay	4,040	-	-	-	(4,040)
Interest on retirement of debt	24,166	-	-	-	(24,166)
Annual required sinking fund deposit	90,338	-	-	-	(90,338)
Depreciation - unallocated	606,538	-	-	-	(606,538)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 14,267,174	\$ 91,377	\$ 9,089,752	\$ -	(5,086,045)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					3,017,184
Property taxes, levied for debt					483,045
Property taxes, levied for capital projects					569,996
State aid not restricted to specific purposes					6,515,823
Interest and investment earnings					87,894
Gain/(loss) on sale of fixed assets					500
Use of accumulated sinking fund deposits					1,459,662
Miscellaneous					56,153
TOTAL GENERAL REVENUE AND TRANSFERS					12,190,257
CHANGES IN NET POSITION					7,104,212
Net Position , July 1					(13,603,912)
NET POSITION, JUNE 30					\$ (6,499,700)

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

Gwinn Area Community Schools

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2024

	General Fund	Special Revenue School Lunch Fund	Capital Projects Sinking Fund	Non-Major Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 250,656	\$ 34,135	\$ 1,095,062	\$ 317,173	\$ 1,697,026
Investments	2,257,672	302,805	-	-	2,560,477
Accounts receivable	2,631	125	-	-	2,756
Due from other funds	4,567	-	-	-	4,567
Due from other governmental units	2,188,039	72,533	-	-	2,260,572
Inventories	-	-	-	-	-
Prepaid expense	182,105	908	-	-	183,013
TOTAL ASSETS	4,885,670	410,506	1,095,062	317,173	6,708,411
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,885,670	\$ 410,506	\$ 1,095,062	\$ 317,173	\$ 6,708,411
LIABILITIES					
Accounts payable	\$ 349,648	\$ 11,922	\$ -	\$ 5,720	\$ 367,290
Accrued liabilities	529,327	5,364	-	-	534,691
Compensated absences payable	-	-	-	-	-
Due to other funds	-	-	4,100	467	4,567
Due to other governmental units	196,472	-	-	-	196,472
State aid notes payable	-	-	-	-	-
Grants received in advance	299,735	-	-	-	299,735
TOTAL LIABILITIES	1,375,182	17,286	4,100	6,187	1,402,755
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES					
Non-spendable	182,105	908	-	-	183,013
Restricted	-	392,312	1,090,962	156,967	1,640,241
Committed	75,000	-	-	154,019	229,019
Assigned	325,338	-	-	-	325,338
Unassigned	2,928,045	-	-	-	2,928,045
TOTAL FUND BALANCES	3,510,488	393,220	1,090,962	310,986	5,305,656
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,885,670	\$ 410,506	\$ 1,095,062	\$ 317,173	\$ 6,708,411

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, 2024

Total Fund Balances for Governmental Funds **\$ 5,305,656**

*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	\$ 19,260,962	
Accumulated depreciation	<u>(9,736,052)</u>	9,524,910

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	3,652,137	
District's contributions made subsequent to pension measurement date	2,372,545	
Proportionate share of net pension liability	(20,390,784)	
Deferred inflows related to proportionate share of net pension liability	<u>(2,338,678)</u>	(16,704,780)

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	918,728	
District's contributions made subsequent to OPEB measurement date	399,244	
Proportionate share of net OPEB liability	361,416	
Deferred inflows related to proportionate share of net OPEB liability	<u>(2,969,440)</u>	(1,290,052)

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	(14,400)	
Notes payable - current	-	
Notes payable - long-term	-	
Bonds payable - current	(365,000)	
Bonds payable - long-term	(2,515,000)	
Employee benefits payable - current	-	
Employee benefits payable - long-term	(335,911)	
Early retirement incentive payable - current	-	
Early retirement incentive payable - long-term	<u>-</u>	(3,230,311)

Unamortized bond discounts are not financial resources and therefore are
not reported in the funds.

Bond discount	-	
Bond premium	<u>(105,123)</u>	<u>(105,123)</u>

Net Position of Governmental Activities **\$ (6,499,700)**

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, 2024

	<u>General Fund</u>	<u>Special Revenue School Lunch Fund</u>	<u>Capital Projects Sinking Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
REVENUES:					
Local sources	\$ 4,084,514	\$ 40,677	\$ 583,885	\$ 619,354	\$ 5,328,430
State sources	10,404,516	55,021	-	2,721	10,462,258
Federal sources	3,028,449	1,092,087	-	-	4,120,536
TOTAL REVENUES	17,517,479	1,187,785	583,885	622,075	19,911,224
EXPENDITURES:					
Current:					
Instruction	8,838,969	-	-	-	8,838,969
Supporting services	6,062,635	-	-	115,907	6,178,542
Community services	6,566	-	-	-	6,566
Other	-	-	-	-	-
Food service activities	-	1,086,662	-	-	1,086,662
Capital outlay	1,577,209	1,309	101,456	-	1,679,974
Debt Service:					
Annual required sinking fund deposit	-	-	-	90,338	90,338
Principal	-	-	-	230,000	230,000
Interest	-	-	-	137,047	137,047
Bond issuance costs	-	-	-	-	-
TOTAL EXPENDITURES	16,485,379	1,087,971	101,456	573,292	18,248,098
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,032,100	99,814	482,429	48,783	1,663,126
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	500	-	-	-	500
Proceeds from borrowing	-	-	-	-	-
Transfers in	80,700	6	-	76,285	156,991
Transfers (out)	(6)	(80,700)	-	(76,285)	(156,991)
TOTAL OTHER FINANCING SOURCES (USES)	81,194	(80,694)	-	-	500
NET CHANGE IN FUND BALANCES	1,113,294	19,120	482,429	48,783	1,663,626
Fund Balance, July 1	2,397,194	374,100	608,533	262,203	3,642,030
FUND BALANCE, JUNE 30	\$ 3,510,488	\$ 393,220	\$ 1,090,962	\$ 310,986	\$ 5,305,656

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

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, 2024

Net Change in Fund Balances - Total Governmental Funds **\$ 1,663,626**

*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	\$ (606,538)	
Capital outlays	2,223,741	
Net book value of disposed assets	-	1,617,203

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.

320,338

Annual sinking fund deposits are expenditures in the government funds in the year in which they are made, but use of the accumulated deposits held in escrow for repayment of bond principal at bond maturity are not reported in the governmental funds, however, such amounts reduce long-term liabilities in the statement of net position.

1,459,662

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

8,190

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	(664)	
Amortized bond premium	15,017	14,353

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	1,204	
Change in early retirement incentive	-	1,204

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	855,277	
OPEB expense	1,164,359	2,019,636

Change in Net Position of Governmental Activities **\$ 7,104,212**

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

GWINN AREA COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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:

Governmental Funds

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 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 24, 2024, 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, 2024, 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	\$1,697,026
Investments	2,560,477
Total	<u>\$4,257,503</u>

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 \$1,697,026 and the bank balance was \$2,002,229. The bank balance is categorized as follows:

Amount insured by the FDIC	\$500,000
Amount uncollateralized and uninsured	1,502,229
Total	<u>\$2,002,229</u>

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, 2024, 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	\$2,560,477	\$2,560,477	\$-	\$-	\$-
TOTAL		<u>\$2,560,477</u>	<u>\$2,560,477</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

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 \$2,260,572. Of that balance \$1,902,360 is due from the State of Michigan for State Aid, \$339,133 from federal government grants, and \$19,079 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, 2024 are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Fund</u>	<u>Due To</u>
		Sinking Fund	\$4,100
		Student Scholarship Fund	467
General Fund	<u>\$4,567</u>	Subtotal	<u>\$4,567</u>

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.

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

The amounts transferred to and from individual funds for the year ended June 30, 2024 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General Fund	\$80,700	School Lunch Fund	\$80,700
School Lunch Fund	6	General Fund	6
Debt Service Fund	76,285	Debt Service QSCB Fund	76,285
Total	<u>\$156,991</u>	Total	<u>\$156,991</u>

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:

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2024</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$36,064	\$-	\$-	\$36,064
Construction in progress	377,267	38,638	(377,267)	38,638
Subtotal	<u>413,331</u>	<u>38,638</u>	<u>(377,267)</u>	<u>74,702</u>
Capital assets being depreciated:				
Land improvements	953,960	-	-	953,960
Buildings and improvements	13,469,046	2,143,498	-	15,612,544
Equipment	995,109	85,828	-	1,080,937
Buses and other vehicles	1,205,775	333,044	-	1,538,819
Subtotal	<u>16,623,890</u>	<u>2,562,370</u>	<u>-</u>	<u>19,186,260</u>
Total Capital Assets	<u>17,037,221</u>	<u>2,601,008</u>	<u>(377,267)</u>	<u>19,260,962</u>
Less accumulated depreciation:				
Land improvements	(330,406)	(51,819)	-	(382,225)
Buildings and improvements	(7,248,671)	(278,358)	-	(7,527,029)
Equipment	(727,099)	(81,524)	-	(808,623)
Buses and other vehicles	(823,338)	(194,837)	-	(1,018,175)
Total Accumulated Depreciation	<u>(9,129,514)</u>	<u>(606,538)</u>	<u>-</u>	<u>(9,736,052)</u>
Capital Assets, Net	<u>\$7,907,707</u>	<u>\$1,994,470</u>	<u>(\$377,267)</u>	<u>\$9,524,910</u>

NOTE E – CAPITAL ASSETS (Continued):

Depreciation expense charged to governmental activities was \$606,538.

Construction In Progress

During the fiscal year the School District finished construction of the HVAC system replacement and the exterior security doors replacement projects. The School District also started construction on a boiler project. Total cost incurred through June 30, 2024, was \$38,638. This project is anticipated to be completed in the fall.

NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities as of June 30, 2024 is as follows:

	Governmental Activities
Accrued wages	\$531,618
Other accrued	3,073
Total	<u>\$534,691</u>

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, 2024 is as follows:

	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024
State anticipation note:				
Fiscal year 2022-2023	\$39,991	\$-	(\$39,991)	\$-
TOTAL	<u>\$39,991</u>	<u>\$-</u>	<u>(\$39,991)</u>	<u>\$-</u>

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, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Notes Payable:					
None	\$-	\$-	\$-	\$-	\$-
Total Notes Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bonds:					
2009 School Building and Site	1,550,000	-	(1,550,000)	-	-
2016 School Improvement	3,110,000	-	(230,000)	2,880,000	365,000
Subtotal	<u>4,660,000</u>	<u>-</u>	<u>(1,780,000)</u>	<u>2,880,000</u>	<u>365,000</u>

NOTE H – LONG-TERM OBLIGATIONS (Continued):

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Deferred Amounts on Bonds:					
Discount 2009 School Bonds	(\$664)	\$664	\$-	\$-	\$-
Premium 2016 School Bonds	120,140	-	(15,017)	105,123	-
Subtotal	119,476	664	(15,017)	105,123	-
Total Bonds Payable	4,779,476	664	(1,795,017)	2,985,123	365,000
Total Notes and Bonds Payable	4,779,476	664	(1,795,017)	2,985,123	365,000
Employee Benefits:					
Compensated absences	337,115	49,596	(50,800)	335,911	-
Subtotal	337,115	49,596	(50,800)	335,911	-
TOTAL LONG-TERM DEBT	\$5,116,591	\$50,260	(\$1,845,817)	\$3,321,034	\$365,000

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

BONDS PAYABLE

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, 2024**

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
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	25,950	25,950	410,000	461,900
2029	19,800	19,800	425,000	464,600
2030-2031	20,250	20,250	895,000	935,500
Total	<u>\$178,875</u>	<u>\$178,875</u>	<u>\$2,880,000</u>	<u>\$3,237,750</u>

As of June 30, 2024, the aggregate maturities of long-term debt are as follows:

Fiscal Year	Interest	Principal	Total
2025	\$86,400	\$365,000	\$451,400
2026	75,450	385,000	460,450
2027	63,900	400,000	463,900
2028	51,900	410,000	461,900
2029	39,600	425,000	464,600
2030-2031	40,500	895,000	935,500
Total	<u>\$357,750</u>	<u>\$2,880,000</u>	<u>\$3,237,750</u>

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 \$100 per day up to 150 days of unused accumulated sick leave. Other non-teaching employees are paid for sick leave based on their appropriate contract.

As of June 30, 2024, 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	\$129,006	\$-	\$-	\$129,005
Teamsters	52,429	-	-	52,429
GESPA	10,564	-	-	10,564
Central Office	-	11,169	79,697	90,866
Principals	53,046	-	-	53,046
Total	<u>\$245,045</u>	<u>\$11,169</u>	<u>\$79,697</u>	<u>\$335,911</u>

The liability has been recognized as follows:

Current portion	\$-
Long-term portion	335,911
Total	<u>\$335,911</u>

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.

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

As of June 30, 2024, fund balances are composed of the following:

	General Fund	School Lunch Fund	Sinking Fund	Non-major Gov'tl Funds	Total
Non-spendable:					
Inventories	\$-	\$-	\$-	\$-	\$-
Prepays	182,105	908	-	-	183,013
Subtotal	182,105	908	-	-	183,013
Restricted:					
School lunch	-	305,410	-	-	305,410
Debt service	-	-	-	156,967	156,967
Sinking fund millage	-	-	1,090,962	-	1,090,962
FY24/25 budgeted shortfall	-	86,902	-	-	86,902
Subtotal	-	392,312	1,090,962	156,967	1,640,241
Committed:					
Student Activities	-	-	-	154,019	154,019
Retirement benefits	75,000	-	-	-	75,000
FY24/25 budgeted shortfall	-	-	-	-	-
Subtotal	75,000	-	-	154,019	229,019
Assigned:					
FY24/25 budgeted shortfall	325,338	-	-	-	325,338
Unassigned:	2,928,045	-	-	-	2,928,045
Total Fund Balance	\$3,510,488	\$393,220	\$1,090,962	\$310,986	\$5,305,656

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 73 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, 2024, 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 2023 - August 2024.

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 \$52,939 during fiscal year 2023-24 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 2023 tax year which represents approximately 50% of the estimated current value, totaled \$380,711,913 (\$202,279,942 designated as Homestead, \$6,901,549 as industrial personal property, \$164,716,427 designated as Non-Homestead, \$1,303,470 as Renaissance Zone, and \$5,510,525 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 0.4200 mills for the Debt Service QSCB Fund, 0.8500 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.

NOTE O – CONTINGENT LIABILITIES (Continued):

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 MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of 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.

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

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 are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

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 Sept. 30, 2022, valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

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

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0-4.0%	20.16%
Member Investment Plan	3.0-7.0%	20.16%
Pension Plus	3.0-6.4%	17.24%
Pension Plus 2	6.2%	19.95%
Defined Contribution	0.0%	13.75%

Required contributions to the pension plan from the School District were \$2,270,608 for the year ended September 30, 2023.

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2024, the School District reported a liability of \$20,390,784 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The 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, 2023, the School District's proportion was 0.06300050 percent, which was an increase of 0.00085718 percent from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the School District recognized pension expense of \$2,439,492. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$643,675	(\$31,235)
Changes of assumptions	2,763,044	(1,593,108)
Net difference between projected and actual earnings on pension plan investments	-	(417,261)
Changes in proportion and differences between the employer contributions and proportionate share of contributions	245,418	(297,074)
Subtotal	<u>3,652,137</u>	<u>(\$2,338,678)</u>
Employer contributions subsequent to the measurement date	2,372,545	
Total	<u><u>\$6,024,682</u></u>	

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)	
Year Ended September 30	Amount
2024	\$403,571
2025	282,333
2026	903,188
2027	(275,633)
Total	<u><u>\$1,313,459</u></u>

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

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:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans	6.00% net of investment expenses
- Pension Plus	6.00% 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:	PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active:	PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes:

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

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

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

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

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

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 6.00 % (6.00% for the Pension Plus plan, 6.00% 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:

1% Decrease 5.00% / 5.00% / 5.00%*	Current Single Discount Rate Assumption 6.00% / 6.00% / 6.00%*	1% Increase (Non-Hybrid/Hybrid) 7.00% / 7.00% / 7.00%*
\$27,547,889	\$20,390,784	\$14,432,235

* 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 (MPERS) Fiduciary Net Position

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

Payables to the Michigan Public Schools Employees’ Retirement System (MPERS)

At June 30, 2024, the School District reported a payable of \$318,430 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2024.

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 MPERS had the option to increase, maintain, or stop their contributions to the pension fund as of the transition date. Members of MPERS 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 MPERS. 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.

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

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 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, 2024 was \$351,838 which consisted of \$130,525 from the School District and \$221,313 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, 2024 was \$120,550 which consisted of \$60,275 from the School District and \$60,275 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

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

statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

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

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

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

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.07%
Personal Healthcare Fund (PHF)	0.00%	7.21%

Required contributions to the OPEB plan from the School District were \$497,689 for the year ended September 30, 2023.

NOTE S – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2024, the School District reported a liability/(benefit) of (\$361,416) for its proportionate share of the MPSERS net OPEB liability/(benefit). The net OPEB liability/(benefit) was measured as of September 30, 2023, and the total OPEB the net OPEB liability/(benefit) was determined by an actuarial valuation rolled forward from September 2022. The School District's proportion of the net OPEB liability/(benefit) was determined by dividing each employers' statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the School District's proportion was 0.06388850 percent, which was an increase of 0.00122852 percent from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the School District recognized OPEB expense/(contra expense) of (\$671,533). At June 30, 2024, 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	\$-	(\$2,731,047)
Changes of assumptions	804,576	(96,886)
Net difference between projected and actual earnings on OPEB plan investments	1,102	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	113,050	(141,507)
Subtotal	<u>918,728</u>	<u>(\$2,969,440)</u>
Employer contributions subsequent to the measurement date	399,244	
Total	<u>\$1,317,972</u>	

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/(benefit) in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future OPEB Expenses)	
Year Ended September 30	Amount
2024	(\$672,022)
2025	(630,201)
2026	(237,910)
2027	(242,951)
2028	(178,570)
Thereafter	(89,058)
Total	<u>(\$2,050,712)</u>

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

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:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 5.25% Year 1 graded to 3.5% Year 15
Mortality:	Retirees: PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Active: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions:	
Opt Out 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:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2023 valuation. The total OPEB liability/(benefit) as of Sept. 30, 2023, is based on the results of an actuarial valuation date of Sept. 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.

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

Notes:

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.5099
- Recognition period for assets in year is 5.0000
- Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability/(benefit). This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on 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/(benefit).

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

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

1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$374,680	(\$361,416)	(\$994,019)

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

The following presents the School District's proportionate share of the net OPEB liability/(benefit) calculated using assumed trend rates, as well as what the School District's proportionate share of the net OPEB liability/(benefit) 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
(\$995,596)	(\$361,416)	\$324,974

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

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2023 MPSERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

NOTE T – SINGLE AUDIT:

The School District's schedule of expenditures of federal awards reports a total of \$4,120,536 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, 2024.

NOTE U – 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 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, 2024 are as follows:

<u>Issuing Government</u>	<u>Type of Tax Abatement Agreement</u>	<u>Tax Abated</u>	<u>Gross Amount Abated in Fiscal Year</u>
Forsyth Township	Ren. Zone	Prop. Tax	\$114,427
Forsyth Township	IFT	Prop. Tax	17,361
			<u>\$131,788</u>

For the fiscal year ended June 30, 2024, there were no significant tax abatements made by the School District.

NOTE V – 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

NOTE V – NEW GASB STANDARDS (Continued):

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

None.

Other Recently Issued Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Stmt No. 62*. GASB 100 will 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. 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 disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. 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). This statement is effective for periods beginning after June 15, 2023. The School District does not have activities that meet the criteria for GASB 100; therefore, GASB 100 is not applicable to the School District.

**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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability	0.06300%	0.06214%	0.06328%	0.06285%	0.06337%	0.06468%	0.06620%	0.06390%	0.06302%	0.06244%
District's proportionate share of net pension liability	\$ 20,390,784	\$ 23,371,307	\$ 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	\$ 6,414,819	\$ 6,112,398	\$ 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	317.87%	382.36%	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	65.91%	60.77%	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	NONE	NONE
Changes in assumptions:	2023	2022	2021	2020	2019	2018	NONE	NONE	NONE	NONE

2023 - Recognition period for liabilities increased from 4.3922 to 4.4406

2022 - Investment rate of return for MIP and Basic Plans reduced from 6.80% to 6.00%
- Investment rate of return for Pension Plus reduced from 6.80% to 6.00%
- Recognition period for liabilities decreased from 4.4367 to 4.3922

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,625,603	\$ 2,280,377	\$ 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	<u>2,625,603</u>	<u>2,280,377</u>	<u>2,133,133</u>	<u>1,882,368</u>	<u>1,732,468</u>	<u>1,681,888</u>	<u>1,646,487</u>	<u>1,866,510</u>	<u>1,799,475</u>	<u>1,789,009</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,730,226	\$ 6,362,119	\$ 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	39.01%	35.84%	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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>			
District's proportion of net OPEB liability	0.63889%	0.06266%	0.06423%	0.06257%	0.06358%	0.06327%	0.06623%			
District's proportionate share of net OPEB liability/(benefit)	\$ (361,416)	\$ 1,327,178	\$ 980,454	\$ 3,351,848	\$ 4,563,706	\$ 5,029,275	\$ 5,865,055			
District's covered-employee payroll	\$ 6,414,819	\$ 6,112,398	\$ 5,823,459	\$ 5,546,576	\$ 5,557,362	\$ 5,387,863	\$ 5,625,411			
District's proportionate share of net OPEB liability/(benefit) as a percentage of covered-employee payroll	(5.63%)	21.71%	16.84%	60.43%	82.12%	93.34%	104.26%			
Plan fiduciary net position as a percentage of total OPEB liability	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%			

Notes to Required Supplementary Information:

Changes in benefit terms:	NONE	NONE	NONE	NONE	NONE	NONE	NONE
Changes in assumptions:	2023	2022	2021	2020	2019	2018	NONE

2023 - Healthcare Cost Trend Rate decreased from 7.75% to 7.50% for Pre-65; Post-65 had no change
- Recognition period for liabilities increased from 6.2250 to 6.5099

2022 - Investment rate of return reduced from 6.95% to 6.00%
- Recognition period for liabilities increased from 6.1312 to 6.2250

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>			
Statutorily required contributions	\$ 490,556	\$ 479,727	\$ 466,595	\$ 455,643	\$ 430,186	\$ 427,006	\$ 409,124			
Contributions in relation to statutorily required contributions	<u>490,556</u>	<u>479,727</u>	<u>466,595</u>	<u>455,643</u>	<u>430,186</u>	<u>427,006</u>	<u>409,124</u>			
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
District's covered-employee payroll	\$ 6,730,226	\$ 6,362,119	\$ 6,134,476	\$ 5,685,606	\$ 5,558,478	\$ 5,534,877	\$ 5,458,335			
OPEB contributions as a percentage of covered-employee payroll	7.29%	7.54%	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, 2024

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Positive (Negative)	
				Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 3,899,413	\$ 4,064,340	\$ 4,084,514	\$ 164,927	\$ 20,174
State sources	9,917,336	10,383,614	10,404,516	466,278	20,902
Federal sources	1,288,007	3,211,353	3,028,449	1,923,346	(182,904)
TOTAL REVENUES	15,104,756	17,659,307	17,517,479	2,554,551	(141,828)
EXPENDITURES:					
Instruction:					
Basic programs	6,545,126	6,301,536	6,073,670	243,590	227,866
Added needs	2,616,563	2,860,474	2,765,299	(243,911)	95,175
Total Instruction	9,161,689	9,162,010	8,838,969	(321)	323,041
Supporting Services:					
Pupil services	1,002,177	1,088,069	1,091,114	(85,892)	(3,045)
Instructional staff	155,406	288,200	282,356	(132,794)	5,844
General administration	308,764	343,075	342,315	(34,311)	760
School administration	862,763	846,226	841,395	16,537	4,831
Fiscal services	304,580	306,696	301,553	(2,116)	5,143
Operation and maintenance	1,287,171	1,489,517	1,482,650	(202,346)	6,867
Transportation	961,924	1,170,812	1,125,058	(208,888)	45,754
Central	287,246	314,284	307,744	(27,038)	6,540
Other	283,360	289,980	288,450	(6,620)	1,530
Total Supporting Services	5,453,391	6,136,859	6,062,635	(683,468)	74,224
Community services	2,665	8,115	6,566	(5,450)	1,549
Other	-	-	-	-	-
Capital outlay	471,918	1,679,734	1,577,209	(1,207,816)	102,525
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	15,089,663	16,986,718	16,485,379	(1,897,055)	501,339
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,093	672,589	1,032,100	657,496	359,511
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	500	500	500	-	-
Proceeds from borrowing	-	-	-	-	-
Transfers in	70,000	70,000	80,700	-	10,700
Transfers (out)	-	(10)	(6)	(10)	4
TOTAL OTHER FINANCING SOURCES (USES)	70,500	70,490	81,194	(10)	10,704
NET CHANGE IN FUND BALANCE	85,593	743,079	1,113,294	657,486	370,215
Fund Balance, July 1	2,397,194	2,397,194	2,397,194	-	-
FUND BALANCE, JUNE 30	\$ 2,482,787	\$ 3,140,273	\$ 3,510,488	\$ 657,486	\$ 370,215

Gwinn Area Community Schools

SCHOOL LUNCH FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variances Positive (Negative)	
				Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 38,350	\$ 40,730	\$ 40,677	\$ 2,380	\$ (53)
State sources	29,800	46,697	55,021	16,897	8,324
Federal sources	939,701	1,067,554	1,092,087	127,853	24,533
TOTAL REVENUES	<u>1,007,851</u>	<u>1,154,981</u>	<u>1,187,785</u>	<u>147,130</u>	<u>32,804</u>
EXPENDITURES:					
Food service activities:					
Salaries and fringe benefits	458,153	523,351	505,860	(65,198)	17,491
Purchased and contracted services	16,195	22,545	20,643	(6,350)	1,902
Supplies and materials and other expenses	501,478	583,154	560,159	(81,676)	22,995
Capital outlay	-	-	1,309	-	(1,309)
TOTAL EXPENDITURES	<u>975,826</u>	<u>1,129,050</u>	<u>1,087,971</u>	<u>(153,224)</u>	<u>41,079</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>32,025</u>	<u>25,931</u>	<u>99,814</u>	<u>(6,094)</u>	<u>73,883</u>
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	6	-	6
Transfers (out)	(70,000)	(70,000)	(80,700)	-	(10,700)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(70,000)</u>	<u>(70,000)</u>	<u>(80,694)</u>	<u>-</u>	<u>(10,694)</u>
NET CHANGE IN FUND BALANCE	<u>(37,975)</u>	<u>(44,069)</u>	<u>19,120</u>	<u>(6,094)</u>	<u>63,189</u>
Fund Balance, July 1	374,100	374,100	374,100	-	-
FUND BALANCE, JUNE 30	<u>\$ 336,125</u>	<u>\$ 330,031</u>	<u>\$ 393,220</u>	<u>\$ (6,094)</u>	<u>\$ 63,189</u>

**OTHER SUPPLEMENTAL
INFORMATION**

Gwinn Area Community Schools

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2024

	Special Revenue Funds	Debt Service Funds		
	Student Scholarship Fund	Debt Service Fund	Debt Service QSCB Fund	Total
ASSETS				
Cash and cash equivalents	\$ 160,206	\$ 156,914	\$ 53	\$ 317,173
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Inventory	-	-	-	-
TOTAL ASSETS	<u>160,206</u>	<u>156,914</u>	<u>53</u>	<u>317,173</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 160,206</u>	<u>\$ 156,914</u>	<u>\$ 53</u>	<u>\$ 317,173</u>
LIABILITIES				
Accounts payable	\$ 5,720	\$ -	\$ -	\$ 5,720
Due to other funds	467	-	-	467
TOTAL LIABILITIES	<u>6,187</u>	<u>-</u>	<u>-</u>	<u>6,187</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Non-spendable	-	-	-	-
Restricted	-	156,914	53	156,967
Committed	154,019	-	-	154,019
Assigned	-	-	-	-
TOTAL FUND BALANCES	<u>154,019</u>	<u>156,914</u>	<u>53</u>	<u>310,986</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 160,206</u>	<u>\$ 156,914</u>	<u>\$ 53</u>	<u>\$ 317,173</u>

Gwinn Area Community Schools

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2024

	Special Revenue Funds	Debt Service Funds		
	Student Scholarship Fund	Debt Service Fund	Debt Service QSCB Fund	Total
REVENUES:				
Local sources	\$ 128,419	\$ 326,892	\$ 164,043	\$ 619,354
State sources	-	-	2,721	2,721
Federal sources	-	-	-	-
TOTAL REVENUES	<u>128,419</u>	<u>326,892</u>	<u>166,764</u>	<u>622,075</u>
EXPENDITURES:				
Supporting service	115,907	-	-	115,907
Capital outlay	-	-	-	-
Debt service activities				
Annual required sinking fund deposit	-	-	90,338	90,338
Principal	-	230,000	-	230,000
Interest and fees	-	94,300	42,747	137,047
TOTAL EXPENDITURES	<u>115,907</u>	<u>324,300</u>	<u>133,085</u>	<u>573,292</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,512</u>	<u>2,592</u>	<u>33,679</u>	<u>48,783</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	76,285	-	76,285
Transfers (out)	-	-	(76,285)	(76,285)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>76,285</u>	<u>(76,285)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>12,512</u>	<u>78,877</u>	<u>(42,606)</u>	<u>48,783</u>
Fund Balance, July 1	<u>141,507</u>	<u>78,037</u>	<u>42,659</u>	<u>262,203</u>
FUND BALANCE, JUNE 30	<u><u>\$ 154,019</u></u>	<u><u>\$ 156,914</u></u>	<u><u>\$ 53</u></u>	<u><u>\$ 310,986</u></u>

COMPLIANCE SECTION



**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, 2024, 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 24, 2024.

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, PLLC
Certified Public Accountants

October 24, 2024



**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, 2024. 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, 2024.

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

To the Board of Education of the
Gwinn Area Community Schools

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, PLLC
Certified Public Accountants

October 24, 2024

GWINN AREA COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

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, 2023	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2024	Current Year Amount Transferred to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE:								
Child Nutrition Cluster:								
School Breakfast Program:								
<i>Passed through the Michigan Department of Education:</i>								
221970	10.553	\$ 29,813	\$ 29,813	\$ -	\$ -	\$ -	\$ -	\$ -
231970	10.553	30,369	198,661	3,276	27,093	30,369	-	-
241970	10.553	240,242	-	-	240,242	234,441	5,801	-
Total School Breakfast Program		<u>300,424</u>	<u>228,474</u>	<u>3,276</u>	<u>267,335</u>	<u>264,810</u>	<u>5,801</u>	<u>-</u>
National School Lunch Program:								
<i>Direct award:</i>								
Non-Cash Entitlement Commodities	10.555	-	50,390	-	52,686	52,686	-	-
Non-Cash Entitlement Bonus Commodities	10.555	-	8,229	-	253	253	-	-
<i>Passed through the Michigan Department of Education:</i>								
National School Lunch Program:								
<i>Supply Chain Assistance</i>								
220910	10.555	22,688	34,290	(4,847)	4,847	-	-	-
230910	10.555	-	13,710	-	-	-	-	-
240910	10.555	28,718	-	-	28,718	28,718	-	-
<i>Lunch</i>								
221960	10.555	71,828	71,828	-	-	-	-	-
231960	10.555	58,323	436,535	7,362	58,323	65,685	-	-
241960	10.555	463,269	-	-	463,269	449,775	13,494	-
Total National School Lunch Program		<u>644,826</u>	<u>614,982</u>	<u>2,515</u>	<u>608,096</u>	<u>597,117</u>	<u>13,494</u>	<u>-</u>
Summer Food Service Program for Children:								
<i>Passed through the Michigan Department of Education:</i>								
Summer Food Service Program for Children:								
220900	10.559	117,131	113,275	-	-	-	-	-
230900	10.559	142,833	54,854	54,854	-	54,854	-	-
240900	10.559	216,656	-	-	216,656	170,846	45,810	-
Total Summer Food Service Program for Children		<u>476,620</u>	<u>168,129</u>	<u>54,854</u>	<u>216,656</u>	<u>225,700</u>	<u>45,810</u>	<u>-</u>
Total Child Nutrition Cluster		<u>1,421,870</u>	<u>1,011,585</u>	<u>60,645</u>	<u>1,092,087</u>	<u>1,087,627</u>	<u>65,105</u>	<u>-</u>
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant:								
<i>Passed through the Michigan Department of Education:</i>								
220980	10.649	3,135	3,135	-	-	-	-	-
Total State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant		<u>3,135</u>	<u>3,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>1,425,005</u>	<u>1,014,720</u>	<u>60,645</u>	<u>1,092,087</u>	<u>1,087,627</u>	<u>65,105</u>	<u>-</u>
DEPARTMENT OF EDUCATION:								
Title I, Part A:								
<i>Passed through Michigan Department of Education:</i>								
231530 2223	84.010	490,596	436,029	130,865	-	130,865	-	-
241530 2324	84.010	506,914	-	-	460,820	334,938	125,882	-
<i>Passed through Calhoun Intermediary School District</i>								
231530 2223	84.010	20,000	-	-	19,950	19,950	-	-
Total Title I, Part A		<u>1,017,510</u>	<u>436,029</u>	<u>130,865</u>	<u>480,770</u>	<u>485,753</u>	<u>125,882</u>	<u>-</u>
Special Education Cluster:								
<i>Passed through Marquette-Alger Regional Educational Service Agency:</i>								
IDEA Part B Mandated Activities Projects:								
220470/2D33	84.027A	7,344	-	-	-	-	-	-
230470/2D33	84.027A	-	4,452	-	2,007	2,007	-	-
240470/2D33	84.027A	-	-	-	1,338	1,338	-	-
P.L. 94-142 Flow Through:								
230450 2223	84.027A	-	22,527	-	-	-	-	-
Total Special Education Cluster		<u>7,344</u>	<u>26,979</u>	<u>-</u>	<u>3,345</u>	<u>3,345</u>	<u>-</u>	<u>-</u>

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, 2024

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, 2023	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2024	Current Year Amount Transferred to Subrecipients
DEPARTMENT OF EDUCATION (Continued):								
Perkins:								
<i>Passed through Marquette-Alger Regional Educational Service Agency:</i>								
233520	84.048A	\$ -	\$ 4,078	\$ -	\$ -	\$ -	\$ -	\$ -
243520	84.048A	-	-	-	9,413	9,413	-	-
Total Perkins		-	4,078	-	9,413	9,413	-	-
Indian Education:								
<i>Direct Award:</i>								
S060A212343	84.060	13,150	-	-	-	-	-	-
S060A222343	84.060	-	-	-	-	-	-	-
S060A232343	84.060	14,178	-	-	10,589	9,176	1,413	-
Total Indian Education		27,328	-	-	10,589	9,176	1,413	-
Title V, Part B:								
<i>Passed through Michigan Department of Education:</i>								
240660 2324	84.358B	30,286	-	-	30,286	30,286	-	-
Total Title V, Part B		30,286	-	-	30,286	30,286	-	-
Title II, Part A:								
<i>Passed through Michigan Department of Education:</i>								
230520 2223	84.367	69,279	56,527	16,119	-	16,119	-	-
240520 2324	84.367	76,799	-	-	76,116	60,495	15,621	-
Total Title II, Part A		146,078	56,527	16,119	76,116	76,614	15,621	-
Title IV, Part A:								
<i>Passed through Michigan Department of Education:</i>								
230750 2223	84.424	40,494	33,639	6,183	-	6,183	-	-
240750 2324	84.424	41,437	-	-	36,957	19,214	17,743	-
Total Title IV, Part A		81,931	33,639	6,183	36,957	25,397	17,743	-
Education Stabilization Fund:								
<i>Passed through Michigan Department of Education:</i>								
Elementary and Secondary School Emergency Relief (ESSER II):								
COVID-19 - 213782 2223	84.425D	52,542	29,455	21,188	17,703	38,891	-	-
Elementary and Secondary School Emergency Relief (ESSER III):								
COVID-19 - 213713 2122	84.425U	3,426,513	657,550	245,832	2,343,531	2,487,344	102,019	-
American Rescue Plan – Elementary and Secondary School Emergency Relief –Homeless Children and Youth								
COVID-19 - 211012 2122	84.425W	10,945	314	314	10,206	8,703	1,817	-
Total Education Stabilization Fund		3,490,000	687,319	267,334	2,371,440	2,534,938	103,836	-
TOTAL DEPARTMENT OF EDUCATION		4,800,477	1,244,571	420,501	3,018,916	3,174,922	264,495	-
DEPARTMENT OF HEALTH & HUMAN SERVICES								
LEA Medicaid Outreach								
<i>Passed through Marquette-Alger Regional Educational Service Agency:</i>								
Fiscal year 22/23	93.778	-	7,082	-	-	-	-	-
Fiscal year 23/24	93.778	-	-	-	9,533	-	9,533	-
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES		-	7,082	-	9,533	-	9,533	-
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 6,225,482	\$ 2,266,373	\$ 481,146	\$ 4,120,536	\$ 4,262,549	\$ 339,133	\$ -

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, 2024

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, 2024. 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.

NOTE C – INDIRECT COST RATE:

The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – 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 E – 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.

GWINN AREA COMMUNITY SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2024

NOTE F – 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:

Current Payments per Grant Auditor Report:		\$4,167,728
Plus: Payments not on Grant Auditor Report:		
Passed through MARESA	\$12,758	
Passed through Calhoun ISD	19,950	
Passed through Michigan Department of Education	-	
Title VII	9,176	
Food distribution commodities	<u>52,939</u>	94,823
Less: Accrued revenue at the beginning of the year:		
MARESA	-	
Michigan Department of Education	(481,146)	
Title VII	<u>-</u>	(481,146)
Plus: Accrued (deferred) revenue at the end of the year:		
MARESA	9,533	
Michigan Department of Education	328,187	
Title VII	<u>1,413</u>	339,133
Rounding		<u>(2)</u>
PER THE SCHEDULE OF FEDERAL EXPENDITURES		<u>\$4,120,536</u>

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		\$3,028,449
School Lunch Fund		1,092,087
Rounding		<u>-</u>
TOTAL FEDERAL AWARD EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS		<u>\$4,120,536</u>

GWINN AREA COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

- Type of auditor's report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified
- Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u>	None reported
- Material noncompliance identified? Yes X No

Federal Awards

- Type of auditor's report issued on compliance with major federal programs: Unmodified
- Internal control over major federal programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u>	None reported
- Audit findings required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Major Programs

- The program(s) tested as a major program were:

Name of Federal Program or Cluster / Program Title	Assistance Listing Number
Title I, Part A	84.010
Education Stabilization Fund Program	
Elementary and Secondary School Emergency Relief (ESSER II)	84.425D
Elementary and Secondary School Emergency Relief (ESSER III)	84.425U
American Rescue Plan – ESSER – Homeless Children and Youth	84.425W

- Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000
- Auditee qualified as low-risk auditee? No X Yes

GWINN AREA COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended June 30, 2024

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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS:

- None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

- None reported.

COMMUNICATIONS SECTION



Gwinn Area Community Schools
Report to Management
For the Year Ended June 30, 2024

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, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's system of 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, PLLC
Certified Public Accountants

October 24, 2024



Gwinn Area Community Schools
Communications with Those Charged with Governance
For the Year Ended June 30, 2024

October 24, 2024

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, 2024. 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 July 9, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by 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 methods, assumptions, and data 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 methods, assumptions, and data 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 (MPERS) to determine its liability. We evaluated the methods, assumptions, and data 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 methods, assumptions, and data 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 (MPERS) 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 MPERS' Annual Comprehensive Financial Report of the Fiscal Year Ended September 30, 2023.

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

To Board of Education of the
Gwinn Area Community Schools

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 24, 2024.

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*.

To Board of Education of the
Gwinn Area Community Schools

Upcoming Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) has recently released new standards that may be applicable to the School District in the future. We encourage management to review the information included in the Attachment and determine which standard(s) may be applicable to the School District.

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, PLLC
Certified Public Accountants

ATTACHMENT – UPCOMING GASB STANDARDS
For the Year Ended June 30, 2024

The Governmental Accounting Standards Board (the Board) routinely issues pronouncements to enhance accounting and financial reporting. Below are synopses of currently issued standards that may be applicable to the School District in the future. More information related to these standards can be found at www.gasb.org including full copies of the standards along with implementation guides and technical bulletins. We encourage management to review the following pronouncements to determine which standard(s) may be applicable to the School District.

GASB 101: Compensated Absences

Effective for fiscal years beginning after December 15, 2023 (School District's fiscal year 2025)

The Board believes the unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

We do not expect this standard to have any significant effect on the School District's financial statements.

GASB 102: Certain Risk Disclosures

Effective for fiscal years beginning after June 15, 2024 (School District's fiscal year 2025)

The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The Board believes the requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that

ATTACHMENT – UPCOMING GASB STANDARDS
For the Year Ended June 30, 2024

make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

We do not expect this standard to have any significant effect on the School District's financial statements.

GASB 103: Financial Reporting Model Improvements

Effective for fiscal years beginning after June 15, 2025 (School District's fiscal year 2026)

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed and avoid "boilerplate" discussions. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows. The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability.

To Board of Education of the
Gwinn Area Community Schools

ATTACHMENT – UPCOMING GASB STANDARDS
For the Year Ended June 30, 2024

The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements. The requirement for presentation of major component unit information will improve comparability.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability.

We expect this standard to have a significant effect on the presentation of the School District's financial statements.