
Gull Lake Community Schools

**Financial Report
with Supplementary Information
June 30, 2024**

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Independent Auditor's Report

To the Board of Education
Gull Lake Community Schools

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Gull Lake 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of the School District as of June 30, 2024 and the respective changes in its 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *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 the School District's ability to continue as a going concern for 12 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Education
Gull Lake Community Schools

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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, major fund budgetary comparison schedule, and schedules of the School District's proportionate share of the net pension liability and OPEB asset and contributions, as defined 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, which 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 other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education
Gull Lake Community Schools

Other Reporting Required by *Government Auditing Standards*

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

Plante & Moreau, PLLC

October 15, 2024

This section of the annual financial report for Gull Lake Community Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2024. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Gull Lake Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and the 2021 Capital Projects Fund - with all other funds presented in one column as nonmajor funds. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A) (Required Supplementary Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

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

Schedule of Pension Contributions

Schedule of the School District's Proportionate Share of the Net OPEB (Asset) Liability

Schedule of OPEB Contributions

Other Supplementary Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District 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, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to 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 revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as 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, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue 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 commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

Gull Lake Community Schools

Management's Discussion and Analysis (Continued)

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support 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 Fund Financial Statements

The School District's fund financial statements provide detailed information about 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 establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps 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 the statement of activities) and governmental funds in a reconciliation.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2024 and 2023:

	Governmental Activities	
	2024	2023
	(in millions)	
Assets		
Current and other assets	\$ 36.1	\$ 32.6
Capital assets	99.2	95.5
Total assets	135.3	128.1
Deferred Outflows of Resources	23.5	30.8
Liabilities		
Current liabilities	9.8	7.6
Noncurrent liabilities	76.8	80.4
Net pension liability	64.3	78.1
Net OPEB liability	-	4.3
Total liabilities	150.9	170.4
Deferred Inflows of Resources	21.9	15.0
Net Position (Deficit)		
Net investment in capital assets	29.8	27.1
Restricted	7.5	5.0
Unrestricted	(51.3)	(58.6)
Total net position (deficit)	\$ (14.0)	\$ (26.5)

Gull Lake Community Schools

Management's Discussion and Analysis (Continued)

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(14.0) million at June 30, 2024. Net investment in capital assets totaling \$29.8 million 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 that net position for day-to-day operations. The remaining amount of net position, \$(51.3) million, was unrestricted.

The \$(51.3) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2024 and 2023:

	Governmental Activities	
	2024	2023
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.8	\$ 1.2
Operating grants	19.5	12.3
General revenue:		
Taxes	13.2	12.1
State aid not restricted to specific purposes	31.6	29.1
Other	2.0	1.9
Total revenue	67.1	56.6
Expenses		
Instruction	28.2	28.5
Support services	17.9	16.9
Athletics	0.9	0.8
Food services	1.6	1.3
Community services	3.0	2.9
Debt service	3.0	3.0
Total expenses	54.6	53.4
Change in Net Position	12.5	3.2
Net Position (Deficit) - Beginning of year	(26.5)	(29.7)
Net Position (Deficit) - End of year	\$ (14.0)	\$ (26.5)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$54.6 million. Certain activities were partially funded from those who benefited from the programs (\$0.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$19.5 million). We paid for the remaining public benefit portion of our governmental activities with \$13.2 million in taxes, \$31.6 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$12.5 million. A couple of key reasons for the change in net position was an increase in revenue due to increased enrollment and state funding as well as the continuation of ESSER grant funds. Additionally, as investment earnings reduced the MPERS pension and OPEB liabilities, it resulted in the School District having an overall reduction in related pension expenditures.

As discussed above, 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 district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available restricted resources.

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$25.5 million, which is an increase of \$0.4 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, fund balance increased by approximately \$3.6 million to \$8.5 million. The General Fund fund balance is available to fund costs related to allowable school operating purposes.

The Food Service Fund is one of the School District's special revenue funds that had a fund balance that slightly decreased. The fund continues to be self-supporting.

The combined fund balance of our debt service funds increased by \$0.8 million. Millage rates, which are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service, held steady. Debt service funds fund balances are reserved since they can be used only to pay debt service obligations.

The 2016 Capital Projects Fund was established to account for proceeds from bonds to fund capital projects. The remaining fund balance of \$42,829 represents unspent bond proceeds and remained unchanged during the 2023-2024 year.

The 2014 Sinking Fund balance is \$0.8 million. The fund balance at year end is related to unspent tax levy.

The Building and Site Fund was established to account for funds to be used for future non-bond-funded capital projects. The fund balance of approximately \$1.8 million remained unchanged during the 2023-2024 year.

The 2021 Capital Projects Fund was established to account for proceeds from bonds to fund capital projects. This is Series II of the bonds that were approved by voters in 2018. The fund balance is \$5.6 million, which represents unspent bond proceeds. The School District began utilizing proceeds from the 2021 Capital Projects Fund for remodeling and renovation projects during 2022-2023.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted 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 supplementary information of these financial statements.

There were significant revisions made to the 2023-2024 General Fund original budget. Budgeted revenue increased by \$4.0 million due to unanticipated state revenue and Elementary and Secondary School Emergency Relief (ESSER) funding. The School District projected a somewhat conservative increase in the state foundation allowance and budgeted \$380 per pupil when the original budget was adopted. The state budget was passed and included a foundation allowance of \$450 per pupil. This increase, combined with increased enrollment, MPSERS one-time payment, 31aa Mental Health Grant, Educator Compensation Program, and other state grants, resulted in an increase in state funding. Additional federal funds in the form of ESSER funds related to the COVID-19 pandemic were also received that were not originally budgeted. Finally, the Headlee Override was approved by voters, which resulted in additional local funding and allowed the School District to collect the full 18 mills.

Gull Lake Community Schools

Management's Discussion and Analysis (Continued)

Budgeted expenditures and other financing uses also increased by \$3.7 million. The primary reason for the additional expenditures was ESSER-related expenditures. In addition, other unanticipated expenditures, including both additional staffing and fuel costs, were incurred.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2024, the School District had \$99.2 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This represents a net increase (including additions, disposals, and depreciation) of approximately \$3.7 million from 2023 to 2024.

	2024	2023
Land	\$ 792,240	\$ 292,240
Construction in progress	5,699,062	6,032,502
Buildings and improvements	86,561,953	82,979,359
Furniture and equipment	5,534,371	5,216,773
Buses and other vehicles	607,989	955,488
Total capital assets - Net of accumulated depreciation	\$ 99,195,615	\$ 95,476,362

This year's additions of \$6.4 million primarily included furniture and equipment, technology, completion of building renovations, and new school construction of the Gull Lake Center for the Fine Arts. As part of the bond Series II planning, several renovations and improvements are planned throughout the School District for the 2023-2024 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$68.3 million in bonds outstanding versus \$71.9 million in the previous year.

The School District's general obligation bond rating is an underlying rating of A+ and an enhanced rating of AA. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a school district's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$68.3 million is significantly below this statutorily imposed limit.

Other obligations include accrued compensated absences and accrued interest on installment purchase obligations. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2024-2025 fiscal year budget. An important factor that continues to affect the budget is COVID-19 and the post-pandemic effects. The pandemic caused an economic slowdown; the state and federal response was extensive coronavirus relief funding in fiscal years 2021, 2022, 2023, and lastly, 2024. ESSER funds must be spent by September 30, 2024. The School District has taken advice from state officials on how to allocate coronavirus relief funding from the federal and state governments.

Another factor is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2024-2025 budget was adopted in June 2024 based on an estimate of students who will enroll in September 2024. Approximately 64.0 percent of the total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, the School District's funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data, we anticipate that the fall student count will increase. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Gull Lake Community Schools

Management's Discussion and Analysis (Continued)

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a Consensus Revenue Estimating Conference to estimate revenue. Based on the most up to date information from the State, the School District budgeted an increase in the per pupil foundation allowance of \$200 per pupil.

The labor contract with the Gull Lake Education Association expired on June 30, 2024. Contract negotiations began in the spring of 2024 and a two-year contract was ratified in September 2024, which included a wage reopener to negotiate on schedule or off schedule increases for 2025-2026. The School District settled wage reopeners with the Food Service Association and Secretarial Association for 2023-2024. Additionally, a three-year contract was settled with the Food Service Association with wage reopeners for 2025-2026 and 2026-2027. The International Union of Operating Engineers is no longer representing the bus drivers.

Gull Lake Community Schools

Statement of Net Position

June 30, 2024

Governmental
Activities

Assets

Cash and investments (Note 4)	\$ 12,056,267
Receivables:	
Property taxes receivable	34,488
Other receivables	121,905
Due from other governments	8,133,264
Inventory	10,287
Prepaid expenses and other assets	139,330
Restricted assets (Note 9)	14,463,139
Net OPEB asset (Note 12)	1,101,423
Capital assets: (Note 6)	
Not subject to depreciation	6,491,302
Subject to depreciation - Net	92,704,313
Total assets	<u>135,255,718</u>

Deferred Outflows of Resources

Deferred charges on bond refunding (Note 8)	85,481
Deferred pension costs (Note 12)	19,106,741
Deferred OPEB costs (Note 12)	4,316,841
Total deferred outflows of resources	<u>23,509,063</u>

Liabilities

Accounts payable	2,225,243
Accrued liabilities and other	4,515,649
State aid anticipation note (Note 11)	530,000
Unearned revenue (Note 5)	2,501,951
Noncurrent liabilities:	
Due within one year (Note 8)	3,923,684
Due in more than one year (Note 8)	72,865,258
Net pension liability (Note 12)	64,337,050
Total liabilities	<u>150,898,835</u>

Deferred Inflows of Resources

Revenue in support of pension contributions made subsequent to the measurement date (Note 12)	3,820,278
Deferred pension cost reductions (Note 12)	8,711,170
Deferred OPEB cost reductions (Note 12)	9,326,828
Total deferred inflows of resources	<u>21,858,276</u>

Net Position (Deficit)

Net investment in capital assets	29,766,439
Restricted:	
Debt	3,357,193
Capital projects	3,093,475
Net OPEB asset	1,101,423
Unrestricted	<u>(51,310,860)</u>
Total net position (deficit)	<u><u>\$ (13,992,330)</u></u>

Gull Lake Community Schools

Statement of Activities

Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Net Expense and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 28,163,524	\$ -	\$ 11,183,849	\$ (16,979,675)
Support services	17,902,226	-	7,455,900	(10,446,326)
Athletics	853,066	171,106	-	(681,960)
Food services	1,688,592	101,464	816,337	(770,791)
Community services	2,981,654	550,175	-	(2,431,479)
Interest	2,978,151	-	-	(2,978,151)
Other debt costs	1,500	-	-	(1,500)
Total primary government	\$ 54,568,713	\$ 822,745	\$ 19,456,086	(34,289,882)
General revenue (expense):				
Taxes:				
Property taxes levied for general purposes				5,195,763
Property taxes levied for debt service				7,209,137
Property taxes levied for capital projects				816,388
State aid not restricted to specific purposes				31,637,287
Interest and investment earnings				800,759
Loss on disposal of capital assets				(7,263)
Student activities				912,218
Other				198,629
Total general revenue (expense)				46,762,918
Change in Net Position				12,473,036
Net Position (Deficit) - Beginning of year				(26,465,366)
Net Position (Deficit) - End of year				\$ (13,992,330)

Gull Lake Community Schools

Governmental Funds Balance Sheet

June 30, 2024

	General Fund	2021 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 4)	\$ 10,760,582	\$ -	\$ 1,295,685	\$ 12,056,267
Receivables:				
Property taxes receivable	-	-	34,488	34,488
Other receivables	121,905	-	-	121,905
Due from other governments	8,115,659	-	17,605	8,133,264
Due from other funds (Note 7)	57,304	-	3,168,344	3,225,648
Inventory	-	-	10,287	10,287
Prepaid expenses and other assets	89,330	-	50,000	139,330
Restricted assets (Note 9)	-	6,412,062	8,051,077	14,463,139
Total assets	\$ 19,144,780	\$ 6,412,062	\$ 12,627,486	\$ 38,184,328
Liabilities				
Accounts payable	\$ 1,436,107	\$ 782,481	\$ 6,655	\$ 2,225,243
Due to other funds (Note 7)	2,040,756	1,150	1,183,742	3,225,648
Accrued liabilities and other	4,147,263	-	42,856	4,190,119
State aid anticipation note (Note 11)	530,000	-	-	530,000
Unearned revenue (Note 5)	2,501,951	-	-	2,501,951
Total liabilities	10,656,077	783,631	1,233,253	12,672,961
Fund Balances				
Nonspendable:				
Inventory	-	-	10,287	10,287
Prepays	89,330	-	50,000	139,330
Restricted:				
Debt service	-	-	3,899,317	3,899,317
Capital projects	-	5,628,431	4,315,651	9,944,082
Food service	-	-	1,050,991	1,050,991
Committed - School activities	-	-	490,119	490,119
Assigned - Capital projects	1,500,000	-	1,794,462	3,294,462
Unassigned	6,899,373	-	(216,594)	6,682,779
Total fund balances	8,488,703	5,628,431	11,394,233	25,511,367
Total liabilities and fund balances	\$ 19,144,780	\$ 6,412,062	\$ 12,627,486	\$ 38,184,328

Gull Lake Community Schools

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2024

Fund Balances Reported in Governmental Funds	\$ 25,511,367
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	132,103,281
Accumulated depreciation	<u>(32,907,666)</u>
Net capital assets used in governmental activities	99,195,615
Deferred inflows and outflows related to bond refundings are not reported in the funds	85,481
Bonds payable, bond premiums and discounts, and installment purchase obligations are not due and payable in the current period and are not reported in the funds	(76,365,264)
Accrued interest is not due and payable in the current period and is not reported in the funds	(325,530)
Some employee fringe benefits provide benefit (or are payable) over a long period of years and do not represent a benefit to (or claim on) current financial resources; therefore, they are not reported as fund assets (liabilities):	
Employee compensated absences	(423,678)
Net pension liability and related deferred inflows and outflows	(53,941,479)
Net OPEB asset and related deferred inflows and outflows	(3,908,564)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(3,820,278)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (13,992,330)</u></u>

Gull Lake Community Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2024

	General Fund	2021 Capital Projects Fund	Formerly Major - 2018 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 6,220,029	\$ 407,415	\$ -	\$ 9,328,195	\$ 15,955,639
State sources	40,927,271	-	-	1,206,647	42,133,918
Federal sources	2,868,527	-	-	829,998	3,698,525
Interdistrict sources	3,809,217	-	-	-	3,809,217
Total revenue	53,825,044	407,415	-	11,364,840	65,597,299
Expenditures					
Current:					
Instruction	29,227,288	-	-	-	29,227,288
Support services	16,127,732	1,403	-	894,241	17,023,376
Athletics	752,125	-	-	-	752,125
Food services	-	-	-	1,699,255	1,699,255
Community services	3,146,554	-	-	-	3,146,554
Debt service:					
Principal	435,297	-	-	3,390,000	3,825,297
Interest	115,182	-	-	3,123,335	3,238,517
Other debt costs	1,000	-	-	500	1,500
Capital outlay	1,007,736	3,375,792	-	2,445,972	6,829,500
Total expenditures	50,812,914	3,377,195	-	11,553,303	65,743,412
Excess of Revenue Over (Under) Expenditures	3,012,130	(2,969,780)	-	(188,463)	(146,113)
Other Financing Sources (Uses)					
Face value of debt issued (Note 8)	500,000	-	-	-	500,000
Transfers in (Note 7)	50,000	-	-	-	50,000
Transfers out (Note 7)	-	-	-	(50,000)	(50,000)
Total other financing sources (uses)	550,000	-	-	(50,000)	500,000
Net Change in Fund Balances	3,562,130	(2,969,780)	-	(238,463)	353,887
Fund Balances - Beginning of year, as previously reported	4,926,573	8,598,211	3,980,280	7,652,416	25,157,480
Change within Financial Reporting Entity (Note 2)	-	-	(3,980,280)	3,980,280	-
Fund Balances - Beginning of year, as adjusted	4,926,573	8,598,211	-	11,632,696	25,157,480
Fund Balances - End of year	<u>\$ 8,488,703</u>	<u>\$ 5,628,431</u>	<u>\$ -</u>	<u>\$ 11,394,233</u>	<u>\$ 25,511,367</u>

Gull Lake Community Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2024

Net Change in Fund Balances Reported in Governmental Funds	\$ 353,887
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, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	6,444,048
Depreciation expense	(2,717,532)
Net book value of assets disposed of	(7,263)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(218,923)
Revenue in support of pension contributions made subsequent to the measurement date	1,670,636
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(500,000)
Repayment of bond principal and installment purchase obligations is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	4,088,914
Interest expense is recognized in the government-wide statements as it accrues	(3,251)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	3,362,520
Change in Net Position of Governmental Activities	<u>\$ 12,473,036</u>

June 30, 2024

Note 1 - Nature of Business

Gull Lake Community Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the School District's business-type activities and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District's major funds are the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund, and the 2021 Capital Projects Fund, which is used to record bond proceeds or other revenue and the disbursement of invoices specifically designed for acquiring new capital assets. The funds operate until the purpose for which they were created is accomplished.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The School District's special revenue funds are the Food Service and the School Activity funds. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from federal sources. Revenue sources for the School Activity Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Interfund Activity

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

Furthermore, certain activity occurs during the year involving transfers of resources between funds, typically as transfers in and out of certain funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

June 30, 2024

Note 2 - Significant Accounting Policies (Continued)

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, except for the investment MILAF MAX Class, which is valued at amortized cost.

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital projects funds required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments
- Unspent property taxes levied and held in the Sinking Fund required to be set aside for construction or allowable purchases

Capital Assets

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Note 2 - Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	20-50
Furniture and equipment	3-10
Buses and other vehicles	5-10

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District reports deferred outflows related to deferred charges on refundings and deferred pension and OPEB plan costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date, deferred pension and OPEB plan cost reductions, and for unavailable revenue.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Note 2 - Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension liability and net OPEB asset, deferred outflows of resources and deferred inflows of resources related to each plan, and pension 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. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 period. Actual results could differ from those estimates.

Tax Abatements

The School District evaluated tax abatements and considered the total property tax abatements to be insignificant.

Accounting Changes and Error Corrections

Changes to or within the Financial Reporting Entity

Change in Major Funds

2018 Capital Projects Fund was previously reported as a major fund but is now reported as nonmajor fund for fiscal year 2024. The effects of this change in major funds are shown in the table at the end of this section.

Note 2 - Significant Accounting Policies (Continued)

Adjustments to and Restatements of Beginning Balances

During fiscal year 2024, the changes noted above resulted in adjustments to and restatements of beginning net position and fund net position as follows:

	<u>June 30, 2023</u>		<u>June 30, 2023</u>
	As Previously Reported	Change to or within the Financial Reporting Entity	As Adjusted
Governmental funds:			
Major funds:			
General Fund	\$ 4,926,573	\$ -	\$ 4,926,573
2021 Capital Projects Fund	8,598,211	-	8,598,211
Formerly Major - 2018 Capital Projects Fund	3,980,280	(3,980,280)	-
Nonmajor funds	<u>7,652,416</u>	<u>3,980,280</u>	<u>11,632,696</u>
Total governmental funds	<u>\$ 25,157,480</u>	<u>\$ -</u>	<u>\$ 25,157,480</u>

Upcoming Accounting Pronouncements

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments 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. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2026.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds except that capital outlay and debt service costs are budgeted by function, and athletics revenue is presented separately from local revenue. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District increased budgeted amounts during the year in response to revenue changes and to reflect approved expenditures.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. There were no significant encumbrances outstanding at June 30, 2024.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Fund Deficit and Management's Plan

The School District had a deficit in fund balance in the 2021 Debt Service Fund of \$216,594 at June 30, 2024. The deficit occurred because property taxes intended to support the debt service expenditures will not be collected until fiscal year 2025; however, expenditures were incurred during fiscal year 2024.

Capital Projects Fund Compliance

The 2018 and 2021 Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

The 2014 Sinking Fund Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, authorized on or after March 29, 2017 through May 7, 2023, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code.

Note 4 - Cash and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated two banks for the deposit of its funds.

Note 4 - Cash and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank 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. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had bank deposits totaling \$13,776,037 (checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk. At June 30, 2024, the School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy restricts investment maturities to within two years of the date of purchase. In addition, the policy restricts investments in commercial paper, which can only be purchased with a 270-day maturity.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. As of year end, the credit quality ratings of investments (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
Michigan Liquid Asset Fund - MAX Class	\$ 12,334,809	AAAm	S&P
Michigan Liquid Asset Fund - Cash management	<u>90,321</u>	AAAm	S&P
Total	<u>\$ 12,425,130</u>		

The Michigan Liquid Asset Fund - MAX Class investment may not be redeemed for at least 14 calendar days, with the exception of direct investments of funds distributed by the State of Michigan. In addition, redemptions made prior to the 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed. The Michigan Liquid Asset Fund - cash management investment has no limitations or restrictions on participant withdrawals except for a 1-day minimum investment period.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District does not have any investments subject to concentration of credit risk.

June 30, 2024

Note 4 - Cash and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2024, the School District had no unavailable revenue and \$2,501,951 of unearned revenue, primarily related to grant and categorical aid payments received prior to meeting all eligibility requirements.

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2023	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2024
Capital assets not being depreciated:					
Land	\$ 292,240	\$ -	\$ 500,000	\$ -	\$ 792,240
Construction in progress	6,032,502	(3,757,394)	3,423,954	-	5,699,062
Subtotal	6,324,742	(3,757,394)	3,923,954	-	6,491,302
Capital assets being depreciated:					
Buildings and improvements	103,140,333	3,757,394	1,523,760	-	108,421,487
Furniture and equipment	12,733,328	-	996,334	-	13,729,662
Buses and other vehicles	3,468,093	-	-	(7,263)	3,460,830
Subtotal	119,341,754	3,757,394	2,520,094	(7,263)	125,611,979
Accumulated depreciation:					
Buildings and improvements	20,160,974	-	1,698,560	-	21,859,534
Furniture and equipment	7,516,555	-	678,736	-	8,195,291
Buses and other vehicles	2,512,605	-	340,236	-	2,852,841
Subtotal	30,190,134	-	2,717,532	-	32,907,666
Net capital assets being depreciated	89,151,620	3,757,394	(197,438)	(7,263)	92,704,313
Net governmental activities capital assets	\$ 95,476,362	\$ -	\$ 3,726,516	\$ (7,263)	\$ 99,195,615

June 30, 2024

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:		
Instruction	\$	1,038,541
Support services		1,512,231
Community services		6,762
Food services		17,722
Athletics		<u>142,276</u>
Total governmental activities	\$	<u><u>2,717,532</u></u>

Construction Commitments

The School District has active construction projects at year end. At year end, the School District's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
HS improvements	\$ 2,112,615	\$ 1,080,310
HS Performing Arts Center	10,907,081	75,816
Transportation & Bedford	455,636	1,077,818
Middle school renovation	<u>4,472,879</u>	<u>1,091,123</u>
Total	<u>\$ 17,948,211</u>	<u>\$ 3,325,067</u>

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>			<u>Total</u>
	<u>General Fund</u>	<u>2021 Capital Projects Fund</u>	<u>Nonmajor Funds</u>	
General Fund	\$ -	\$ 1,150	\$ 56,154	\$ 57,304
Nonmajor funds	<u>2,040,756</u>	<u>-</u>	<u>1,127,588</u>	<u>3,168,344</u>
Total	<u>\$ 2,040,756</u>	<u>\$ 1,150</u>	<u>\$ 1,183,742</u>	<u>\$ 3,225,648</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

There were transfers of \$50,000 from the Food Service Fund to the General Fund to reimburse for administrative indirect costs.

June 30, 2024

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2024 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Notes and bonds payable:					
Direct borrowings and direct placements - Installment purchase obligation	\$ 567,026	\$ 500,000	\$ (185,297)	\$ 881,729	\$ 250,581
Other debt	71,900,000	-	(3,640,000)	68,260,000	3,365,000
Unamortized bond premiums and discounts	7,555,534	-	(331,999)	7,223,535	308,103
Total notes and bonds payable	80,022,560	500,000	(4,157,296)	76,365,264	3,923,684
Compensated absences	451,308	-	(27,630)	423,678	-
Total governmental activities long-term debt	<u>\$ 80,473,868</u>	<u>\$ 500,000</u>	<u>\$ (4,184,926)</u>	<u>\$ 76,788,942</u>	<u>\$ 3,923,684</u>

The School District had deferred outflows of \$85,481 related to deferred charges on bond refundings at June 30, 2024.

Note 8 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. Installment purchase agreements are also general obligations of the School District. General obligations outstanding at June 30, 2024 are as follows:

Purpose	Remaining Annual Installments	Interest Rates (Percent)	Maturing	Outstanding
Governmental Activities				
Direct borrowings and direct placements:				
\$926,845 2021 Installment purchase obligation	\$188,984 - \$192,745	1.99	September 2025	\$ 381,729
\$500,000 2024 Installment purchase obligation	\$61,597 - \$82,075	4.90	August 2030	<u>500,000</u>
Total direct borrowings and direct placements				881,729
Other debt - General obligation bonds:				
\$3,150,000 2016 School Improvement and Bus Bonds	\$255,000 - \$260,000	2.00	May 2026	515,000
\$18,905,000 2017 Refunding Bonds	\$1,995,000 - \$2,095,000	2.35 - 3.10	May 2030	12,345,000
\$47,950,000 2018 School Building and Site Bonds	\$720,000 - \$2,280,000	2.50 - 5.00	May 2048	46,475,000
\$9,685,000 2021 School Building and Site Bonds II	\$365,000 - \$400,000	4.00 - 5.00	May 2048	<u>8,925,000</u>
Total other debt - General obligation bonds				<u>68,260,000</u>
Total governmental activities				<u>\$ 69,141,729</u>

Note 8 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Direct Borrowings and Direct Placements		Other Debt - General Obligation Bonds		Total
	Principal	Interest	Principal	Interest	
2025	\$ 250,581	\$ 32,096	\$ 3,365,000	\$ 3,043,482	\$ 6,691,159
2026	257,360	25,318	3,570,000	2,942,910	6,795,588
2027	67,781	18,316	3,530,000	2,832,480	6,448,577
2028	71,103	14,994	3,650,000	2,715,940	6,452,037
2029	74,587	7,856	3,660,000	2,592,986	6,335,429
2030-2034	160,317	4,022	13,470,000	11,079,086	24,713,425
2035-2039	-	-	13,175,000	7,936,250	21,111,250
2040-2044	-	-	13,240,000	4,636,750	17,876,750
2045-2049	-	-	10,600,000	1,325,000	11,925,000
Total	\$ 881,729	\$ 102,602	\$ 68,260,000	\$ 39,104,884	\$ 108,349,215

Note 9 - Restricted Assets

At June 30, 2024, restricted assets are composed of the following:

Description	Governmental Activities
Unspent bond proceeds	\$ 10,030,260
Unspent debt service funds	3,676,742
Unspent sinking fund millage	756,137
Total	\$ 14,463,139

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for each of these claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11 - State Aid Anticipation Note

State Aid Anticipation Note

The School District has direct borrowings from the Michigan Finance Authority (the "Lender") to provide sufficient resources before receiving its scheduled state aid. This liability is recorded as a fund liability in the General Fund.

During the year, the School District issued a state aid anticipation note (the "note") for \$2,650,000 and through set-aside payments, repaid \$2,120,000 during 2024, resulting in an outstanding balance of \$530,000 at June 30, 2024. The current note bears interest at 3.33 percent and matures on July 21, 2025.

In the event of default, the note is fully collateralized by the School District's future state aid funding, and the Lender has the authority to intercept state aid payments at its discretion.

Note 11 - State Aid Anticipation Note (Continued)

In August 2024, the School District borrowed \$2,500,000 in a state aid anticipation note with an interest rate of 3.33 percent. The note matures in July 2025 and has similar terms and provisions as the note outstanding as of June 30, 2024.

Note 12 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplementary payment in those years when investment earnings exceed actuarial assumptions.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2024 were \$8,939,156, which includes the School District's contributions required for those members with a defined contribution benefit. For the year ended June 30, 2024, the School District's required and actual pension contributions include an allocation of \$3,820,278 in revenue received from the State of Michigan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2024 were \$1,973,869, which includes the School District's contributions required for those members with a defined contribution benefit.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2024, the School District reported a liability of \$64,337,050 for its proportionate share of the 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 as of September 30, 2022, which used update procedures to roll forward the estimated liability to September 30, 2023. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2023 and 2022, the School District's proportion was 0.1988 and 0.2076 percent, respectively, representing a change of (4.27) percent.

Net OPEB Asset

At June 30, 2024, the School District reported an asset of \$1,101,423 for its proportionate share of the net OPEB asset. The net OPEB asset for fiscal year 2024 was measured as of September 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2022, which used update procedures to roll forward the estimated asset to September 30, 2023. The School District's proportion of the net OPEB asset was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2023 and 2022, the School District's proportion was 0.1947 and 0.2017 percent, respectively, representing a change of (3.47) percent.

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

For 2024, the School District recognized pension expense of \$8,257,801, inclusive of payments to fund the MPSERS UAAL stabilization rate. 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
Difference between expected and actual experience	\$ 2,030,924	\$ (98,554)
Changes in assumptions	8,717,963	(5,026,579)
Net difference between projected and actual earnings on pension plan investments	-	(1,316,544)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	785,483	(2,269,493)
The School District's contributions to the plan subsequent to the measurement date	7,572,371	-
Total	\$ 19,106,741	\$ (8,711,170)

The \$3,820,278 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2025. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2025	\$ 1,339,789
2026	532,330
2027	2,166,350
2028	(1,215,269)
Total	\$ 2,823,200

June 30, 2024

Note 12 - Michigan Public School Employees' Retirement System (Continued)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2024, the School District recognized OPEB recovery of \$1,759,445.

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (8,322,920)
Changes in assumptions	2,451,960	(295,262)
Net difference between projected and actual earnings on OPEB plan investments	3,358	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	497,528	(708,646)
Employer contributions to the plan subsequent to the measurement date	<u>1,363,995</u>	<u>-</u>
Total	<u>\$ 4,316,841</u>	<u>\$ (9,326,828)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB asset and, therefore, will not be included in future OPEB expense):

<u>Years Ending</u>	<u>Amount</u>
2025	\$ (1,942,920)
2026	(1,871,761)
2027	(789,201)
2028	(840,657)
2029	(622,305)
Thereafter	<u>(307,138)</u>
Total	<u>\$ (6,373,982)</u>

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability and total OPEB asset as of September 30, 2023 are based on the results of an actuarial valuation as of September 30, 2022 and rolled forward. The total pension liability and OPEB asset were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75 percent
Health care cost trend rate - OPEB	6.25% - 7.50%	Year 1, graded to 3.5 percent in year 15, 3.0 percent in year 120
Mortality basis		PubT-2010 Male and Female Employee Mortality Tables, scaled 100 percent (retirees: 116 percent for males and 116 percent for females) and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2017 to 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation.

Significant assumption changes since the prior measurement date, September 30, 2022, for the OPEB plans include a decrease in the health care cost trend rate of 0.25 percentage points for members under 65 and an increase of 1.0 percentage point for member over 65. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2022.

Discount Rate

The discount rate used to measure the total pension and OPEB asset was 6.00 percent as of September 30, 2023. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB asset.

June 30, 2024

Note 12 - Michigan Public School Employees' Retirement System (Continued)

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.80 %
Private equity pools	16.00	9.60
International equity pools	15.00	6.80
Fixed-income pools	13.00	1.30
Real estate and infrastructure pools	10.00	6.40
Absolute return pools	9.00	4.80
Real return/opportunistic pools	10.00	7.30
Short-term investment pools	2.00	0.30
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.7 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability of the School District	\$ 86,919,166	\$ 64,337,050	\$ 45,536,622

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB liability (asset) of the School District	\$ 1,141,845	\$ (1,101,423)	\$ (3,029,292)

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB asset of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB (asset) liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1 Percentage Point Decrease</u>	<u>Current Rate</u>	<u>1 Percentage Point Increase</u>
Net OPEB (asset) liability of the School District	\$ (3,034,099)	\$ (1,101,423)	\$ 990,366

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2024, the School District reported a payable of \$1,094,094 and \$145,116 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2024.

Required Supplementary Information

Gull Lake Community Schools

Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 5,363,607	\$ 5,994,201	\$ 6,108,703	\$ 114,502
State sources	37,846,381	41,137,929	40,927,271	(210,658)
Federal sources	2,903,021	3,131,686	2,868,527	(263,159)
Interdistrict sources	4,018,849	3,853,617	3,809,217	(44,400)
Athletic revenue	147,125	168,059	111,326	(56,733)
Total revenue	50,278,983	54,285,492	53,825,044	(460,448)
Expenditures				
Current:				
Instruction:				
Basic programs	26,543,070	27,458,421	26,374,411	(1,084,010)
Added needs	3,115,062	3,054,254	2,855,797	(198,457)
Support services:				
Pupil	2,995,886	3,518,185	3,213,474	(304,711)
Instructional staff	1,374,316	1,245,715	1,355,296	109,581
General administration	832,824	1,100,234	1,069,832	(30,402)
School administration	2,746,640	2,876,796	2,735,997	(140,799)
Business	765,777	883,294	868,230	(15,064)
Operations and maintenance	4,607,339	5,308,266	5,041,960	(266,306)
Pupil transportation services	2,038,454	2,074,744	1,906,521	(168,223)
Technology, information, and other	839,568	1,018,698	941,238	(77,460)
Athletics	676,236	691,115	752,125	61,010
Community services	2,993,413	3,163,818	3,146,554	(17,264)
Debt service	554,232	561,894	551,479	(10,415)
Other financing expenditures	50,082,817	52,955,434	50,812,914	(2,142,520)
Excess of Revenue Over Expenditures	196,166	1,330,058	3,012,130	1,682,072
Other Financing Sources (Uses)				
Face value of debt issued	-	-	500,000	500,000
Transfers in	-	-	50,000	50,000
Transfers out	-	(860,000)	-	860,000
Total	-	(860,000)	550,000	1,410,000
Net Change in Fund Balance	196,166	470,058	3,562,130	3,092,072
Fund Balance - Beginning of year	4,926,573	4,926,573	4,926,573	-
Fund Balance - End of year	<u>\$ 5,122,739</u>	<u>\$ 5,396,631</u>	<u>\$ 8,488,703</u>	<u>\$ 3,092,072</u>

Gull Lake Community Schools

Required Supplementary Information Schedule of the School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Ten Plan Years									
	Plan Years Ended September 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.19878 %	0.20764 %	0.20793 %	0.20137 %	0.19662 %	0.19092 %	0.18662 %	0.17750 %	0.17376 %	0.16435 %
School District's proportionate share of the net pension liability	\$ 64,337,050	\$ 78,089,650	\$ 49,229,140	\$ 69,171,229	\$ 65,113,523	\$ 57,392,586	\$ 48,359,968	\$ 44,284,231	\$ 42,490,037	\$ 36,199,942
School District's covered payroll	\$ 19,438,622	\$ 19,596,849	\$ 19,159,208	\$ 18,099,456	\$ 17,445,907	\$ 16,485,354	\$ 15,917,720	\$ 15,178,157	\$ 14,453,392	\$ 13,319,013
School District's proportionate share of the net pension liability as a percentage of its covered payroll	330.98 %	398.48 %	256.95 %	382.17 %	373.23 %	348.14 %	303.81 %	291.76 %	293.63 %	271.79 %
Plan fiduciary net position as a percentage of total pension liability	65.91 %	60.77 %	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

Gull Lake Community Schools

Required Supplementary Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

**Last Ten Fiscal Years
Years Ended June 30**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 8,669,816	\$ 9,419,755	\$ 7,204,533	\$ 6,330,446	\$ 5,624,313	\$ 5,245,348	\$ 4,829,107	\$ 4,459,720	\$ 4,107,034	\$ 2,552,503
Contributions in relation to the statutorily required contribution	8,669,816	9,419,755	7,204,533	6,330,446	5,624,313	5,245,348	4,829,107	4,459,720	4,107,034	2,552,503
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 21,984,398	\$ 19,680,908	\$ 19,485,693	\$ 18,848,255	\$ 18,083,895	\$ 17,240,490	\$ 15,909,746	\$ 16,280,044	\$ 14,858,598	\$ 13,566,153
Contributions as a Percentage of Covered Payroll	39.44 %	47.86 %	36.97 %	33.59 %	31.10 %	30.42 %	30.35 %	27.39 %	27.64 %	18.82 %

Gull Lake Community Schools

Required Supplementary Information Schedule of the School District's Proportionate Share of the Net OPEB (Asset) Liability Michigan Public School Employees' Retirement System

**Last Seven Plan Years
For the Plan Years Ended September 30**

	2023	2022	2021	2020	2019	2018	2017
School District's proportion of the net OPEB (asset) liability	0.19470 %	0.20171 %	0.21133 %	0.20371 %	0.19935 %	0.19343 %	0.18620 %
School District's proportionate share of the net OPEB (asset) liability	\$ (1,101,423) \$	4,272,345 \$	3,225,636 \$	10,913,195 \$	14,308,846 \$	15,375,561 \$	16,488,694
School District's covered payroll	\$ 19,438,622 \$	19,596,849 \$	19,159,208 \$	18,099,456 \$	17,445,907 \$	16,485,354 \$	15,917,720
School District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(5.67)%	21.80 %	16.84 %	60.30 %	82.02 %	93.27 %	103.59 %
Plan fiduciary net position as a percentage of total OPEB liability	105.04 %	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Gull Lake Community Schools

Required Supplementary Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

	Last Seven Fiscal Years						
	Years Ended June 30						
	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 1,806,112	\$ 1,584,156	\$ 1,587,928	\$ 1,568,505	\$ 1,453,149	\$ 1,354,245	\$ 1,149,117
Contributions in relation to the actuarially determined contribution	1,806,112	1,584,156	1,587,928	1,568,505	1,453,149	1,354,245	1,149,117
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 21,984,398	\$ 19,680,908	\$ 19,485,693	\$ 18,848,255	\$ 18,083,895	\$ 17,240,490	\$ 15,909,746
Contributions as a Percentage of Covered Payroll	8.22 %	8.05 %	8.15 %	8.32 %	8.04 %	7.86 %	7.22 %

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

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

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

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

June 30, 2024

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

Other Supplementary Information

June 30, 2024

	Special Revenue Funds		Debt Service Funds				Capital Projects Funds				Total	
	Food Service Fund	School Activity Fund	2012 Debt Service Fund	2017 Debt Service Fund	2018 Debt Service Fund	2021 Debt Service Fund	2018 Capital Projects Fund	2016 Capital Projects Fund	2014 Sinking Fund	Building and Site Fund		
Assets												
Cash and investments	\$ 820,777	\$ 471,927	\$ -	\$ -	\$ 2,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,295,685
Receivables:												
Property taxes receivable	-	-	-	-	34,488	-	-	-	-	-	-	34,488
Due from other governments	17,605	-	-	-	-	-	-	-	-	-	-	17,605
Due from other funds	225,791	20,503	167,490	-	713,385	246,713	-	-	-	1,794,462	-	3,168,344
Inventory	10,287	-	-	-	-	-	-	-	-	-	-	10,287
Prepaid expenses and other assets	50,000	-	-	-	-	-	-	-	-	-	-	50,000
Restricted assets	-	-	948,958	747,813	1,729,893	250,078	3,575,369	42,829	756,137	-	-	8,051,077
Total assets	\$ 1,124,460	\$ 492,430	\$ 1,116,448	\$ 747,813	\$ 2,480,747	\$ 496,791	\$ 3,575,369	\$ 42,829	\$ 756,137	\$ 1,794,462	\$ -	\$ 12,627,486
Liabilities												
Accounts payable	\$ 1,814	\$ 2,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,530	\$ -	\$ -	\$ 6,655
Due to other funds	-	-	57,924	-	356,279	713,385	56,154	-	-	-	-	1,183,742
Accrued liabilities and other	11,368	-	-	-	31,488	-	-	-	-	-	-	42,856
Total liabilities	13,182	2,311	57,924	-	387,767	713,385	56,154	-	2,530	-	-	1,233,253
Fund Balances (Deficit)												
Nonspendable:												
Inventory	10,287	-	-	-	-	-	-	-	-	-	-	10,287
Prepays	50,000	-	-	-	-	-	-	-	-	-	-	50,000
Restricted:												
Debt service	-	-	1,058,524	747,813	2,092,980	-	-	-	-	-	-	3,899,317
Capital projects	-	-	-	-	-	-	3,519,215	42,829	753,607	-	-	4,315,651
Food service	1,050,991	-	-	-	-	-	-	-	-	-	-	1,050,991
Committed - Student activities	-	490,119	-	-	-	-	-	-	-	-	-	490,119
Assigned - Capital projects	-	-	-	-	-	-	-	-	-	1,794,462	-	1,794,462
Unassigned	-	-	-	-	-	(216,594)	-	-	-	-	-	(216,594)
Total fund balances (deficit)	1,111,278	490,119	1,058,524	747,813	2,092,980	(216,594)	3,519,215	42,829	753,607	1,794,462	-	11,394,233
Total liabilities and fund balances (deficit)	\$ 1,124,460	\$ 492,430	\$ 1,116,448	\$ 747,813	\$ 2,480,747	\$ 496,791	\$ 3,575,369	\$ 42,829	\$ 756,137	\$ 1,794,462	\$ -	\$ 12,627,486

Gull Lake Community Schools

Other Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2024

	Special Revenue Funds		Debt Service Funds				Capital Projects Funds				Total
	Food Service Fund	School Activity Fund	2012 Debt Service Fund	2017 Debt Service Fund	2018 Debt Service Fund	2021 Debt Service Fund	2018 Capital Projects Fund	2016 Capital Projects Fund	2014 Sinking Fund	Building and Site Fund	
Revenue											
Local sources	\$ 157,904	\$ 912,218	\$ 1,282,317	\$ 2,358,676	\$ 2,887,819	\$ 725,513	\$ 181,151	\$ -	\$ 822,597	\$ -	\$ 9,328,195
State sources	1,133,967	-	12,915	23,752	28,709	7,304	-	-	-	-	1,206,647
Federal sources	829,998	-	-	-	-	-	-	-	-	-	829,998
Total revenue	2,121,869	912,218	1,295,232	2,382,428	2,916,528	732,817	181,151	-	822,597	-	11,364,840
Expenditures											
Current:											
Support services	9,995	880,814	100	-	-	-	-	-	3,332	-	894,241
Food services	1,699,255	-	-	-	-	-	-	-	-	-	1,699,255
Debt service:											
Principal	-	-	500,000	2,015,000	480,000	395,000	-	-	-	-	3,390,000
Interest	-	-	15,000	398,285	2,285,800	424,250	-	-	-	-	3,123,335
Other debt costs	-	-	-	500	-	-	-	-	-	-	500
Capital outlay	395,305	-	-	-	-	-	642,216	-	1,408,451	-	2,445,972
Total expenditures	2,104,555	880,814	515,100	2,413,785	2,765,800	819,250	642,216	-	1,411,783	-	11,553,303
Excess of Revenue Over (Under) Expenditures	17,314	31,404	780,132	(31,357)	150,728	(86,433)	(461,065)	-	(589,186)	-	(188,463)
Other Financing Sources - Transfers out	(50,000)	-	-	-	-	-	-	-	-	-	(50,000)
Net Change in Fund Balances	(32,686)	31,404	780,132	(31,357)	150,728	(86,433)	(461,065)	-	(589,186)	-	(238,463)
Fund Balances - Beginning of year, as previously reported	1,143,964	458,715	278,392	779,170	1,942,252	(130,161)	-	42,829	1,342,793	1,794,462	7,652,416
Change within Financial Reporting Entity (Note 2)	-	-	-	-	-	-	3,980,280	-	-	-	3,980,280
Fund Balances (Deficit)- Beginning of year, as adjusted	1,143,964	458,715	278,392	779,170	1,942,252	(130,161)	3,980,280	42,829	1,342,793	1,794,462	11,632,696
Fund Balances (Deficit) - End of year	\$ 1,111,278	\$ 490,119	\$ 1,058,524	\$ 747,813	\$ 2,092,980	\$ (216,594)	\$ 3,519,215	\$ 42,829	\$ 753,607	\$ 1,794,462	\$ 11,394,233

Gull Lake Community Schools

Other Supplementary Information Schedule of Bonded Indebtedness

June 30, 2024

Years Ending June 30	2016 School Improvement and Bus Bonds	2017 Refunding Bonds	2018 School Building and Site Bonds	2021 School Building and Site Bonds, Series II
	Principal	Principal	Principal	Principal
2025	\$ 255,000	\$ 1,995,000	\$ 720,000	\$ 395,000
2026	260,000	2,090,000	825,000	395,000
2027	-	2,055,000	1,075,000	400,000
2028	-	2,095,000	1,155,000	400,000
2029	-	2,075,000	1,220,000	365,000
2030	-	2,035,000	1,295,000	365,000
2031	-	-	1,945,000	365,000
2032	-	-	2,030,000	365,000
2033	-	-	2,110,000	365,000
2034	-	-	2,230,000	365,000
2035	-	-	2,270,000	365,000
2036	-	-	2,270,000	365,000
2037	-	-	2,270,000	365,000
2038	-	-	2,270,000	365,000
2039	-	-	2,270,000	365,000
2040	-	-	2,280,000	365,000
2041	-	-	2,280,000	365,000
2042	-	-	2,280,000	370,000
2043	-	-	2,280,000	370,000
2044	-	-	2,280,000	370,000
2045	-	-	2,280,000	370,000
2046	-	-	2,280,000	370,000
2047	-	-	2,280,000	370,000
2048	-	-	2,280,000	370,000
Total remaining payments	\$ 515,000	\$ 12,345,000	\$ 46,475,000	\$ 8,925,000
Principal payments due	May 1	May 1	May 1	May 1
Interest payments due	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1
Interest rate	2.00%	2.35% to 3.10%	2.50% to 5.00%	4.00% to 5.00%
Original issue	\$ 3,150,000	\$ 18,905,000	\$ 47,950,000	\$ 9,685,000