

**GLADSTONE AREA SCHOOLS
DELTA COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Gladstone Area Schools
Gladstone, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gladstone Area Schools, Michigan (the "School District"), as of and for the year ended June 30, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other 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 combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule

of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI
October 28, 2021

Management's Discussion and Analysis

**Gladstone Area Schools
Management's Discussion and Analysis
June 30, 2021**

This section of Gladstone Area Schools (the "School District"), Delta County, Michigan's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2021. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2021.

Financial Highlights

- The liabilities and deferred inflows of the School District exceeded its assets and deferred outflows at the close of this fiscal year by \$(19,546,933) (shown as a deficit *net position*). The School District had a deficit *unrestricted net position* of \$(26,643,687).
- Revenues of \$18,954,294 exceeded expenses of \$18,040,438 leading to an increase in net position of \$913,856 during the year.
- During the year, the School District's fund balances increased by \$1,244,586, for an ending fund balance of \$3,479,194.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,812,808, or 11.7% of the general fund's total expenditures and transfers out. Fund balance of the general fund *increased* by \$860,459 during the year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements, the statement of net position and the statement of activities, are *district-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School District, reporting the School District's operations in more detail than the district-wide statements. *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary

information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund as well as schedules showing the School District's funding status of its pension and OPEB retirement plans.

District-wide Financial Statements

The district-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the School District's net position, and how they have changed. Net position – the difference between the School District's assets, deferred outflows and inflows, and liabilities - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

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

In the district-wide financial statements, the School District's activities are presented as governmental activities. *Governmental activities* include the School District's basic services, such as regular and special education, instructional support, transportation, administration, community services, food service, and athletics. State aid and property taxes finance most of these activities.

Financial Analysis of the School District as a Whole

Cash and investments increased by \$765,981, being similar to the increase in governmental funds' fund balance of \$1,244,586. Receivables increased by \$430,669 as a result of an increase restricted state and federal COVID-19-related grant funding. Accounts payable decreased by \$119,003 as a result of timing of year-end expenses and their payments. Both compensated absences and accrued salaries and benefits increased by \$213,060 and \$151,157, respectively, as a result of the decreased usage of paid time off due to COVID restrictions as well as the timing of the final payroll issuance associated with salaries and wages earned as of June 30 . The total pension liability increase was much greater than the plan fiduciary net position for pension assets resulting in an increase in net pension liability of \$818,749. Pension related deferred outflows and inflows of resources decreased by \$1,687,064 and \$819,750, respectively, as a result of a decrease in changes of assumptions and a decrease in net difference between projected and actual earnings on pension plan investments. The School District had a decrease in proportionate share resulting in a decrease in net OPEB liability of \$1,476,707. OPEB related deferred outflows and inflows of resources increased by \$232,089 and \$983,127, respectively, as a result of an increase in changes of assumptions and an increase in difference between expected and actual experience.

The schedule on the following page summarizes the Schools net position for each of the past two fiscal years.

Gladstone Area Schools' Net Position

| ASSETS | 2021 | 2020 |
|---|------------------------|------------------------|
| <i>Current Assets</i> | | |
| Cash and investments | \$ 4,860,207 | \$ 4,094,226 |
| Receivables | 2,868,178 | 2,437,509 |
| Inventories | 17,005 | 18,635 |
| Prepaid items | 17,882 | 18,164 |
| Total Current Assets | 7,763,272 | 6,568,534 |
| <i>Noncurrent Assets</i> | | |
| Capital assets, net | 13,968,819 | 14,684,803 |
| Total Assets | 21,732,091 | 21,253,337 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related | 6,042,534 | 7,729,598 |
| OPEB related | 2,066,839 | 1,834,750 |
| Total Deferred Outflows of Resources | 8,109,373 | 9,564,348 |
| LIABILITIES | | |
| <i>Current Liabilities</i> | | |
| Accounts payable | 349,595 | 468,598 |
| Accrued salaries and benefits | 1,520,326 | 1,369,169 |
| Unearned revenue | 301,157 | 248,159 |
| Accrued interest | 44,765 | 47,189 |
| Short-term note payable | 2,113,000 | 2,248,000 |
| Current portion of early retirement incentive | 181,612 | 118,370 |
| Current portion of long-term debt | 1,402,727 | 1,437,914 |
| Total Current Liabilities | 5,913,182 | 5,937,399 |
| <i>Noncurrent Liabilities</i> | | |
| Early retirement incentive | 398,652 | 580,264 |
| Long-term debt | 6,477,704 | 7,880,431 |
| Compensated absences | 1,358,356 | 1,145,296 |
| Net pension liability | 27,479,682 | 26,660,933 |
| Net OPEB liability | 4,278,116 | 5,754,823 |
| Total Liabilities | 45,905,692 | 47,959,146 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related | 217,157 | 1,036,907 |
| OPEB related | 3,265,548 | 2,282,421 |
| Total Deferred Inflows of Resources | 3,482,705 | 3,319,328 |
| NET POSITION | | |
| Net investment in capital assets | 6,202,923 | 5,877,582 |
| Restricted | 893,831 | 804,070 |
| Unrestricted | (26,643,687) | (27,142,441) |
| Total Net Position | \$ (19,546,933) | \$ (20,460,789) |

The results of the fiscal year's operations for the School District as a whole are presented in the statement of activities, which shows the change in total net position for the year:

Gladstone Area Schools' Changes in Net Position

| Revenues | 2021 | 2020 |
|--|------------------------|------------------------|
| Program Revenues | | |
| Charges for services | \$ 420,088 | \$ 411,001 |
| Operating grants and contributions | 4,531,821 | 1,559,788 |
| Total Program Revenues | 4,951,909 | 1,970,789 |
| General Revenues | | |
| Property taxes | 3,053,498 | 3,019,131 |
| State aid not restricted for specific purposes | 10,912,273 | 12,557,691 |
| Interest and investment earnings | 36,614 | 63,484 |
| Total General Revenues | 14,002,385 | 15,640,306 |
| Total Revenues | 18,954,294 | 17,611,095 |
| Expenses | | |
| Instruction | 10,592,275 | 12,131,922 |
| Supporting services | 5,577,351 | 5,473,944 |
| Community services | 160,636 | 107,687 |
| Food services | 664,066 | 601,367 |
| Interest and fiscal charges on long-term debt | 228,341 | 322,650 |
| Depreciation (unallocated) | 817,769 | 899,446 |
| Total Expenses | 18,040,438 | 19,537,016 |
| Change in Net Position | 913,856 | (1,925,921) |
| <i>Net Position at Beginning of Period</i> | (20,460,789) | (18,534,868) |
| Net Position at End of Period | \$ (19,546,933) | \$ (20,460,789) |

Operating grants and contributions increased \$2,972,033 as the School District received restricted state and federal COVID-19 related funding. The School District experienced an overall decrease in state aid not restricted for specific purposes by \$1,645,418. Instruction expenses was \$1,539,647 less than the prior year as the pension and OPEB related expenses in the prior year were much greater than the current year.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

The School District utilizes *governmental funds* within this report. Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left

at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the district-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Financial Analysis of the School District's Funds

The School District uses funds to record and analyze financial information. The School District has three major funds.

The ***general fund*** is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,812,808. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 11.7% of total general fund expenditures and transfers out.

The fund balance of the School District's general fund increased by \$860,459 for a total fund balance of \$1,834,426. Significant increases for revenues were within state and federal sources as a result of increased COVID-19 related funding.

General Fund Budgetary Highlights

During the year the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations.

Original budget compared to final budget. There were three significant amendments made to the original budget for either the original estimated revenues or the original appropriated expenditures: basic programs increased from \$7,652,306 to \$8,593,972 to account for the increased labor costs related to instruction services, state sources increased from \$11,871,632 to \$13,271,000 and federal sources increased from \$213,033 to \$1,611,183 to account for the increase in COVID-19 related funding. As mentioned above, the original budget was amended during the year as actual results needed adjusting from the original budgeted estimates.

Final budget compared to actual results. The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2021.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2021, the School District had \$13,968,819 invested in capital assets, a 4.9% decrease in the amount reported from the prior year. This net increase consisted of decreases from depreciation charges of \$817,769 and increases by capital asset purchases of \$101,785.

More detailed information about the School District's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt

At year-end, the School District had total long-term debt of \$7,880,431, down from \$9,318,345. The School District's other long-term obligations are for early retirement incentive and accumulated sick/vacation leave in the amount of \$580,264 and \$1,358,356, respectively.

The State limits the amount of general obligation debt that schools can issue. The School District is well under the State limit as of June 30, 2021.

More detailed information about the School District's long-term debt can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budget and Rates

The School District estimates that approximately \$15.2 million of revenues will be available for appropriation in the general fund in the upcoming budget. The School District continues to review all budget line items for opportunities to reduce expenditures when possible while providing an excellent education to the district it serves. The budget will be monitored during the year to identify any necessary amendments. Additionally, administration and the Board of Education are currently working to determine the significance that the COVID-19 Pandemic will have on the School District's upcoming revenues and expenditures.

Requests for Information

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

Gladstone Area Schools
400 South Tenth Street
Gladstone, MI 49837

Basic Financial Statements

**Gladstone Area Schools
Statement of Net Position
June 30, 2021**

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| <i>Current Assets</i> | |
| Cash and investments | \$ 4,860,207 |
| Receivables | 2,868,178 |
| Inventories | 17,005 |
| Prepaid Items | 17,882 |
| Total Current Assets | 7,763,272 |
| <i>Noncurrent Assets</i> | |
| Capital Assets not being Depreciated | 149,340 |
| Capital Assets Being Depreciated, net | 13,819,479 |
| Total Assets | 21,732,091 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension related | 6,042,534 |
| OPEB related | 2,066,839 |
| Total Deferred Outflows of Resources | 8,109,373 |
| LIABILITIES | |
| <i>Current Liabilities</i> | |
| Accounts payable | 349,595 |
| Accrued salaries and benefits | 1,520,326 |
| Unearned revenue | 301,157 |
| Accrued interest | 44,765 |
| Short-term note payable | 2,113,000 |
| Current portion of early retirement incentive | 181,612 |
| Current portion of long-term debt | 1,402,727 |
| Total Current Liabilities | 5,913,182 |
| <i>Noncurrent Liabilities</i> | |
| Early retirement incentive | 398,652 |
| Long-term debt | 6,477,704 |
| Compensated absences | 1,358,356 |
| Net pension liability | 27,479,682 |
| Net OPEB liability | 4,278,116 |
| Total Liabilities | 45,905,692 |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension related | 217,157 |
| OPEB related | 3,265,548 |
| Total Deferred Inflows of Resources | 3,482,705 |
| NET POSITION | |
| Net investment in capital assets | 6,202,923 |
| <i>Restricted for:</i> | |
| Debt service | 741,745 |
| Food services | 152,086 |
| <i>Unrestricted</i> | (26,643,687) |
| Total Net Position | \$ (19,546,933) |

The Notes to the Financial Statements are an integral part of these Financial Statements

**Gladstone Area Schools
Statement of Activities
For the Year Ended June 30, 2021**

| Functions/Programs | Expenses | Program Revenues | | | Net Revenue (Expense) |
|--|----------------------|-------------------------|--|--|--------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| Instruction | \$ 10,592,275 | \$ 175,545 | \$ 3,661,480 | \$ -- | \$ (6,755,250) |
| Supporting services | 5,577,351 | 143,998 | 39,463 | -- | (5,393,890) |
| Community services | 160,636 | 61,774 | 64,819 | -- | (34,043) |
| Food services | 664,066 | 38,771 | 766,059 | -- | 140,764 |
| Debt service - interest and fiscal charges | 228,341 | -- | -- | -- | (228,341) |
| Depreciation (unallocated) | 817,769 | -- | -- | -- | (817,769) |
| Total Governmental Activities | \$ 18,040,438 | \$ 420,088 | \$ 4,531,821 | \$ -- | (13,088,529) |
| General Purpose Revenues: | | | | | |
| | | | | | 10,912,273 |
| | | | | | 1,396,212 |
| | | | | | 1,657,286 |
| | | | | | 36,614 |
| | | | | | <u>14,002,385</u> |
| | | | | | 913,856 |
| | | | | | <u>(20,460,789)</u> |
| | | | | | \$ 19,546,933 |

The Notes to the Financial Statements are an integral part of these Financial Statements

**Gladstone Area Schools
Balance Sheet
Governmental Funds
June 30, 2021**

| | General | Other Governmental Funds | Total Governmental Funds |
|--|----------------------------|---|---|
| ASSETS | | | |
| Cash and investments | \$ 3,648,205 | \$ 1,212,002 | \$ 4,860,207 |
| Receivables | 2,842,397 | 25,781 | 2,868,178 |
| Inventories | 4,220 | 12,785 | 17,005 |
| Prepaid Items | 17,398 | 484 | 17,882 |
| Due from other funds | 67 | 475,373 | 475,440 |
| <i>Total Assets</i> | <u>\$ 6,512,287</u> | <u>\$ 1,726,425</u> | <u>\$ 8,238,712</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 313,562 | \$ 36,033 | \$ 349,595 |
| Accrued salaries and benefits | 1,490,413 | 29,913 | 1,520,326 |
| Unearned revenue | 301,157 | -- | 301,157 |
| Short-term note payable | 2,113,000 | -- | 2,113,000 |
| Due to other funds | 459,729 | 15,711 | 475,440 |
| <i>Total Liabilities</i> | <u>4,677,861</u> | <u>81,657</u> | <u>4,759,518</u> |
| FUND BALANCE | | | |
| Nonspendable | 21,618 | 13,269 | 34,887 |
| Restricted | -- | 995,137 | 995,137 |
| Committed | -- | 183,406 | 183,406 |
| Assigned | -- | 452,956 | 452,956 |
| Unassigned | 1,812,808 | -- | 1,812,808 |
| <i>Total Fund Balance</i> | <u>1,834,426</u> | <u>1,644,768</u> | <u>3,479,194</u> |
| <i>Total Liabilities and Fund Balance</i> | <u>\$ 6,512,287</u> | <u>\$ 1,726,425</u> | <u>\$ 8,238,712</u> |

The Notes to the Financial Statements are an integral part of these Financial Statements

Gladstone Area Schools
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

| | |
|---|-------------------------------|
| Total Fund Balance - Governmental Funds | \$ 3,479,194 |
| General government capital assets of \$31,591,531, net of accumulated depreciation of \$17,622,712, are not financial resources and, accordingly, are not reported in the funds. | 13,968,819 |
| Compensated absences and early retirement incentive payable are not due and payable in the current period and, therefore, are not reported in the funds. | (1,938,620) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This amount represents the sum of bonds payable (net of bond premiums) of \$7,420,937 and energy bonds of \$459,494. | (7,880,431) |
| Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds. | (44,765) |
| Other postemployment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds. | (5,476,825) |
| Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds. | (21,654,305) |
| Total Net Position-Governmental Activities | \$ <u>(19,546,933)</u> |

The Notes to the Financial Statements are an integral part of these Financial Statements

Gladstone Area Schools
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---|---|
| Revenues | | | |
| Local sources | \$ 1,571,761 | \$ 1,947,563 | \$ 3,519,324 |
| State sources | 13,205,495 | 9,298 | 13,214,793 |
| Federal sources | 1,360,554 | 743,477 | 2,104,031 |
| Interdistrict | 116,146 | -- | 116,146 |
| Total Revenues | 16,253,956 | 2,700,338 | 18,954,294 |
| Expenditures | | | |
| Instruction | 9,606,660 | -- | 9,606,660 |
| Supporting services | 5,555,669 | 111,729 | 5,667,398 |
| Community services | 9,877 | 107,683 | 117,560 |
| Food services | -- | 649,411 | 649,411 |
| Debt service - principal | 107,727 | 1,245,000 | 1,352,727 |
| Debt service - interest and fiscal charges | -- | 315,952 | 315,952 |
| Total Expenditures | 15,279,933 | 2,429,775 | 17,709,708 |
| Excess of Revenues Over (Under) Expenditures | 974,023 | 270,563 | 1,244,586 |
| Other Financing Sources (Uses) | | | |
| Transfers in from other funds | 36,442 | 150,006 | 186,448 |
| Transfers to other funds | (150,006) | (36,442) | (186,448) |
| Net Other Financing Sources (Uses) | (113,564) | 113,564 | -- |
| Net Change in Fund Balance | 860,459 | 384,127 | 1,244,586 |
| Fund Balance at Beginning of Period | 973,967 | 1,260,641 | 2,234,608 |
| Fund Balance at End of Period | \$ 1,834,426 | \$ 1,644,768 | \$ 3,479,194 |

The Notes to the Financial Statements are an integral part of these Financial Statements

Gladstone Area Schools
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2021

| | |
|--|--------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 1,244,586 |
|--|--------------|

| | |
|--|-----------|
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This represents the amount by which depreciation expense of \$817,769 exceeds capital additions of \$101,785. | (715,984) |
|--|-----------|

| | |
|--|----------|
| In the statement of activities expenses for compensated absences and special termination benefits for early retirement are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount paid out during the year. | (94,690) |
|--|----------|

| | |
|---|-----------|
| Repayments of principal on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. | 1,437,914 |
|---|-----------|

| | |
|--|-------|
| In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest. | 2,424 |
|--|-------|

| | |
|--|---------|
| The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions. | 725,669 |
|--|---------|

| | |
|--|-------------|
| The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions. | (1,686,063) |
|--|-------------|

| | |
|--|--------------------------|
| Changes in Net Position-Governmental Activities | \$ <u>913,856</u> |
|--|--------------------------|

The Notes to the Financial Statements are an integral part of these Financial Statements

Gladstone Area Schools
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

| | <u>Custodial</u> | <u>Private Purpose Trust</u> |
|---|------------------|----------------------------------|
| ASSETS | | |
| Cash and investments | \$ 1,236,224 | \$ 27,632 |
| Receivables | -- | 500 |
| <i>Total Assets</i> | <u>1,236,224</u> | <u>28,132</u> |
| LIABILITIES | | |
| Accounts payable | -- | 20,745 |
| Undistributed collections | 1,236,224 | -- |
| <i>Total Liabilities</i> | <u>1,236,224</u> | <u>20,745</u> |
| NET POSITION | | |
| Restricted for scholarships and health services | \$ -- | \$ 7,387 |

The Notes to the Financial Statements are an integral part of these Financial Statements

Gladstone Area Schools
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

| | <u>Custodial</u> | <u>Private Purpose Trust</u> |
|---|------------------|----------------------------------|
| Additions | | |
| Foundation trust collections | \$ 290 | \$ -- |
| Energy bond trust collections | 110,412 | -- |
| Gifts and contributions | -- | 20,907 |
| Interest earned | -- | 163 |
| <i>Total Additions</i> | <u>110,702</u> | <u>21,070</u> |
| Deductions | | |
| Foundation trust distributions | 290 | -- |
| Energy bond trust distributions | 110,412 | -- |
| Scholarships awarded | -- | 20,745 |
| Other expenses | -- | 790 |
| <i>Total Deductions</i> | <u>110,702</u> | <u>21,535</u> |
| <i>Change in Net Position</i> | <u>--</u> | <u>(465)</u> |
| <i>Net Position at Beginning of Period</i> | -- | 7,852 |
| <i>Net Position at End of Period</i> | <u>\$ --</u> | <u>\$ 7,387</u> |

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

Gladstone Area Schools

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Gladstone Area Schools (the “School District” or “government”) conform to generally accepted accounting principles as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District’s significant accounting policies are described below:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the School District does not contain any component units.

District-wide and Fund Financial Statements

The district-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 government. For the most part, the effect of interfund activity has been removed from these statements. The district-wide statements report *governmental activities*, which normally are supported by taxes and intergovernmental revenues.

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

Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

Gladstone Area Schools

Notes to the Financial Statements

recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual are property taxes, state aid, federal, and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School District reports one major fund:

The ***general fund*** is the general operating fund of the School District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Additionally, the School District reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, and leases) principal, interest, and related costs.

Capital projects funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Private purpose trust funds are used to account for the receipts and expenditures of assets held under a trust agreement.

Custodial funds are used to account for assets held by the District as trustee or agent for individuals, private organizations, and other governmental units.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Gladstone Area Schools

Notes to the Financial Statements

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 functional level for special revenue funds and the department level for the general fund. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrances (e.g., purchase orders and contracts) outstanding at year end 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.

Property Taxes

Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. Assessed values are established annually by the various governmental units within the School District and are equalized by the State of Michigan. The School District maximum tax rates are 18.00 mills per \$1,000 taxable value on non-homestead property for general operations and 6.20 mills per \$1,000 taxable value on both homestead and non-homestead property for debt retirement. The School District also levies 6.00 mills on commercial personal property.

Assets, Deferred Outflows/Inflows, Liabilities, and Fund Equity

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and School District policy authorize the School District to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Gladstone Area Schools

Notes to the Financial Statements

- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

Prepaid Items

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

Inventories

Inventories are stated at cost (purchase price), whereas inventories held for resale are stated at lower of cost or market. Cost is determined by the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when purchased.

Gladstone Area Schools

Notes to the Financial Statements

Capital Assets

Capital assets, which include land, outside site improvements, buildings and additions, furniture and other equipment, and vehicles are reported in the district-wide financial statements. Assets having a useful life in excess of five years and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, furniture and equipment and vehicles are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-------------------------------|---------------|
| Land improvements | 15 - 20 years |
| Buildings and additions | 20 - 50 years |
| Buses and other vehicles | 8 years |
| Furniture and other equipment | 5 - 15 years |

Pension

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Gladstone Area Schools

Notes to the Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualifies for reporting in this category. It is pension and other postemployment benefits related items reporting in the district-wide statement of net position, these amounts are expensed in the year in which they apply.

Deferred Inflows of Resources

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

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for the employee health insurance premiums for the months of July and August. The School District pays these insurances for this period as part of the compensation for services rendered in the preceding school year.

Compensated Absences

School District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave accumulate from year to year at varying rates, depending on the employees' applicable rate of pay and/or employment category. The liability for compensated absences includes salary-related payments.

In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the district-wide financial statements.

Gladstone Area Schools

Notes to the Financial Statements

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payable are reported at the total amount of bonds issued.

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

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary 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 – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

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

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. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The School District itself can

Gladstone Area Schools

Notes to the Financial Statements

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 government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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

Unassigned fund balance is the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated. The School District's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the department level. The approved budgets of the School District for these budgeted funds were also adopted at the department level.

Gladstone Area Schools

Notes to the Financial Statements

Budgetary compliance – The School District had no expenditures in excess of the amounts appropriated for the year ended June 30, 2021.

District-wide Deficit

The School District had an unrestricted net position deficit and a total net position deficit in the amount of \$(26,643,687) and \$(19,546,933), respectively, for district-wide activities as of June 30, 2021. The primary cause for the unrestricted net position deficit is the School District's net pension liability and net OPEB liability.

Capital Projects Fund Compliance

The energy bonds capital projects fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of 1351a of the State of Michigan's Revised School Code.

Note 3 - Cash and Investments

The School District maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts. Following is a reconciliation of deposit and investment balances as of June 30, 2021:

| | |
|--|---------------------|
| Statement of net position | |
| Cash and investments | \$ 4,860,207 |
| Statement of fiduciary net position | |
| Cash and investments - custodial | 1,236,224 |
| Cash and investments - private purpose trust | 27,632 |
| Total cash and investments | \$ 6,124,063 |
| Deposits and investments | |
| Checking and savings accounts | \$ 6,122,576 |
| Cash on hand | 1,487 |
| Total deposits and investments | \$ 6,124,063 |

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be returned. State law does not require, and the School District does not have a policy for deposit custodial credit risk. As of year-end, \$5,730,644 of the School District's bank balance of \$6,402,553 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School District believes it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Gladstone Area Schools

Notes to the Financial Statements

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances as of June 30, 2021 consisted of fund receivables and payables listed below:

| <u>Fund</u> | <u>Receivable</u> | <u>Payable</u> |
|-------------------|-------------------|-------------------|
| Technology | \$ 189,307 | \$ - |
| Public library | - | 14,982 |
| Debt service | - | 729 |
| Major maintenance | 259,865 | - |
| School lunch | 26,201 | - |
| General | 67 | 459,729 |
| | <u>\$ 475,440</u> | <u>\$ 475,440</u> |

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

The following schedule summarizes the operating transfers during the year:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|--------------------|---------------------|---------------|
| Technology | General | \$ 75,000 |
| Major maintenance | General | 75,000 |
| Athletic - general | General | 216,522 |
| General | School lunch | 36,436 |

Interfund transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 5 - State of Michigan School Aid

The School District reports State of Michigan school aid in the fiscal year in which the School District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided approximately 69.6% of the total revenues to the School District during the June 30, 2021 fiscal year.

Note 6 - 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

Gladstone Area Schools

Notes to the Financial Statements

also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue include charges for services payments received prior to meeting all eligibility requirements in the amount of \$301,157.

Note 7 - Capital Assets

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

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--|----------------------|---------------------|-----------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 149,340 | \$ - | \$ - | \$ 149,340 |
| <i>Subtotal</i> | <u>149,340</u> | <u>-</u> | <u>-</u> | <u>149,340</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 371,267 | - | - | 371,267 |
| Buildings and additions | 28,338,246 | 7,020 | - | 28,345,266 |
| Buses and other vehicles | 1,314,037 | 89,465 | (13,030) | 1,390,472 |
| Furniture and other equipment | 1,329,886 | 5,300 | - | 1,335,186 |
| <i>Subtotal</i> | <u>31,353,436</u> | <u>101,785</u> | <u>(13,030)</u> | <u>31,442,191</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | (291,533) | (10,500) | - | (302,033) |
| Buildings and additions | (14,613,977) | (635,174) | - | (15,249,151) |
| Buses and other vehicles | (1,021,295) | (84,433) | 13,030 | (1,092,698) |
| Furniture and other equipment | (891,168) | (87,662) | - | (978,830) |
| <i>Subtotal</i> | <u>(16,817,973)</u> | <u>(817,769)</u> | <u>13,030</u> | <u>(17,622,712)</u> |
| Capital assets being depreciated, net | <u>14,535,463</u> | <u>(715,984)</u> | <u>-</u> | <u>13,819,479</u> |
| Capital assets, net | <u>\$ 14,684,803</u> | <u>\$ (715,984)</u> | <u>\$ -</u> | <u>\$ 13,968,819</u> |

Depreciation expense for the fiscal year amounted to \$817,769. The School District determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

Note 8 - State Aid Anticipation Notes

During the year ended June 30, 2021, the School District was approved for borrowings of \$2,213,000 for cash flow needs. The following schedule summarizes the short-term debt:

| | Interest Rate | Maturity | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------------------|---------------|----------|----------------------|---------------------|-----------------------|---------------------|------------------------|
| Short-term obligations | | | | | | | |
| Tax anticipation note 2020 | N/A | 2021 | 2,248,000 | - | (2,248,000) | - | - |
| Tax anticipation note 2021 | 0.70% | 2022 | - | 150,000 | - | 150,000 | 150,000 |
| Tax anticipation note 2021 | 0.25% | 2022 | - | 2,063,000 | (100,000) | 1,963,000 | 1,963,000 |
| Total short-term obligations | | | <u>\$ 2,248,000</u> | <u>\$ 2,213,000</u> | <u>\$ (2,348,000)</u> | <u>\$ 2,113,000</u> | <u>\$ 2,113,000</u> |

Gladstone Area Schools

Notes to the Financial Statements

Note 9 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include energy conservation improvement bonds, early retirement incentive, and accrued compensated absences.

General obligation direct placement bonds consist of:

2014 refunding bonds issued February 26, 2014 to refund the November 8, 2004 issue; due in annual installments varying from \$275,000 to \$400,000, with interest due semi-annually at variable rates from 2.00% - 3.50%. The final principal payment is due May 1, 2026. \$ 1,475,000

2018 refunding bonds issued January 10, 2018 to refund the 2012 building and site bonds and the 2008 refunding bonds; due in annual installments varying from \$810,000 to \$1,235,000, with interest due semi-annually at a rate of 4.00%. The final payment is due on May 1, 2026. 5,520,000

Total general obligation bonds \$ 6,995,000

2009 \$1,644,491 energy conservation improvement bonds payable in annual installments of \$107,727, with the final payment due July 2024, not including interest earned on the deposits at 0.25%. \$ 459,494

Long-term obligation activity can be summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|-----------------------|---------------------|------------------------|
| General obligation bonds | | | | | |
| 2014 refunding bonds | \$ 1,800,000 | \$ - | \$ (325,000) | \$ 1,475,000 | \$ 315,000 |
| 2018 refunding bonds | 6,440,000 | - | (920,000) | 5,520,000 | 980,000 |
| Bonds premium | 511,124 | | (85,187) | 425,937 | - |
| <i>Total general obligation bonds</i> | <u>8,751,124</u> | <u>-</u> | <u>(1,330,187)</u> | <u>7,420,937</u> | <u>1,295,000</u> |
| 2009 energy conservation improvement bonds | 567,221 | - | (107,727) | 459,494 | 107,727 |
| Total long-term debt | <u>\$ 9,318,345</u> | <u>\$ -</u> | <u>\$ (1,437,914)</u> | <u>\$ 7,880,431</u> | <u>\$ 1,402,727</u> |
| Early retirement incentive | <u>\$ 698,634</u> | <u>\$ -</u> | <u>\$ (118,370)</u> | <u>\$ 580,264</u> | <u>\$ 181,612</u> |
| Compensated absences | <u>\$ 1,145,296</u> | <u>\$ 213,060</u> | <u>\$ -</u> | <u>\$ 1,358,356</u> | <u>\$ -</u> |

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Annual debt service requirements, exclusive of early retirement incentive, compensated absences, and bond premiums, for long-term debt outstanding as of June 30, 2021 follows:

| Year Ending June 30, | Long-term Debt | Early Retirement Incentive | Total Principal | Total Interest |
|---------------------------------|---------------------------|---|----------------------------|---------------------------|
| 2022 | \$ 1,402,727 | \$ 181,612 | \$ 1,584,339 | \$ 268,588 |
| 2023 | 1,452,727 | 149,769 | 1,602,496 | 219,938 |
| 2024 | 1,502,727 | 114,933 | 1,617,660 | 169,188 |
| 2025 | 1,557,727 | 73,533 | 1,631,260 | 115,600 |
| 2026 | 1,538,586 | 32,517 | 1,571,103 | 59,026 |
| 2027-2029 | - | 27,900 | 27,900 | - |
| | <u>\$ 7,454,494</u> | <u>\$ 580,264</u> | <u>\$ 8,034,758</u> | <u>\$ 832,340</u> |

Note 10 - Pension Plan

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for

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Notes to the Financial Statements

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020.

| <u>Benefit Structure</u> | <u>Member</u> | <u>Non-Universities</u> |
|---------------------------------|----------------------|--------------------------------|
| Basic | 0.0 - 4.0% | 19.41% |
| Member investment plan | 3.0 - 7.0% | 19.41% |
| Pension plus | 3.0 - 6.4% | 16.46% |
| Pension plus 2 | 6.2% | 19.59% |
| Defined contribution | 0.0% | 13.39% |

Required contributions to the pension plan from the School District were \$2,198,409 for the year ended September 30, 2020.

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

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Notes to the Financial Statements

At June 30, 2021, the School District reported a liability of \$27,479,682 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was 0.08000%, which was a decrease of 0.00051% from its proportion measured as of September 30, 2019.

For the year ending June 30, 2021, the School District recognized pension expense of \$4,217,206. As of June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between actual and expected experience | \$ 419,867 | \$ 58,651 |
| Changes of assumptions | 3,045,014 | - |
| Net difference between projected and actual earnings on pension plan investments | 115,457 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 255,427 | 158,506 |
| Employer contributions subsequent to the measurement date | 2,206,769 | - |
| Total | \$ 6,042,534 | \$ 217,157 |

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Plan Year Ended September 30 | Amount: |
|---|----------------|
| 2021 | \$ 1,715,094 |
| 2022 | 1,158,405 |
| 2023 | 575,564 |
| 2024 | 169,545 |

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at

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Notes to the Financial Statements

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

| | |
|-------------------------------------|---|
| Valuation Date: | September 30, 2019 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 2.75% |
| Investment Rate of Return: | |
| - MIP and Basic Plans: | 6.80%, net of investment expenses |
| - Pension Plus Plan: | 6.80%, net of investment expenses |
| - Pension Plus 2 Plan: | 6.00%, net of investment expenses |
| Projected Salary Increases: | 2.75 - 11.55%, including wage inflation at 2.75% |
| Cost-of-Living Pension Adjustments: | 3% Annual Non-Compounded for MIP Members |
| Mortality: | |
| Retirees: | RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Active Members: | P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return* |
|--------------------------------------|--------------------------|--|
| Domestic equity pools | 25.0% | 5.6% |
| Private equity pools | 16.0 | 9.3 |
| International equity pools | 15.0 | 7.4 |
| Fixed income pools | 10.5 | 0.5 |
| Real estate and infrastructure pools | 10.0 | 4.9 |
| Absolute return pools | 9.0 | 3.2 |
| Real return/opportunistic pools | 12.5 | 6.6 |
| Short-term investment pools | 2.0 | 0.1 |
| Total | 100.0% | |

*Long-term rates of return are net of administrative expenses and 2.30% inflation.

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these

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assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate

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

| 1% Decrease (Non-Hybrid/Hybrid) | Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) | 1% Increase (Non-Hybrid/Hybrid) |
|--|--|--|
| 5.8% / 5.8% / 5.0% | 6.8% / 6.8% / 6.0% | 7.8% / 7.8% / 7.0% |
| \$35,567,786 | \$27,479,682 | \$20,776,446 |

* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.

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

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

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan

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Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

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

Benefits Provided

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

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

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

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Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2020.

| Benefit Structure | Member | Non-Universities |
|--------------------------------|---------------|-------------------------|
| Premium subsidy | 3.00% | 8.09% |
| Personal healthcare fund (PHF) | 0.00% | 7.57% |

Required contributions to the OPEB plan from the School District were \$564,205 for the year ended September 30, 2020.

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

As of June 30, 2021, the School District reported a liability of \$4,278,116 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was 0.07986%, which was a decrease of 0.00032% from its proportion measured as of September 30, 2019.

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For the year ending June 30, 2021, the School District recognized OPEB expense of \$(95,607). At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between actual and expected experience | \$ - | \$ 3,187,596 |
| Changes of assumptions | 1,410,580 | - |
| Net difference between projected and actual earnings on pension plan investments | 35,706 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 112,761 | 77,952 |
| Employer contributions subsequent to the measurement date | 507,792 | - |
| Total | \$ 2,066,839 | \$ 3,265,548 |

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Plan Year Ended September 30 | Amount: |
|---|----------------|
| 2021 | \$ (450,186) |
| 2022 | (400,634) |
| 2023 | (339,448) |
| 2024 | (289,737) |
| 2025 | (226,496) |

Actuarial Assumptions

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

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

| | |
|---------------------------------|---|
| Valuation Date: | September 30, 2019 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 2.75% |
| Investment Rate of Return: | 6.95%, net of investment expenses |
| Projected Salary Increases: | 2.75 - 11.55%, including wage inflation at 2.75% |
| Healthcare Cost Trend Rate: | 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120 |
| Mortality: | |
| Retirees: | RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Active Members: | RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Other Assumptions: | |
| Opt-Out Assumption | 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan. |
| Survivor Coverage | 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death |
| Coverage Election at Retirement | 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents. |

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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Notes to the Financial Statements

Long-term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return* |
|--------------------------------------|--------------------------|--|
| Domestic equity pools | 25.0% | 5.6% |
| Private equity pools | 16.0 | 9.3 |
| International equity pools | 15.0 | 7.4 |
| Fixed income pools | 10.5 | 0.5 |
| Real estate and infrastructure pools | 10.0 | 4.9 |
| Absolute return pools | 9.0 | 3.2 |
| Real return/opportunistic pools | 12.5 | 6.6 |
| Short-term investment pools | 2.0 | 0.1 |
| <i>Total</i> | 100.0% | |

*Long-term rates of return are net of administrative expenses and 2.10% inflation.

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

| 1% Decrease | Current Discount Rate | 1% Increase |
|--------------------|------------------------------|--------------------|
| 5.95% | 6.95% | 7.95% |
| <u>\$5,495,726</u> | <u>\$4,278,116</u> | <u>\$3,252,990</u> |

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

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

| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|--------------------|---|--------------------|
| <u>\$3,213,740</u> | <u>\$4,278,116</u> | <u>\$5,488,712</u> |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Note 12 - Risk Management

The School District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring property and casualty. The pool is considered a public entity risk pool. The School District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The School District has not been informed of any special assessments being required. The School District had no outstanding claims that exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years. The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

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Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 14 - Fund Balance – Governmental Funds

The School District reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

| | General Fund | Nonmajor Governmental Funds | Totals |
|---|-------------------------|--|---------------------|
| Nonspendable | | | |
| Inventories | \$ 4,220 | \$ 12,785 | \$ 17,005 |
| Prepaid items | 17,398 | 484 | 17,882 |
| <i>Subtotal</i> | <u>21,618</u> | <u>13,269</u> | <u>34,887</u> |
| Restricted | | | |
| Food services | - | 138,857 | 138,857 |
| Capital projects | - | 114,535 | 114,535 |
| Debt service | - | 741,745 | 741,745 |
| <i>Subtotal</i> | <u>-</u> | <u>995,137</u> | <u>995,137</u> |
| Committed | | | |
| Student activities | - | 183,406 | 183,406 |
| <i>Subtotal</i> | <u>-</u> | <u>183,406</u> | <u>183,406</u> |
| Assigned | | | |
| Public library | - | 3,784 | 3,784 |
| Technology | - | 189,307 | 189,307 |
| Major maintenance | - | 259,865 | 259,865 |
| <i>Subtotal</i> | <u>-</u> | <u>452,956</u> | <u>452,956</u> |
| Unassigned | <u>1,812,808</u> | <u>-</u> | <u>1,812,808</u> |
| Total fund balances - governmental funds | <u>\$ 1,834,426</u> | <u>\$ 1,644,768</u> | <u>\$ 3,479,194</u> |

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Notes to the Financial Statements

Note 15 - Subsequent Events and Commitments

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted business operations. During the 2020-2021 fiscal year, the School District's operations were significantly impacted, as shelter-in-place orders and government mandates impacted census volumes. The School District has moved to mitigate the impact by managing the workforce, actively managing cash balances, and implementing other cost reduction measures.

Required Supplementary Information

Gladstone Area Schools
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended June 30, 2021

| | Budgeted Amounts | | | Variance Favorable (Unfavorable) Final to Actual |
|---|-------------------------|---------------------|---------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Local sources | \$ 1,665,574 | \$ 1,663,645 | \$ 1,571,761 | \$ (91,884) |
| State sources | 11,871,632 | 13,271,000 | 13,205,495 | (65,505) |
| Federal sources | 213,033 | 1,611,183 | 1,360,554 | (250,629) |
| Interdistrict | 45,154 | 93,214 | 116,146 | 22,932 |
| Total Revenues | 13,795,393 | 16,639,042 | 16,253,956 | (385,086) |
| Other Financing Sources | | | | |
| Transfers in from other funds | - | - | 36,442 | 36,442 |
| Total Expenditures and Other Financing Sources | 13,795,393 | 16,639,042 | 16,290,398 | (348,644) |
| Expenditures | | | | |
| Instruction | | | | |
| Basic programs | 7,652,306 | 8,593,972 | 8,198,993 | 394,979 |
| Added needs | 1,469,039 | 1,486,278 | 1,407,667 | 78,611 |
| Total Instruction | 9,121,345 | 10,080,250 | 9,606,660 | 473,590 |
| Supporting Services | | | | |
| Pupil | 578,034 | 564,732 | 555,466 | 9,266 |
| Instructional staff | 304,728 | 857,320 | 726,579 | 130,741 |
| General administration | 367,817 | 387,146 | 368,330 | 18,816 |
| School administration | 1,208,475 | 1,359,777 | 1,230,704 | 129,073 |
| Business services | 325,539 | 329,890 | 282,589 | 47,301 |
| Operations and maintenance | 1,351,166 | 1,439,626 | 1,313,938 | 125,688 |
| Pupil transportation services | 751,932 | 833,869 | 799,282 | 34,587 |
| Athletics | 273,456 | 250,000 | 229,512 | 20,488 |
| Other support services | 54,842 | 51,426 | 49,269 | 2,157 |
| Total Supporting Services | 5,215,989 | 6,073,786 | 5,555,669 | 518,117 |
| Community services | 10,000 | 10,000 | 9,877 | 123 |
| Debt service | 107,727 | 107,727 | 107,727 | -- |
| Total Expenditures | 14,455,061 | 16,271,763 | 15,279,933 | 991,830 |
| Other Financing Uses | | | | |
| Transfers out to other funds | 130,786 | 150,090 | 150,006 | 84 |
| Total Expenditures and Other Financing Uses | 14,585,847 | 16,421,853 | 15,429,939 | 991,914 |
| Excess (Deficiency) of Revenues Over Expenditures and Other Uses | (790,454) | 217,189 | 860,459 | 643,270 |
| Net Change in Fund Balance | (790,454) | 217,189 | 860,459 | 643,270 |
| Fund Balance at Beginning of Period | 973,967 | 973,967 | 973,967 | -- |
| Fund Balance at End of Period | \$ 183,513 | \$ 1,191,156 | \$ 1,834,426 | \$ 643,270 |

Gladstone Area Schools
Schedule of School District's Proportionate Share of Net Pension Liability
Michigan Public School Employee Retirement Plan
Last Seven Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| School District's Portion of Net Pension Liability (%) | 0.08000% | 0.08051% | 0.07981% | 0.07841% | 0.07681% | 0.07489% | 0.07448% |
| School District's Proportionate Share of Net Pension Liability | \$ 27,479,682 | \$ 26,660,933 | \$ 23,993,301 | \$ 20,320,582 | \$ 19,164,317 | \$ 18,291,881 | \$ 16,406,207 |
| School District's Covered Payroll | \$ 7,076,838 | \$ 7,001,327 | \$ 6,872,056 | \$ 6,597,679 | \$ 6,535,562 | \$ 6,388,473 | \$ 6,269,009 |
| School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll | 388.30% | 380.80% | 349.14% | 308.00% | 293.23% | 286.33% | 261.70% |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% | 63.17% | 66.20% |

Gladstone Area Schools
Schedule of School District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last Seven School District Fiscal Years (Amounts determined as of June 30 of each year)

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Statutorily Required Contributions | \$ 2,198,409 | \$ 2,159,653 | \$ 2,146,639 | \$ 1,839,241 | \$ 1,724,885 | \$ 1,444,724 | \$ 1,329,216 |
| Contributions in Relation to Statutorily Required Contributions | <u>2,198,409</u> | <u>2,159,653</u> | <u>2,146,639</u> | <u>1,839,241</u> | <u>1,724,885</u> | <u>1,444,724</u> | <u>1,329,216</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District's Covered Payroll | \$ 7,107,436 | \$ 7,045,356 | \$ 7,065,549 | \$ 6,794,759 | \$ 6,504,330 | \$ 6,432,565 | \$ 6,450,399 |
| Contributions as a Percentage of Covered Payroll | 30.93% | 30.65% | 30.38% | 27.07% | 26.52% | 22.46% | 20.61% |

Gladstone Area Schools
Schedule of School District's Proportionate Share of Net OPEB Liability
Michigan Public School Employee Retirement Plan
Last Four Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|--------------|--------------|
| School District's Portion of Net OPEB Liability (%) | 0.07986% | 0.08018% | 0.08081% | 0.07835% |
| School District's Proportionate Share of Net OPEB Liability | \$ 4,278,116 | \$ 5,754,823 | \$ 6,423,395 | \$ 6,938,254 |
| School District's Covered Payroll | \$ 7,076,838 | \$ 7,001,327 | \$ 6,872,056 | \$ 6,597,679 |
| School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll | 60.45% | 82.20% | 93.47% | 105.16% |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 59.44% | 48.46% | 42.95% | 36.39% |

Gladstone Area Schools
Schedule of School District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last Four School District Fiscal Years (Amounts determined as of June 30 of each year)

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------|----------------|----------------|----------------|
| Statutorily Required Contributions | \$ 564,205 | \$ 579,341 | \$ 550,619 | \$ 609,987 |
| Contributions in Relation to Statutorily Required Contributions | <u>564,205</u> | <u>579,341</u> | <u>550,619</u> | <u>609,987</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District's Covered Payroll | \$ 7,107,436 | \$ 7,045,356 | \$ 7,065,549 | \$ 6,794,759 |
| Contributions as a Percentage of Covered Payroll | 7.94% | 8.22% | 7.79% | 8.98% |

Combining and Individual Fund Statements and Schedules

Gladstone Area Schools
General Fund Combining Balance Sheet
All Funds Treated as General
June 30, 2021

| | <u>Athletic</u> | <u>General</u> | <u>Total General Funds</u> |
|--|-------------------------|----------------------------|--------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 23,370 | \$ 3,624,835 | \$ 3,648,205 |
| Receivables | -- | 2,842,397 | 2,842,397 |
| Inventories | 4,220 | -- | 4,220 |
| Prepaid Items | 81 | 17,317 | 17,398 |
| Due from other funds | -- | 67 | 67 |
| <i>Total Assets</i> | <u>\$ 27,671</u> | <u>\$ 6,484,616</u> | <u>\$ 6,512,287</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 1,809 | \$ 311,753 | \$ 313,562 |
| Accrued salaries and benefits | 2,973 | 1,487,440 | 1,490,413 |
| Unearned revenue | -- | 301,157 | 301,157 |
| Short-term note payable | -- | 2,113,000 | 2,113,000 |
| Due to other funds | 22,889 | 436,840 | 459,729 |
| <i>Total Liabilities</i> | <u>27,671</u> | <u>4,650,190</u> | <u>4,677,861</u> |
| FUND BALANCE | | | |
| Nonspendable | 4,301 | 17,317 | 21,618 |
| Unassigned | (4,301) | 1,817,109 | 1,812,808 |
| <i>Total Fund Balance</i> | <u>--</u> | <u>1,834,426</u> | <u>1,834,426</u> |
| <i>Total Liabilities and Fund Balance</i> | <u>\$ 27,671</u> | <u>\$ 6,484,616</u> | <u>\$ 6,512,287</u> |

Gladstone Area Schools
General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Funds Treated as General
For the Year Ended June 30, 2021

| | <u>Athletic</u> | <u>General</u> | <u>Elimination</u> | <u>Total General Funds</u> |
|---|------------------|---------------------|--------------------|--------------------------------|
| Revenues | | | | |
| Local sources | \$ 12,990 | \$ \$ 1,558,771 | \$ -- | \$ 1,571,761 |
| State sources | -- | 13,205,495 | -- | 13,205,495 |
| Federal sources | -- | 1,360,554 | -- | 1,360,554 |
| Interdistrict | -- | 116,146 | -- | 116,146 |
| Total Revenues | <u>12,990</u> | <u>16,240,966</u> | <u>--</u> | <u>16,253,956</u> |
| Expenditures | | | | |
| Instruction | -- | 9,606,660 | -- | 9,606,660 |
| Supporting services | 229,512 | 5,326,157 | -- | 5,555,669 |
| Community services | -- | 9,877 | -- | 9,877 |
| Debt service - principal | -- | 107,727 | -- | 107,727 |
| Total Expenditures | <u>229,512</u> | <u>15,050,421</u> | <u>--</u> | <u>15,279,933</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(216,522)</u> | <u>1,190,545</u> | <u>--</u> | <u>974,023</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 216,522 | 36,442 | (216,522) | 36,442 |
| Transfers out | -- | (366,528) | 216,522 | (150,006) |
| Net Other Financing Sources (Uses) | <u>216,522</u> | <u>(330,086)</u> | <u>--</u> | <u>(113,564)</u> |
| Net Change in Fund Balance | <u>--</u> | <u>860,459</u> | <u>--</u> | <u>860,459</u> |
| Fund Balance at Beginning of Period | <u>--</u> | <u>973,967</u> | <u>--</u> | <u>973,967</u> |
| Fund Balance at End of Period | <u>\$ --</u> | <u>\$ 1,834,426</u> | <u>\$ --</u> | <u>\$ 1,834,426</u> |

**Gladstone Area Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021**

| | <u>Special Revenue</u> | | | <u>Debt Service</u> | <u>Capital Projects</u> | | | Total Nonmajor Governmental Funds |
|---|------------------------|-------------------------|-----------------------|---------------------|-------------------------|------------------------------|---------------------|--|
| | <u>School Lunch</u> | <u>Student Activity</u> | <u>Public Library</u> | <u>Debt Service</u> | <u>Technology</u> | <u>Major Maintenance</u> | <u>Energy Bonds</u> | |
| ASSETS | | | | | | | | |
| Cash and investments | \$ 143,891 | \$ 183,406 | \$ 27,696 | \$ 742,474 | \$ -- | \$ -- | \$ 114,535 | \$ 1,212,002 |
| Receivables | 25,781 | -- | -- | -- | -- | -- | -- | 25,781 |
| Inventories | 12,785 | -- | -- | -- | -- | -- | -- | 12,785 |
| Prepaid Items | 444 | -- | 40 | -- | -- | -- | -- | 484 |
| Due from other funds | 26,201 | -- | -- | -- | 189,307 | 259,865 | -- | 475,373 |
| Total Assets | \$ 209,102 | \$ 183,406 | \$ 27,736 | \$ 742,474 | \$ 189,307 | \$ 259,865 | \$ 114,535 | \$ 1,726,425 |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 33,984 | \$ -- | \$ 2,049 | \$ -- | \$ -- | \$ -- | \$ -- | \$ 36,033 |
| Accrued salaries and benefits | 23,032 | -- | 6,881 | -- | -- | -- | -- | 29,913 |
| Due to other funds | -- | -- | 14,982 | 729 | -- | -- | -- | 15,711 |
| Total Liabilities | 57,016 | -- | 23,912 | 729 | -- | -- | -- | 81,657 |
| FUND BALANCE | | | | | | | | |
| Nonspendable | 13,229 | -- | 40 | -- | -- | -- | -- | 13,269 |
| Restricted | 138,857 | -- | -- | 741,745 | -- | -- | 114,535 | 995,137 |
| Committed | -- | 183,406 | -- | -- | -- | -- | -- | 183,406 |
| Assigned | -- | -- | 3,784 | -- | 189,307 | 259,865 | -- | 452,956 |
| Unassigned | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Fund Balance | 152,086 | 183,406 | 3,824 | 741,745 | 189,307 | 259,865 | 114,535 | 1,644,768 |
| Total Liabilities and Fund Balance | \$ 209,102 | \$ 183,406 | \$ 27,736 | \$ 742,474 | \$ 189,307 | \$ 259,865 | \$ 114,535 | \$ 1,726,425 |

Gladstone Area Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

| | <u>Special Revenue</u> | | | <u>Debt Service</u> | <u>Capital Projects</u> | | | Total Nonmajor Governmental Funds |
|---|------------------------|-------------------------|-----------------------|---------------------|-------------------------|------------------------------|---------------------|--|
| | <u>School Lunch</u> | <u>Student Activity</u> | <u>Public Library</u> | <u>Debt Service</u> | <u>Technology</u> | <u>Major Maintenance</u> | <u>Energy Bonds</u> | |
| Revenues | | | | | | | | |
| Local sources | \$ 65,332 | \$ 129,281 | \$ 85,354 | \$ 1,663,807 | \$ 905 | \$ 1,463 | \$ 1,421 | \$ 1,947,563 |
| State sources | -- | -- | 8,624 | 674 | -- | -- | -- | 9,298 |
| Federal sources | 739,977 | -- | 3,500 | -- | -- | -- | -- | 743,477 |
| Total Revenues | <u>805,309</u> | <u>129,281</u> | <u>97,478</u> | <u>1,664,481</u> | <u>905</u> | <u>1,463</u> | <u>1,421</u> | <u>2,700,338</u> |
| Expenditures | | | | | | | | |
| Supporting services | -- | 111,729 | -- | -- | -- | -- | -- | 111,729 |
| Community services | -- | -- | 107,683 | -- | -- | -- | -- | 107,683 |
| Food services | 649,411 | -- | -- | -- | -- | -- | -- | 649,411 |
| Debt service - principal | -- | -- | -- | 1,245,000 | -- | -- | -- | 1,245,000 |
| Debt service - interest and fiscal charges | -- | -- | -- | 315,952 | -- | -- | -- | 315,952 |
| Total Expenditures | <u>649,411</u> | <u>111,729</u> | <u>107,683</u> | <u>1,560,952</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>2,429,775</u> |
| Excess of Revenues Over (Under) Expenditures | <u>155,898</u> | <u>17,552</u> | <u>(10,205)</u> | <u>103,529</u> | <u>905</u> | <u>1,463</u> | <u>1,421</u> | <u>270,563</u> |
| Other Financing Sources | | | | | | | | |
| Transfers in | 6 | -- | -- | -- | 75,000 | 75,000 | -- | 150,006 |
| Transfers out | (36,442) | -- | -- | -- | -- | -- | -- | (36,442) |
| Net Other Financing Sources | <u>(36,436)</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>75,000</u> | <u>75,000</u> | <u>--</u> | <u>113,564</u> |
| Net Change in Fund Balance | <u>119,462</u> | <u>17,552</u> | <u>(10,205)</u> | <u>103,529</u> | <u>75,905</u> | <u>76,463</u> | <u>1,421</u> | <u>384,127</u> |
| <i>Fund Balance at Beginning of Period</i> | 32,624 | 165,854 | 14,029 | 638,216 | 113,402 | 183,402 | 113,114 | 1,260,641 |
| Fund Balance at End of Period | <u>\$ 152,086</u> | <u>\$ 183,406</u> | <u>\$ 3,824</u> | <u>\$ 741,745</u> | <u>\$ 189,307</u> | <u>\$ 259,865</u> | <u>\$ 114,535</u> | <u>\$ 1,644,768</u> |

Gladstone Area Schools
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

| | <u>Custodial</u> | | | <u>Private Purpose Trust</u> | | |
|---|-------------------------|--------------------------|------------------------|------------------------------|--------------------------|------------------------------------|
| | <u>Foundation Trust</u> | <u>Energy Bond Trust</u> | <u>Total Custodial</u> | <u>Health Services</u> | <u>Scholarship Trust</u> | <u>Total Private Purpose Trust</u> |
| ASSETS | | | | | | |
| Cash and investments | \$ 36,680 | \$ 1,199,544 | \$ 1,236,224 | \$ 1,310 | \$ 26,322 | \$ 27,632 |
| Receivables | -- | -- | -- | -- | 500 | 500 |
| <i>Total Assets</i> | <u>36,680</u> | <u>1,199,544</u> | <u>1,236,224</u> | <u>1,310</u> | <u>26,822</u> | <u>28,132</u> |
| LIABILITIES | | | | | | |
| Accounts payable | -- | -- | -- | -- | 20,745 | 20,745 |
| Undistributed collections | 36,680 | 1,199,544 | 1,236,224 | -- | -- | -- |
| <i>Total Liabilities</i> | <u>36,680</u> | <u>1,199,544</u> | <u>1,236,224</u> | <u>--</u> | <u>20,745</u> | <u>20,745</u> |
| NET POSITION | | | | | | |
| Restricted for scholarships and health services | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 1,310</u> | <u>\$ 6,077</u> | <u>\$ 7,387</u> |

Gladstone Area Schools
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

| | Custodial | | | Private Purpose Trust | | Total |
|--|-------------------------|--------------------------|------------------------|------------------------------|--------------------------|------------------------------|
| | Foundation Trust | Energy Bond Trust | Total Custodial | Health Services | Scholarship Trust | Private Purpose Trust |
| Additions | | | | | | |
| Foundation trust collections | \$ 290 | \$ -- | \$ 290 | \$ -- | \$ -- | \$ -- |
| Energy bond trust collections | -- | 110,412 | 110,412 | -- | -- | -- |
| Gifts and contributions | -- | -- | -- | 562 | 20,345 | 20,907 |
| Interest earned | -- | -- | -- | -- | 163 | 163 |
| Total Additions | 290 | 110,412 | 110,702 | 562 | 20,508 | 21,070 |
| Deductions | | | | | | |
| Foundation trust distributions | 290 | -- | 290 | -- | -- | -- |
| Energy bond trust distributions | -- | 110,412 | 110,412 | -- | -- | -- |
| Scholarships awarded | -- | -- | -- | -- | 20,745 | 20,745 |
| Other expenses | -- | -- | -- | 790 | -- | 790 |
| Total Deductions | 290 | 110,412 | 110,702 | 790 | 20,745 | 21,535 |
| Change in Net Position | -- | -- | -- | (228) | (237) | (465) |
| <i>Net Position at Beginning of Period</i> | -- | -- | -- | 1,538 | 6,314 | 7,852 |
| Net Position at End of Period | \$ -- | \$ -- | \$ -- | \$ 1,310 | \$ 6,077 | \$ 7,387 |

**GLADSTONE AREA SCHOOLS
DELTA COUNTY, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2021**

Gladstone Area Schools
Schedule of Expenditures of Federal Awards
June 30, 2021

| <i>Federal Grantor / Pass-through Grantor / Program / Project Number</i> | <i>Federal CFDA Number</i> | <i>Program or Award Amount</i> | <i>Prior Year Expenditures (Memorandum Only)</i> | <i>Accrued Revenue at July 1, 2020</i> | <i>Current Year Receipts</i> | <i>Current Year Expenditures</i> | <i>Accrued/ Deferred Revenue at June 30, 2021</i> |
|--|----------------------------|--------------------------------|--|--|------------------------------|----------------------------------|---|
| U.S. Department of Agriculture: | | | | | | | |
| <i>Passed Through Michigan Department of Education:</i> | | | | | | | |
| Child Nutrition Cluster: | | | | | | | |
| 200900 / SFSP 2020 - July -Sept 2020 | 10.559 | \$ 122,665 | \$ 7,496 | \$ - | \$ 122,665 | \$ 122,665 | \$ - |
| 210904 SFSP 2021 -Oct 2020- June 2021 | 10.559 | 581,010 | - | - | 555,362 | 581,009 | 25,647 |
| COVID-19 200902 / Unanticipated Closure: | 10.555 | 213,423 | 213,423 | 115,413 | 115,413 | - | - |
| Non-cash Assistance (Entitlement Commodities) | 10.555 | 36,303 | 35,475 | - | 36,303 | 36,303 | - |
| Total U.S. Department of Agriculture | | 953,401 | 256,394 | 115,413 | 829,743 | 739,977 | 25,647 |
| U.S. Department of Education: | | | | | | | |
| <i>Received directly</i> | | | | | | | |
| Title V, Part C Indian Education | | | | | | | |
| 1920 | 84.060 | 26,983 | 26,983 | 6,772 | 6,772 | - | - |
| 2021 | 84.060 | 24,966 | - | - | 24,966 | 24,966 | - |
| Total Title V Part C | | 51,949 | 26,983 | 6,772 | 31,738 | 24,966 | - |
| <i>Passed Through Michigan Department of Education:</i> | | | | | | | |
| Title I, Part A - Improving Basic Programs | | | | | | | |
| 201530 1920 | 84.010A | 155,358 | 142,731 | 43,669 | 43,669 | - | - |
| 211530 2021 | 84.010A | 257,068 | - | - | 122,164 | 179,317 | 57,153 |
| Total Title I | | 412,426 | 142,731 | 43,669 | 165,833 | 179,317 | 57,153 |
| Title II, Part A - Improving Teacher Quality State Grants | | | | | | | |
| 200520 1920 | 84.367A | 42,098 | 40,153 | 15,895 | 15,895 | - | - |
| 210520 2021 | 84.367A | 49,980 | - | - | 13,297 | 29,275 | 15,978 |
| Total Title II | | 92,078 | 40,153 | 15,895 | 29,192 | 29,275 | 15,978 |
| Title IV, Part A | | | | | | | |
| 200750 1920 | 84.424 | 20,971 | 20,844 | 13,743 | 13,743 | - | - |
| 210750 2021 | 84.424 | 10,934 | - | - | - | - | - |
| Total Title IV | | \$ 31,905 | \$ 20,844 | \$ 13,743 | \$ 13,743 | \$ - | \$ - |

See Notes to the Schedule of Expenditures of Federal Awards

Gladstone Area Schools
Schedule of Expenditures of Federal Awards
June 30, 2021

| <i>Federal Grantor / Pass-through Grantor / Program / Project Number</i> | <i>Federal CFDA Number</i> | <i>Program or Award Amount</i> | <i>Prior Year Expenditures (Memorandum Only)</i> | <i>Accrued Revenue at July 1, 2020</i> | <i>Current Year Receipts</i> | <i>Current Year Expenditures</i> | <i>Accrued/Deferred Revenue at June 30, 2021</i> |
|---|-----------------------------------|---------------------------------------|---|---|-------------------------------------|---|---|
| U.S. Department of Education: | | | | | | | |
| Coronavirus Relief Funds | | | | | | | |
| COVID-19 1920 | 21.019 | \$ 538,556 | \$ - | \$ - | \$ 538,556 | \$ 538,556 | \$ - |
| Total Coronavirus Relief Funds | | 538,556 | - | - | 538,556 | 538,556 | - |
| District Covid Funds | | | | | | | |
| COVID-19 1920 | 21.019 | 18,957 | - | - | 18,957 | 18,957 | - |
| Total District Covid Funds | | 18,957 | - | - | 18,957 | 18,957 | - |
| ESSER Fund-Formula | | | | | | | |
| COVID-19 203710 1920 | 84.425D | 122,071 | - | - | 84,464 | 101,391 | 16,927 |
| ESSER II Fund-Formula | | | | | | | |
| COVID-19 213712 2021 | 84.425D | 368,874 | - | - | - | 232,656 | 232,656 |
| Total ESSER Funds | | 490,945 | - | - | 84,464 | 334,047 | 249,583 |
| <i>Total Passed Through Michigan Department of Education</i> | | 2,538,268 | 460,122 | 188,720 | 1,680,488 | 1,840,129 | 348,361 |
| <i>Passed Through Delta -Schoolcraft Intermediate School District:</i> | | | | | | | |
| Title I, Regional Assistance Grant | | | | | | | |
| 201570 1920 | 84.010A | 240,597 | 240,597 | 120,776 | 127,240 | 6,464 | - |
| 211570 2021 | 84.010A | 253,380 | - | - | 63,400 | 164,581 | 101,181 |
| <i>Total Passed Through Delta-Schoolcraft Intermediate School District</i> | | 493,977 | 240,597 | 120,776 | 190,640 | 171,045 | 101,181 |
| <i>Passed Through Copper Country Intermediate School District:</i> | | | | | | | |
| COVID-19 MAISA Device Purchase Program | 21.019 | 61,428 | - | - | 60,478 | 60,478 | 950 |
| <i>Total Passed Through Copper Country Intermediate School District</i> | | 61,428 | - | - | 60,478 | 60,478 | 950 |
| <i>Total U.S. Department of Education</i> | | 2,192,221 | 471,308 | 200,855 | 1,133,601 | 1,356,641 | 424,845 |
| U.S Institute of Museum and Library Services | | | | | | | |
| <i>Passed Through Library of Michigan</i> | | | | | | | |
| State Library Program | 45.310 | 3,500 | - | - | 3,500 | 3,500 | - |
| <i>Total U.S. Institute of Museum and Library Services</i> | | 3,500 | - | - | 3,500 | 3,500 | - |
| U.S. Department of Health and Human Services: | | | | | | | |
| <i>Passed Through Delta-Schoolcraft Intermediate School District:</i> | | | | | | | |
| Medicaid Outreach | 93.778 | 3,913 | 3,992 | - | 3,913 | 3,913 | - |
| <i>Total U.S. Department of Health and Human Services</i> | | 3,913 | 3,992 | - | 3,913 | 3,913 | - |
| <i>Total Federal Financial Assistance</i> | | \$ 3,153,035 | \$ 731,694 | \$ 316,268 | \$ 1,970,757 | \$ 2,104,031 | \$ 450,492 |

See Notes to the Schedule of Expenditures of Federal Awards

Gladstone Area Schools

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Gladstone Area Schools (the "School District") under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the School District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both the actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and the end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the grant financial reports. The amounts on the Grant Auditor Report reconcile with this Schedule.

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

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2021 that is not included on the schedule of expenditures of federal awards.

Gladstone Area Schools

Notes to the Schedule of Expenditures of Federal Awards

Note 4 - Reconciliation to the Schedule of Expenditures of Federal Awards

The federal sources revenues reported in the fund financial statements of \$2,104,031 is equal to the federal expenditures reported in the Schedule.

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

To the Board of Education
Gladstone Area Schools
Gladstone, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gladstone Area Schools (the "School District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 28, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions

of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, MI
October 28, 2021

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

To the Board of Education
Gladstone Area Schools
Gladstone, Michigan

Report on Compliance for Each Major Federal Program

We have audited Gladstone Area Schools' (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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



Gabridge & Company, PLC
Grand Rapids, MI
October 28, 2021

Gladstone Area Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

| |
|---|
| SECTION I - SUMMARY OF AUDITOR'S RESULTS |
|---|

Financial Statements

| | |
|---|------------|
| Type of auditor's report issued | Unmodified |
| Internal controls over financial reporting | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|------------|
| Internal control over major programs | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | No |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? | No |

Identification of Major Programs

| Name of Federal Program or Cluster | CFDA Number |
|---|----------------|
| Coronavirus Relief Fund | 21.019 |
| Education Stabilization Fund | 84.425 |
| Dollar threshold used to distinguish between Type A and B programs? | \$750,000 |
| Auditee qualified as a low-risk auditee? | No |

| |
|--|
| SECTION II - FINANCIAL STATEMENT FINDINGS |
|--|

No matters were reported.

| |
|--|
| SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS |
|--|

No matters were reported.

| |
|---|
| SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS |
|---|

No prior year matters were reported.

October 28, 2021

To the Board of Education
Gladstone Area Schools
Gladstone, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gladstone Area Schools (the "School District") for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the OMB Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 19, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There were no new accounting policies adopted during the fiscal year ended June 30, 2021. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension and other post-employment benefits are based on historical trends and industry standards.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were detected during the audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated October 28, 2021.

Other Matters

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

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

Restriction on Use

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

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI