

**GLADSTONE AREA SCHOOLS
DELTA COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Gladstone Area Schools
Gladstone, Michigan

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the 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 is the responsibility of management and, although not a part of the basic financial statements, is required

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor 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 24, 2022, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, MI
October 24, 2022

Management's Discussion and Analysis

Gladstone Area Schools
Management's Discussion and Analysis
June 30, 2022

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, 2022. 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, 2022.

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 \$(15,502,434) (shown as a deficit *net position*). The School District had a deficit *unrestricted net position* of \$(23,864,575).
- Revenues of \$20,234,491 exceeded expenses of \$16,189,992 leading to an increase in net position of \$4,044,499 during the year.
- During the year, the School District's fund balances increased by \$1,248,753, for an ending fund balance of \$4,727,947.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,357,663, or 14.24% of the general fund's total expenditures and transfers out. Fund balance of the general fund *increased* by \$543,661 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

Capital assets, net of accumulated depreciation, decreased by \$712,597 during the year as a result of depreciation expense of \$796,158 exceeded capital asset additions of \$83,561. Short-term note payable balances decreased by \$913,000 due to the School District needing to utilize less borrowings as a result of favorable timing of balances of cash on hand during the year. Due to very favorable investment returns of 27.3% and 27.14% recorded in the actuarial valuations for pension and OPEB liabilities respectively, the School District experienced significant reductions to the corresponding deferred outflows of resources, the related net liabilities, and significant increases to the corresponding deferred inflows of liabilities. Deferred outflows of resources relating to pensions and OPEB decreased by \$2,009,904 and \$484,204; deferred inflows of resources relating to pension and OPEB increased by \$6,121,335 and \$1,344,219 respectively; and the School District's net pension liability and net OPEB liability decreased by \$8,563,892 and \$3,061,473, respectively.

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	2022	2021
<i>Current Assets</i>		
Cash and investments	\$ 4,710,035	\$ 4,860,207
Receivables	3,056,649	2,868,178
Inventories	26,101	17,005
Prepaid items	16,264	17,882
Total Current Assets	7,809,049	7,763,272
<i>Noncurrent Assets</i>		
Capital assets, net	13,256,222	13,968,819
Total Assets	21,065,271	21,732,091
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	4,032,630	6,042,534
OPEB related	1,582,635	2,066,839
Total Deferred Outflows of Resources	5,615,265	8,109,373
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	75,580	349,595
Accrued salaries and benefits	1,516,230	1,520,326
Unearned revenue	289,292	301,157
Accrued interest	36,656	44,765
Short-term note payable	1,200,000	2,113,000
Current portion of early retirement incentive	149,769	181,612
Current portion of long-term debt	1,452,727	1,402,727
Total Current Liabilities	4,720,254	5,913,182
<i>Noncurrent Liabilities</i>		
Early retirement incentive	248,883	398,652
Long-term debt	4,941,384	6,477,704
Compensated absences	1,191,757	1,358,356
Net pension liability	18,915,790	27,479,682
Net OPEB liability	1,216,643	4,278,116
Total Liabilities	31,234,711	45,905,692
DEFERRED INFLOWS OF RESOURCES		
Pension related	6,338,492	217,157
OPEB related	4,609,767	3,265,548
Total Deferred Inflows of Resources	10,948,259	3,482,705
NET POSITION		
Net investment in capital assets	6,978,085	6,202,923
Restricted	1,384,056	893,831
Unrestricted	(23,864,575)	(26,643,687)
Total Net Position	\$ (15,502,434)	\$ (19,546,933)

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	2022	2021
Program Revenues		
Charges for services	\$ 630,955	\$ 420,088
Operating grants and contributions	5,048,378	4,531,821
Total Program Revenues	5,679,333	4,951,909
General Revenues		
Property taxes	3,120,225	3,053,498
State aid not restricted for specific purposes	11,425,193	10,912,273
Interest and investment earnings	9,740	36,614
Total General Revenues	14,555,158	14,002,385
Total Revenues	20,234,491	18,954,294
Expenses		
Instruction	8,816,394	10,592,275
Supporting services	5,567,856	5,577,351
Community services	105,462	160,636
Food services	726,415	664,066
Interest and fiscal charges on long-term debt	177,707	228,341
Depreciation (unallocated)	796,158	817,769
Total Expenses	16,189,992	18,040,438
Change in Net Position	4,044,499	913,856
<i>Net Position at Beginning of Period</i>	<i>(19,546,933)</i>	<i>(20,460,789)</i>
Net Position at End of Period	\$ (15,502,434)	\$ (19,546,933)

Operating grants and contributions increased \$516,557 as the School District received an increase in state and federal COVID-19 funding. Charges for services increased by \$210,867 as a result of having fewer COVID-19 restrictions which allowed for a return to pre-COVID activities. State aid not restricted for specific purposes increased by \$519,920 due to an increase of \$589 received per student. Instruction costs decreased by \$1,775,881 primarily as a result of the favorable pension and OPEB investment returns recognized in the actuarial valuations mentioned previously.

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 \$2,357,663. 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 14.24% of total general fund expenditures and transfers out.

The fund balance of the School District's general fund increased by \$543,661 for a total fund balance of \$2,378,087. Significant increases for revenues were within state and federal sources as a result of increased COVID-19 related funding and increased per pupil revenues.

The ***debt service fund***, a major fund, had an increase of \$133,247 in fund balance for an ending balance of \$874,992. Both revenues and expenditures were similar in comparison to the prior year.

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 significant amendments made to the original budget for the original estimated revenues and the original appropriated expenditures, most notably: Budgeted revenue from federal sources increased from \$661,085 to \$1,497,167 to account for the increase in COVID-19 related funding. State sources increased from \$12,867,885 to \$13,965,254 to account for additional COVID-19 related funding and per pupil increases. The revenue increases related to the need to increase basic programs instructional costs from \$8,148,575 to \$8,584,987 and additions to the added needs budget from \$1,654,780 to \$1,914,524. School administration cost budget estimates were also increased from \$1,299,615 to \$1,431,309. 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 the following expenditures categories in excess of the amounts appropriated during the year ended June 30, 2022:

	Final Budget	Actual Amount	Negative Variance
Basic programs	\$ 8,584,987	\$ 8,685,734	\$ (100,747)
Instructional staff	824,486	835,820	(11,334)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2022, the School District had \$13,256,222 invested in capital assets, a 5.1% decrease in the amount reported from the prior year. This net increase consisted of decreases from depreciation charges of \$796,158 and increases by capital asset purchases of \$83,561.

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 \$6,394,111, down from \$7,880,431 in the previous year. The School District's other long-term obligations are for early retirement incentive and accumulated sick/vacation leave in the amount of \$398,652 and \$1,191,757, 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, 2022.

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 \$16.5 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.

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, 2022

	Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash and investments	\$ 4,710,035
Receivables	3,056,649
Inventories	26,101
Prepaid items	16,264
Total Current Assets	7,809,049
<i>Noncurrent Assets</i>	
Capital assets not being depreciated	149,340
Capital assets being depreciated, net	13,106,882
Total Assets	21,065,271
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	4,032,630
OPEB related	1,582,635
Total Deferred Outflows of Resources	5,615,265
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	75,580
Accrued salaries and benefits	1,516,230
Unearned revenue	289,292
Accrued interest	36,656
Short-term note payable	1,200,000
Current portion of early retirement incentive	149,769
Current portion of long-term debt	1,452,727
Total Current Liabilities	4,720,254
<i>Noncurrent Liabilities</i>	
Early retirement incentive	248,883
Long-term debt	4,941,384
Compensated absences	1,191,757
Net pension liability	18,915,790
Net OPEB liability	1,216,643
Total Liabilities	31,234,711
DEFERRED INFLOWS OF RESOURCES	
Pension related	6,338,492
OPEB related	4,609,767
Total Deferred Inflows of Resources	10,948,259
NET POSITION	
Net investment in capital assets	6,978,085
<i>Restricted for:</i>	
Debt service	874,992
Capital projects	115,974
Food services	393,090
<i>Unrestricted</i>	(23,864,575)
Total Net Position	\$ (15,502,434)

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, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 8,816,394	\$ 85,649	\$ 1,686,051	\$ --	\$ (7,044,694)
Supporting services	5,567,856	368,767	2,338,547	--	(2,860,542)
Community services	105,462	105,047	38,402	--	37,987
Food services	726,415	71,492	985,378	--	330,455
Depreciation (unallocated)	796,158	--	--	--	(796,158)
Interest on Long-term debt	177,707	--	--	--	(177,707)
Total Governmental Activities	\$ 16,189,992	\$ 630,955	\$ 5,048,378	\$ --	\$ (10,510,659)

General Revenues

Unrestricted State sources	11,425,193
Property taxes, levied for general operations	1,427,787
Property taxes, levied for debt service	1,692,438
Interest and investment earnings	9,740
Total General Revenues	14,555,158
Change in Net Position	4,044,499
<i>Net Position at Beginning of Period</i>	<i>(19,546,933)</i>
Net Position at End of Period	\$ (15,502,434)

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

**Gladstone Area Schools
Balance Sheet
Governmental Funds
June 30, 2022**

		<u>Debt Service</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 3,034,410	\$ 874,992	\$ 800,633	\$ 4,710,035
Receivables	3,042,791	--	13,858	3,056,649
Inventories	4,160	--	21,941	26,101
Prepaid items	16,264	--	--	16,264
Due from other funds	29	--	730,428	730,457
Total Assets	\$ 6,097,654	\$ 874,992	\$ 1,566,860	\$ 8,539,506
LIABILITIES				
Accounts payable	\$ 55,738	\$ --	\$ 19,842	\$ 75,580
Accrued salaries and benefits	1,473,941	--	42,289	1,516,230
Unearned revenue	267,893	--	21,399	289,292
Short-term note payable	1,200,000	--	--	1,200,000
Due to other funds	721,995	--	8,462	730,457
Total Liabilities	3,719,567	--	91,992	3,811,559
FUND BALANCE				
Nonspendable	20,424	--	21,941	42,365
Restricted	--	874,992	487,123	1,362,115
Committed	--	--	225,454	225,454
Assigned	--	--	740,350	740,350
Unassigned	2,357,663	--	--	2,357,663
Total Fund Balance	2,378,087	874,992	1,474,868	4,727,947
Total Liabilities and Fund Balance	\$ 6,097,654	\$ 874,992	\$ 1,566,860	\$ 8,539,506

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, 2022

Total Fund Balance - Governmental Funds	\$ 4,727,947
General government capital assets of \$31,675,092, net of accumulated depreciation of \$18,418,870, are not financial resources and, accordingly, are not reported in the funds.	13,256,222
Compensated absences and early retirement incentive payable are not due and payable in the current period and, therefore, are not reported in the funds.	(1,590,409)
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 \$6,042,344 and energy bonds of \$351,767.	(6,394,111)
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(36,656)
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.	(4,243,775)
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.	(21,221,652)
Total Net Position - Governmental Funds	\$ <u>(15,502,434)</u>

Gladstone Area Schools
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

		<u>Debt Service</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$ 1,567,178	\$ 1,694,910	\$ 486,963	\$ 3,749,051
State sources	13,963,346	2,746	59,510	14,025,602
Federal sources	1,439,394	--	918,393	2,357,787
Interdistrict and other sources	85,649	--	16,402	102,051
Total Revenues	17,055,567	1,697,656	1,481,268	20,234,491
Expenditures				
Instruction	10,295,256	--	--	10,295,256
Supporting services	5,894,907	--	236,161	6,131,068
Community services	10,394	--	102,787	113,181
Food services	--	--	774,097	774,097
Debt service - principal	107,727	1,295,000	--	1,402,727
Debt service - interest and fiscal charges	--	269,409	--	269,409
Total Expenditures	16,308,284	1,564,409	1,113,045	18,985,738
Excess of Revenues Over (Under) Expenditures	747,283	133,247	368,223	1,248,753
Other Financing Sources (Uses)				
Transfers in	42,159	--	245,781	287,940
Transfers out	(245,781)	--	(42,159)	(287,940)
Net Other Financing Sources (Uses)	(203,622)	--	203,622	--
Net Change in Fund Balance	543,661	133,247	571,845	1,248,753
Fund Balance at Beginning of Period	1,834,426	741,745	903,023	3,479,194
Fund Balance at End of Period	\$ 2,378,087	\$ 874,992	\$ 1,474,868	\$ 4,727,947

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, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ 1,248,753
Bond premiums are reflected as other financing sources in the governmental funds when they are received but are amortized over the lives of the bonds in the statement of activities.	83,593
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 \$796,158 exceeds capital additions of \$83,561.	(712,597)
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.	348,211
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.	1,402,727
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.	8,109
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.	1,233,050
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.	432,653
Changes in Net Position - Governmental Funds	\$ <u>4,044,499</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, 2022

	<u>Custodial</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash and investments	\$ 1,346,750	\$ 28,987
Receivables	--	1,200
<i>Total Assets</i>	<u>1,346,750</u>	<u>30,187</u>
LIABILITIES		
Accounts payable	--	22,695
Undistributed collections	1,346,750	--
<i>Total Liabilities</i>	<u>1,346,750</u>	<u>22,695</u>
NET POSITION		
Restricted for scholarships and health services	<u>\$ --</u>	<u>\$ 7,492</u>

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, 2022

	<u>Custodial</u>	<u>Private Purpose Trust</u>
Additions		
Foundation trust collections	\$ 78	\$ --
Energy bond trust collections	110,448	--
Gifts and contributions	--	22,450
Interest earned	--	37
<i>Total Additions</i>	<u>110,526</u>	<u>22,487</u>
Deductions		
Scholarships awarded	--	21,695
Other expenses	--	687
<i>Total Deductions</i>	<u>--</u>	<u>22,382</u>
<i>Change in Net Position</i>	<u>--</u>	<u>105</u>
<i>Net Position at Beginning of Period</i>	--	7,387
<i>Net Position at End of Period</i>	<u><u>\$ --</u></u>	<u><u>\$ 7,492</u></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 two 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.

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.

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.

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 School 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 mils per \$1,000 taxable value on non-homestead property for general operations and 6.20 mils per \$1,000 taxable value on both homestead and non-homestead property for debt retirement. The School District also levies 6.00 mils 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 the following expenditures in excess of the amounts appropriated for the year ended June 30, 2022:

	Final Budget	Actual Amount	Negative Variance
Basic programs	\$ 8,584,987	\$ 8,685,734	\$ (100,747)
Instructional staff	824,486	835,820	(11,334)

District-wide Deficit

The School District had an unrestricted net position deficit and a total net position deficit in the amount of \$(23,864,575) and \$(15,502,434), respectively, for district-wide activities as of June 30, 2022. 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, 2022:

Statement of net position

Cash and investments	\$ 4,710,035
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Statement of fiduciary net position

Cash and investments - custodial	1,346,750
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Cash and investments - private purpose trust	28,987
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Total cash and investments	\$ 6,085,772
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Deposits and investments

Checking and savings accounts	\$ 6,084,285
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Cash on hand	1,487
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Total deposits and investments	\$ 6,085,772
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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, \$5,694,541 of the

Gladstone Area Schools

Notes to the Financial Statements

School District's bank balance of \$6,526,048 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.

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances as of June 30, 2022 consisted of fund receivables and payables listed below:

Fund	Receivable	Payable
Athletic - general	\$ -	\$ 35,105
General	29	686,890
Major maintenance	431,133	-
Public library	-	8,462
School lunch	34,629	-
Technology	264,666	-
Totals	\$ 730,457	\$ 730,457

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:

Transfer In	Transfer Out	Amount
General	School lunch	\$ 42,159
Major maintenance	General	170,781
Technology	General	75,000

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.

Gladstone Area Schools

Notes to the Financial Statements

State funding provided approximately 69.3% of the total revenues to the School District during the June 30, 2022 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 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 \$289,292.

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
Capital assets being depreciated:				
Land improvements	371,267	-	-	371,267
Buildings and additions	28,345,266	18,669	-	28,363,935
Buses and other vehicles	1,390,472	-	-	1,390,472
Furniture and other equipment	1,335,186	64,892	-	1,400,078
<i>Subtotal</i>	<u>31,442,191</u>	<u>83,561</u>	<u>-</u>	<u>31,525,752</u>
Less accumulated depreciation:				
Land improvements	(302,033)	(7,831)	-	(309,864)
Buildings and additions	(15,249,151)	(635,313)	-	(15,884,464)
Buses and other vehicles	(1,092,698)	(70,790)	-	(1,163,488)
Furniture and other equipment	(978,830)	(82,224)	-	(1,061,054)
<i>Subtotal</i>	<u>(17,622,712)</u>	<u>(796,158)</u>	<u>-</u>	<u>(18,418,870)</u>
Capital assets being depreciated, net	<u>13,819,479</u>	<u>(712,597)</u>	<u>-</u>	<u>13,106,882</u>
Capital assets, net	<u>\$ 13,968,819</u>	<u>\$ (712,597)</u>	<u>\$ -</u>	<u>\$ 13,256,222</u>

Depreciation expense for the fiscal year amounted to \$796,158. 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, 2022, the School District was approved for borrowings of \$1,200,000 for cash flow needs. The following schedule summarizes the short-term debt:

Gladstone Area Schools

Notes to the Financial Statements

Short-term obligations	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Tax anticipation note 2021	0.70%	2022	\$ 150,000	\$ -	\$ (150,000)	\$ -	\$ -
Tax anticipation note 2021	0.25%	2022	1,963,000	-	(1,963,000)	-	-
Tax anticipation note 2022	0.11%	2023	-	150,000	(100,000)	50,000	50,000
Tax anticipation note 2022	0.12%	2023	-	1,150,000	-	1,150,000	1,150,000
Total short-term obligations			<u>\$ 2,113,000</u>	<u>\$ 1,300,000</u>	<u>\$ (2,213,000)</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

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. \$ 1,160,000

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. 4,540,000

Total general obligation bonds \$ 5,700,000

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%. \$ 351,767

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	\$ 1,475,000	\$ -	\$ (315,000)	\$ 1,160,000	\$ 305,000
2018 refunding bonds	5,520,000	-	(980,000)	4,540,000	1,040,000
Bonds premium	425,937	-	(83,593)	342,344	-
<i>Total general obligation bonds</i>	<u>7,420,937</u>	<u>-</u>	<u>(1,378,593)</u>	<u>6,042,344</u>	<u>1,345,000</u>
2009 energy conservation improvement bonds	459,494	-	(107,727)	351,767	107,727
Total long-term debt	<u>\$ 7,880,431</u>	<u>\$ -</u>	<u>\$ (1,486,320)</u>	<u>\$ 6,394,111</u>	<u>\$ 1,452,727</u>
Early retirement incentive	<u>\$ 580,264</u>	<u>\$ -</u>	<u>\$ (181,612)</u>	<u>\$ 398,652</u>	<u>\$ 149,769</u>
Compensated absences	<u>\$ 1,358,356</u>	<u>\$ -</u>	<u>\$ (166,599)</u>	<u>\$ 1,191,757</u>	<u>\$ -</u>

Gladstone Area Schools

Notes to the Financial Statements

Annual debt service requirements, exclusive of early retirement incentive, compensated absences, and bond premiums, for long-term debt outstanding as of June 30, 2022 follows:

Year Ending June 30,	Long-term Debt	Early Retirement Incentive	Total Principal	Total Interest
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	-
Totals	\$ 6,051,767	\$ 398,652	\$ 6,450,419	\$ 563,752

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 the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement

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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, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

Benefit Structure	Member	Non-Universities
Basic	0.0 - 4.0%	19.78%
Member investment plan	3.0 - 7.0%	19.78%
Pension plus	3.0 - 6.4%	16.82%
Pension plus 2	6.2%	19.59%
Defined contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$2,398,985 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$18,915,790 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.0799%, which was a decrease of 0.0001% from its proportion measured as of September 30, 2020.

For the year ending June 30, 2022, the School District recognized pension expense of \$2,205,145. As of June 30, 2022, 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	\$ 293,014	\$ 111,392
Changes of assumptions	1,192,384	-
Net difference between projected and actual earnings on pension plan investments	-	6,081,366
Changes in proportion and differences between employer contributions and proportionate share of contributions	97,873	145,734
Employer contributions subsequent to the measurement date	2,449,359	-
Total	\$ 4,032,630	\$ 6,338,492

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:
2022	\$ (512,594)
2023	(1,094,767)
2024	(1,500,272)
2025	(1,647,588)

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Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80%, net of investment expenses
- Pension Plus 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:	RP-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, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892

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Notes to the Financial Statements

- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 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
<i>Total</i>	100.0%	

*Long-term rates of return are net of administrative expenses and 2.00% inflation.

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.8% 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

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Notes to the Financial Statements

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

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

The following presents the School District's proportionate share of the net pension liability calculated using 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	Current Single Discount Rate Assumption	1% Increase
(Non-Hybrid/Hybrid)	(Non-Hybrid/Hybrid)	(Non-Hybrid/Hybrid)
5.8% / 5.8% / 5.0%	6.8% / 6.8% / 6.0%	7.8% / 7.8% / 7.0%
\$27,044,450	\$18,915,790	\$12,176,598

* 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,

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Notes to the Financial Statements

prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Benefits Provided

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

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%

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contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

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

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

Benefit Structure	Member	Non-Universities
Premium subsidy	3.00%	8.43%
Personal healthcare fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the School District were \$591,707 for the year ended September 30, 2021.

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

As of June 30, 2022, the School District reported a liability of \$1,216,643 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each 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 0.07971%, which was an increase of 0.00015% from its proportion measured as of September 30, 2020.

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Notes to the Financial Statements

For the year ending June 30, 2022, the School District recognized OPEB expense of \$(658,554). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 3,472,820
Changes of assumptions	1,017,053	152,189
Net difference between projected and actual earnings on pension plan investments	-	917,005
Changes in proportion and differences between employer contributions and proportionate share of contributions	73,385	67,753
Employer contributions subsequent to the measurement date	492,197	-
Total	\$ 1,582,635	\$ 4,609,767

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

Plan Year Ended September 30	Amount:
2022	\$ (895,621)
2023	(834,579)
2024	(784,997)
2025	(721,855)
2026	(249,538)
Thereafter	(32,739)

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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Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
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:	7.75% 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, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Gladstone Area Schools

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%	5.4%
Private equity pools	16.0	9.1
International equity pools	15.0	7.5
Fixed income pools	10.5	(0.7)
Real estate and infrastructure pools	10.0	5.4
Absolute return pools	9.0	2.6
Real return/opportunistic pools	12.5	6.1
Short-term investment pools	2.0	(1.3)
Total	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

Gladstone Area Schools

Notes to the Financial Statements

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%
\$2,260,742	\$1,216,643	\$330,576

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
\$296,121	\$1,216,643	\$2,252,340

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 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.

Gladstone Area Schools

Notes to the Financial Statements

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	Debt Service	Nonmajor Governmental Funds	Totals
Nonspendable				
Inventories	\$ 4,160	\$ -	\$ 21,941	\$ 26,101
Prepaid items	16,264	-	-	16,264
Subtotal	20,424	-	21,941	42,365
Restricted				
Food services	-	-	371,149	371,149
Capital projects	-	-	115,974	115,974
Debt service	-	874,992	-	874,992
Subtotal	-	874,992	487,123	1,362,115
Committed				
Student activities	-	-	225,454	225,454
Subtotal	-	-	225,454	225,454
Assigned				
Public library	-	-	44,551	44,551
Technology	-	-	264,666	264,666
Major maintenance	-	-	431,133	431,133
Subtotal	-	-	740,350	740,350
Unassigned	2,357,663	-	-	2,357,663
Total fund balances - governmental funds	\$ 2,378,087	\$ 874,992	\$ 1,474,868	\$ 4,727,947

Gladstone Area Schools

Notes to the Financial Statements

Note 15 - Subsequent Events and Commitments

Subsequent events have been evaluated through October 24, 2022. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the School District.

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, 2022

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Local sources	\$ 1,658,390	\$ 1,593,610	\$ 1,567,178	\$ (26,432)
State sources	12,867,885	13,965,254	13,963,346	(1,908)
Federal sources	661,085	1,497,167	1,439,394	(57,773)
Interdistrict	56,304	40,491	85,649	45,158
Total Revenues	15,243,664	17,096,522	17,055,567	(40,955)
Other Financing Sources				
Transfers in	--	40,000	42,159	2,159
Total Revenues and Other Financing Sources	15,243,664	17,136,522	17,097,726	(38,796)
Expenditures				
Instruction				
Basic programs	8,148,575	8,584,987	8,685,734	(100,747)
Added needs	1,654,780	1,914,524	1,609,522	305,002
Total Instruction	9,803,355	10,499,511	10,295,256	204,255
Supporting Services				
Pupil	593,464	512,376	495,084	17,292
Instructional staff	383,952	824,486	835,820	(11,334)
General administration	378,043	394,802	369,889	24,913
School administration	1,299,615	1,431,309	1,362,096	69,213
Business services	330,536	295,711	279,639	16,072
Operations and maintenance	1,398,917	1,445,292	1,409,469	35,823
Pupil transportation services	748,465	845,545	830,635	14,910
Athletics	271,704	276,083	271,778	4,305
Other support services	50,386	47,172	40,497	6,675
Total Supporting Services	5,455,082	6,072,776	5,894,907	177,869
Community Services	10,394	10,394	10,394	--
Debt Service	107,727	107,727	107,727	--
Total Expenditures	15,376,558	16,690,408	16,308,284	382,124
Other Financing Uses				
Transfers out	29,696	262,401	245,781	16,620
Total Expenditures and Other Financing Uses	15,406,254	16,952,809	16,554,065	398,744
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(162,590)	183,713	543,661	359,948
Net Change in Fund Balance	(162,590)	183,713	543,661	359,948
Fund Balance at Beginning of Period	1,834,426	1,834,426	1,834,426	--
Fund Balance at End of Period	\$ 1,671,836	\$ 2,018,139	\$ 2,378,087	\$ 359,948

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

	<u>2021</u>	<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 (%)	0.07990%	0.08000%	0.08051%	0.07981%	0.07841%	0.07681%	0.07489%	0.07448%
School District's Proportionate Share of Net Pension Liability	\$ 18,915,790	\$ 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	\$ 7,196,135	\$ 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	262.86%	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	72.60%	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 Eight School District Fiscal Years (Amounts determined as of June 30 of each year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 2,398,985	\$ 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>2,398,985</u>	<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>	<u>\$ -</u>
School District's Covered Payroll	\$ 7,304,351	\$ 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	32.84%	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 Five Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.07971%	0.07986%	0.08018%	0.08081%	0.07835%
School District's Proportionate Share of Net OPEB Liability	\$ 1,216,643	\$ 4,278,116	\$ 5,754,823	\$ 6,423,395	\$ 6,938,254
School District's Covered Payroll	\$ 7,196,135	\$ 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	16.91%	60.45%	82.20%	93.47%	105.16%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	87.33%	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 Five School District Fiscal Years (Amounts determined as of June 30 of each year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 591,707	\$ 564,205	\$ 579,341	\$ 550,619	\$ 609,987
Contributions in Relation to Statutorily Required Contributions	<u>591,707</u>	<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>	<u>\$ -</u>
School District's Covered Payroll	\$ 7,304,351	\$ 7,107,436	\$ 7,045,356	\$ 7,065,549	\$ 6,794,759
Contributions as a Percentage of Covered Payroll	8.10%	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, 2022

	<u>Athletic</u>	<u>General</u>	<u>Total General Funds</u>
ASSETS			
Cash and investments	\$ 32,076	\$ 3,002,334	\$ 3,034,410
Receivables	--	3,042,791	3,042,791
Inventories	4,160	--	4,160
Prepaid items	--	16,264	16,264
Due from other funds	--	29	29
<i>Total Assets</i>	<u>\$ 36,236</u>	<u>\$ 6,061,418</u>	<u>\$ 6,097,654</u>
LIABILITIES			
Accounts payable	\$ 528	\$ 55,210	\$ 55,738
Accrued salaries and benefits	603	1,473,338	1,473,941
Unearned revenue	--	267,893	267,893
Short-term note payable	--	1,200,000	1,200,000
Due to other funds	35,105	686,890	721,995
<i>Total Liabilities</i>	<u>36,236</u>	<u>3,683,331</u>	<u>3,719,567</u>
FUND BALANCE			
Nonspendable	--	20,424	20,424
Unassigned	--	2,357,663	2,357,663
<i>Total Fund Balance</i>	<u>--</u>	<u>2,378,087</u>	<u>2,378,087</u>
<i>Total Liabilities, and Fund Balance</i>	<u>\$ 36,236</u>	<u>\$ 6,061,418</u>	<u>\$ 6,097,654</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, 2022

	<u>Athletic</u>	<u>General</u>	<u>Eliminating Entry</u>	<u>Total General Funds</u>
Revenues				
Local sources	\$ 31,536	\$ 1,535,642	\$ --	\$ 1,567,178
State sources	--	13,963,346	--	13,963,346
Federal sources	--	1,439,394	--	1,439,394
Interdistrict and other sources	--	85,649	--	85,649
Total Revenues	<u>31,536</u>	<u>17,024,031</u>	<u>--</u>	<u>17,055,567</u>
Expenditures				
Instruction	--	10,295,256	--	10,295,256
Supporting services	271,778	5,623,129	--	5,894,907
Community services	--	10,394	--	10,394
Debt service - principal	--	107,727	--	107,727
Total Expenditures	<u>271,778</u>	<u>16,036,506</u>	<u>--</u>	<u>16,308,284</u>
Excess of Revenues Over (Under) Expenditures	<u>(240,242)</u>	<u>987,525</u>	<u>--</u>	<u>747,283</u>
Other Financing Sources (Uses)				
Transfers in	240,242	42,159	(240,242)	42,159
Transfers out	--	(486,023)	240,242	(245,781)
Net Other Financing Sources (Uses)	<u>240,242</u>	<u>(443,864)</u>	<u>--</u>	<u>(203,622)</u>
Net Change in Fund Balance	<u>--</u>	<u>543,661</u>	<u>--</u>	<u>543,661</u>
Fund Balance at Beginning of Period	<u>--</u>	<u>1,834,426</u>	<u>--</u>	<u>1,834,426</u>
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ 2,378,087</u>	<u>\$ --</u>	<u>\$ 2,378,087</u>

**Gladstone Area Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
	Public Library	School Lunch	Student Activity	Technology	Major Maintenance	Energy Bonds	
ASSETS							
Cash and investments	\$ 61,427	\$ 397,778	\$ 225,454	\$ --	\$ --	\$ 115,974	\$ 800,633
Receivables	791	13,067	--	--	--	--	13,858
Inventories	--	21,941	--	--	--	--	21,941
Due from other funds	--	34,629	--	264,666	431,133	--	730,428
<i>Total Assets</i>	\$ 62,218	\$ 467,415	\$ 225,454	\$ 264,666	\$ 431,133	\$ 115,974	\$ 1,566,860
LIABILITIES							
Accounts payable	\$ 600	\$ 19,242	\$ --	\$ --	\$ --	\$ --	\$ 19,842
Accrued salaries and benefits	8,605	33,684	--	--	--	--	42,289
Unearned revenue	--	21,399	--	--	--	--	21,399
Due to other funds	8,462	--	--	--	--	--	8,462
<i>Total Liabilities</i>	17,667	74,325	--	--	--	--	91,992
FUND BALANCE							
Nonspendable	--	21,941	--	--	--	--	21,941
Restricted	--	371,149	--	--	--	115,974	487,123
Committed	--	--	225,454	--	--	--	225,454
Assigned	44,551	--	--	264,666	431,133	--	740,350
Unassigned	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	44,551	393,090	225,454	264,666	431,133	115,974	1,474,868
<i>Total Liabilities and Fund Balance</i>	\$ 62,218	\$ 467,415	\$ 225,454	\$ 264,666	\$ 431,133	\$ 115,974	\$ 1,566,860

Gladstone Area Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
	Public Library	School Lunch	Student Activity	Technology	Major Maintenance	Energy Bonds	
Revenues							
Local sources	\$ 134,587	\$ 71,876	\$ 278,209	\$ 359	\$ 493	\$ 1,439	\$ 486,963
State sources	8,927	50,583	--	--	--	--	59,510
Federal sources	--	918,393	--	--	--	--	918,393
Interdistrict and other sources	--	16,402	--	--	--	--	16,402
Total Revenues	143,514	1,057,254	278,209	359	493	1,439	1,481,268
Expenditures							
Supporting services	--	--	236,161	--	--	--	236,161
Community services	102,787	--	--	--	--	--	102,787
Food services	--	774,097	--	--	--	--	774,097
Total Expenditures	102,787	774,097	236,161	--	--	--	1,113,045
Excess of Revenues Over (Under) Expenditures	40,727	283,157	42,048	359	493	1,439	368,223
Other Financing Sources (Uses)							
Transfers in	--	6	--	75,000	170,775	--	245,781
Transfers out	--	(42,159)	--	--	--	--	(42,159)
Net Other Financing Sources (Uses)	--	(42,153)	--	75,000	170,775	--	203,622
Net Change in Fund Balance	40,727	241,004	42,048	75,359	171,268	1,439	571,845
<i>Fund Balance at Beginning of Period</i>	<i>3,824</i>	<i>152,086</i>	<i>183,406</i>	<i>189,307</i>	<i>259,865</i>	<i>114,535</i>	<i>903,023</i>
Fund Balance at End of Period	\$ 44,551	\$ 393,090	\$ 225,454	\$ 264,666	\$ 431,133	\$ 115,974	\$ 1,474,868

**Gladstone Area Schools
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022**

	Custodial			Private Purpose Trust		
	Foundation Trust	Energy Bond Trust	Total Custodial	Health Services	Scholarship Trust	Total Private Purpose Trust
ASSETS						
Cash and investments	\$ 36,758	\$ 1,309,992	\$ 1,346,750	\$ 1,176	\$ 27,811	\$ 28,987
Receivables	--	--	--	--	1,200	1,200
Total Assets	36,758	1,309,992	1,346,750	1,176	29,011	30,187
LIABILITIES						
Accounts payable	--	--	--	--	22,695	22,695
Undistributed collections	36,758	1,309,992	1,346,750	--	--	--
Total Liabilities	36,758	1,309,992	1,346,750	--	22,695	22,695
NET POSITION						
Restricted for scholarships and health services	\$ --	\$ --	\$ --	\$ 1,176	\$ 6,316	\$ 7,492

Gladstone Area Schools
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	Custodial			Private Purpose Trust		
	Foundation Trust	Energy Bond Trust	Total Custodial	Health Services	Scholarship Trust	Total Private Purpose Trust
Additions						
Foundation trust collections	\$ 78	\$ --	\$ 78	\$ --	\$ --	\$ --
Energy bond trust collections	--	110,448	110,448	--	--	--
Gifts and contributions	--	--	--	553	21,897	22,450
Interest earned	--	--	--	--	37	37
Total Additions	78	110,448	110,526	553	21,934	22,487
Deductions						
Scholarships awarded	--	--	--	--	21,695	21,695
Other expenses	--	--	--	687	--	687
Total Deductions	--	--	--	687	21,695	22,382
Change in Net Position	--	--	--	(134)	239	105
<i>Net Position at Beginning of Period</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>1,310</i>	<i>6,077</i>	<i>7,387</i>
Net Position at End of Period	\$ --	\$ --	\$ --	\$ 1,176	\$ 6,316	\$ 7,492

**GLADSTONE AREA SCHOOLS
DELTA COUNTY, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2022**

Gladstone Area Schools
Schedule of Expenditures of Federal Awards
June 30, 2022

<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, 2021</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued/Deferred Revenue at June 30, 2022</i>	<i>Deferred Revenue at June 30, 2022</i>
U.S. Department of Agriculture:								
<i>Passed Through Michigan Department of Education:</i>								
Child Nutrition Cluster:								
210904 SFSP 2021 -June 2021	10.559	-	-	25,647	25,647	-	-	-
210904-220904 SFSP 2021-22 -July 2021- Aug 2021, June 2022	10.559	21,287	-	-	10,918	21,287	10,369	-
211971-221971 / Seamless summer Option Bkfst Sept 2021-June 2022	10.553	178,453	-	-	178,453	178,453	-	-
211961-221961 / Seamless summer Option Lunch Sept 2021-June 2022	10.555	662,817	-	-	662,817	662,817	-	-
220910 Supply Chain Assistance	10.555	31,026	-	-	9,627	9,627	-	21,399
Non-cash Assistance (Entitlement Commodities)	10.555	46,210	-	-	46,210	46,210	-	-
Pandemic EBT Local Level Costs	10.649	614	-	-	614	614	-	-
Total U.S. Department of Agriculture		940,407	-	25,647	934,286	919,008	10,369	21,399
U.S. Department of Education:								
<i>Received directly</i>								
Title V, Part C Indian Education 2022	84.060	27,018	-	-	25,848	27,018	1,170	-
Total Title V Part C		27,018	-	-	25,848	27,018	1,170	-
<i>Passed Through Michigan Department of Education:</i>								
Title I, Part A - Improving Basic Programs								
211530 2021	84.010	257,068	179,317	57,153	57,153	-	-	-
221530 2122	84.010	319,560	-	-	220,538	274,531	53,993	-
Total Title I		576,628	179,317	57,153	277,691	274,531	53,993	-
Title II, Part A - Improving Teacher Quality State Grants								
210520 2021	84.367	49,980	29,275	15,978	15,978	-	-	-
220520 2122	84.367	75,178	-	-	18,036	41,726	23,690	-
Total Title II		125,158	29,275	15,978	34,014	41,726	23,690	-

See Notes to the Schedule of Expenditures of Federal Awards

Gladstone Area Schools
Schedule of Expenditures of Federal Awards
June 30, 2022

<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, 2021</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued/Deferred Revenue at June 30, 2022</i>	<i>Deferred Revenue at June 30, 2022</i>
Title IV, Part A								
220750 2122	84.424	28,603	-	-	13,301	22,364	9,063	-
Total Title IV		28,603	-	-	13,301	22,364	9,063	-
ESSER Fund-Formula								
203710 1920	84.425D	122,071	101,391	16,927	37,607	20,680	-	-
ESSER II Fund-Formula								
213712 2021	84.425D	846,039	232,656	232,656	650,248	549,143	131,551	-
Esser II Fund -Summer Programming								
213722-2122	84.425D	272,250			81,939	164,783	82,844	-
Esser II Fund- Credit Recovery								
213742-2122	84.425D	209,000			37,318	43,400	6,082	-
Esser II- Benchmark Assessments								
Apr-85	84.425D				13,375	13,375	-	-
Total ESSER Funds		1,449,360	334,047	249,583	820,486	791,380	220,477	-
Geer II- Teacher Stipend & Suport Staff								
21120-2122	84.42D	101,250			22,500	22,500	-	-
Total GEER Funds		101,250	-	-	22,500	22,500	-	-
Total Passed Through Michigan Department of Education		2,280,999	542,639	322,714	1,167,992	1,152,501	307,223	-
Passed Through Delta -Schoolcraft Intermediate School District:								
Title I, Regional Assistance Grant								
211570 2021	84.010A	253,380	164,581	101,181	116,468	15,287		
211570 2021	84.010A	314,841	-	-	45,757	205,758	160,001	-
Total Passed Through Delta-Schoolcraft Intermediate School District		568,221	164,581	101,181	162,225	221,045	160,001	-
Passed Through Copper Country Intermediate School District:								
MAISA Device Purchase Program	21.019	61,428	60,478	-	950	950	-	-
Total Passed Through Copper Country Intermediate School District		61,428	60,478	-	950	950	-	-
Total U.S. Department of Education		2,937,666	767,698	423,895	1,357,015	1,401,514	468,394	-
Universal Service Administrative Company (USAC)								
Received Directly								
USAC- ECF Program	32.009	34,000	-	-	34,000	34,000	-	-
Total U.S. Institue of Museum and Library Services		34,000	-	-	34,000	34,000	-	-
U.S. Department of Health and Human Services:								
Passed Through Delta-Schoolcraft Intermediate School District:								
Medicaid Outreach	93.778	3,265	3,913	-	3,265	3,265	-	-
Total U.S. Department of Health and Human Services		3,265	3,913	-	3,265	3,265	-	-
Total Federal Financial Assistance		\$ 3,915,337	\$ 771,611	\$ 449,542	\$ 2,328,565	\$ 2,357,787	\$ 478,763	\$ 21,399

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, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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, 2022 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 \$2,357,787 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, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 24, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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

Purpose of This Report

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

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 24, 2022

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 School
Gladstone, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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 24, 2022

Gladstone Area Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

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
ESSER	84.425D
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 24, 2022

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 the Gladstone Area Schools (the “School District”) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 21, 2022. 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, 2022. 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:

- Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.
- 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 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the 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 24, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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 24, 2022.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedules, 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, and 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