

GAYLORD COMMUNITY SCHOOLS
GAYLORD, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2022



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 25, 2022

Board of Education
Gaylord Community Schools
Gaylord, 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 Gaylord Community Schools (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 accompanying 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 Gaylord Community Schools as of June 30, 2022 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; 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.



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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 GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation or the override of internal control. Misstatements, including omissions, 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gaylord Community Schools' 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 Gaylord Community Schools' 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.



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Required Supplementary Information

U.S. generally accepted accounting principles requires that the management's discussion and analysis, budgetary comparison information and pension and OPEB schedules, as noted in the table of contents to 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 U.S. generally accepted auditing standards, 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 combining non-major fund financial statements and schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 for the underlying accounting and other records used to prepare the basis 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 GAAS. In our opinion, the combining non-major fund financial statements and 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 25, 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.

Weinlander Fitzhugh

GAYLORD COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Our discussion and analysis of Gaylord Community Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2022.

Financial Highlights

The School District's net position increased by \$5,354,657 or 20%. Program revenues were \$15,243,275 or 37% of total revenues, and general revenues were \$26,258,312 or 63%.

The General Fund reported a positive fund balance of \$8,658,463.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and the Food Service Fund with all other funds presented in one column as nonmajor funds. The remaining statements include financial statements for the proprietary fund, the statement of net position, statement of revenue, expenses and changes in net position and the statement of cash flows, which present the financial information about activities related to services provided to other funds. The following summarizes the presentation included in this annual financial report.

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

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund and Food Service Fund
(Required Supplemental Information)

Pension Schedules (Required Supplemental Information)

OPEB Schedules (Required Supplemental Information)

Notes to Required Supplementary Information

Other Supplemental Information

GAYLORD COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue.

Governmental Funds

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

Proprietary Fund - Internal Service Fund

The purpose of the Internal Service Fund is to finance certain services provided to other funds on a cost-reimbursement basis. The School District maintains this fund for accrued compensated absences. It is funded through charges to and transfers from the General Fund and Food Service Fund.

GAYLORD COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

District-wide Financial Analysis

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2022 and 2021:

Exhibit A	Governmental Activities	
	2022	Non-restated 2021
Assets		
Current and other assets	\$ 16,678,496	\$ 15,408,531
Capital assets - net of accumulated depreciation	25,777,299	25,295,498
Total assets	42,455,795	40,704,029
Deferred Outflows of Resources		
Related to pensions and OPEB	12,372,353	17,662,848
Liabilities		
Current liabilities	5,271,500	5,480,519
Long-term liabilities	44,057,589	70,652,644
Total liabilities	49,329,089	76,133,163
Deferred Inflows of Resources		
Related to pension and OPEB	27,265,309	9,844,833
Net Position		
Net investment in capital assets	25,777,299	25,277,331
Restricted	1,189,719	2,471,782
Unrestricted	(48,733,268)	(55,360,232)
Total net position	\$ (21,766,250)	\$ (27,611,119)

The analysis on the previous page focuses on net position (see Exhibit A). The School District's net position of governmental activities were \$(21,766,250) at June 30, 2022. Investment in property and equipment, net of related debt totaling \$25,777,299, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use that net position for day-to-day operations.

The \$(48,733,268) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

GAYLORD COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

The School District implemented GASB Statement No. 68 in 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$41,243,506 for 2022 and \$60,749,222 for 2021.

The School District implemented GASB Statement No. 75 in 2018. The effect of this Statement required the School District to report in the summary of net position, a liability of \$2,681,484 for 2022 and \$9,374,713 for 2021.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2022 and 2021.

Exhibit B

	Governmental Activities	
	2022	Non-restated 2021
Revenues		
Program revenue:		
Charges for services	\$ 1,111,348	\$ 611,806
Grants and categoricals	14,131,927	10,532,571
General revenue:		
Property taxes	12,847,176	15,370,324
State aid	13,103,015	13,126,818
Other	308,121	247,062
Total revenues	41,501,587	39,888,581
Function/Program Expenses		
Instruction	21,043,895	24,103,560
Support services	9,811,644	10,193,319
Community services	309,508	231,920
Food services	1,854,569	1,760,427
Athletics	995,106	645,339
Facilities, acquisition, construction and equipment	270,017	609,567
Student/school activities	373,597	142,974
Interest on long-term debt	0	69,720
Depreciation (unallocated)	1,488,594	1,517,492
Total expenses	36,146,930	39,274,318
Change in Net Position	\$ 5,354,657	\$ 614,263

As reported in the statement of activities, the cost of all of our governmental activities this year was \$36,146,930. Certain activities were partially funded from those who benefited from the programs, \$1,111,348, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$14,131,927. We paid for the remaining "public benefit" portion of our governmental activities with \$12,847,176 in taxes, \$13,103,015 in State aid and with our other revenues, such as interest and entitlements.

GAYLORD COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

The School District's governmental activities had an increase in net position of \$5,354,657. The increase is in part due to the increase in state aid and grant revenue. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

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

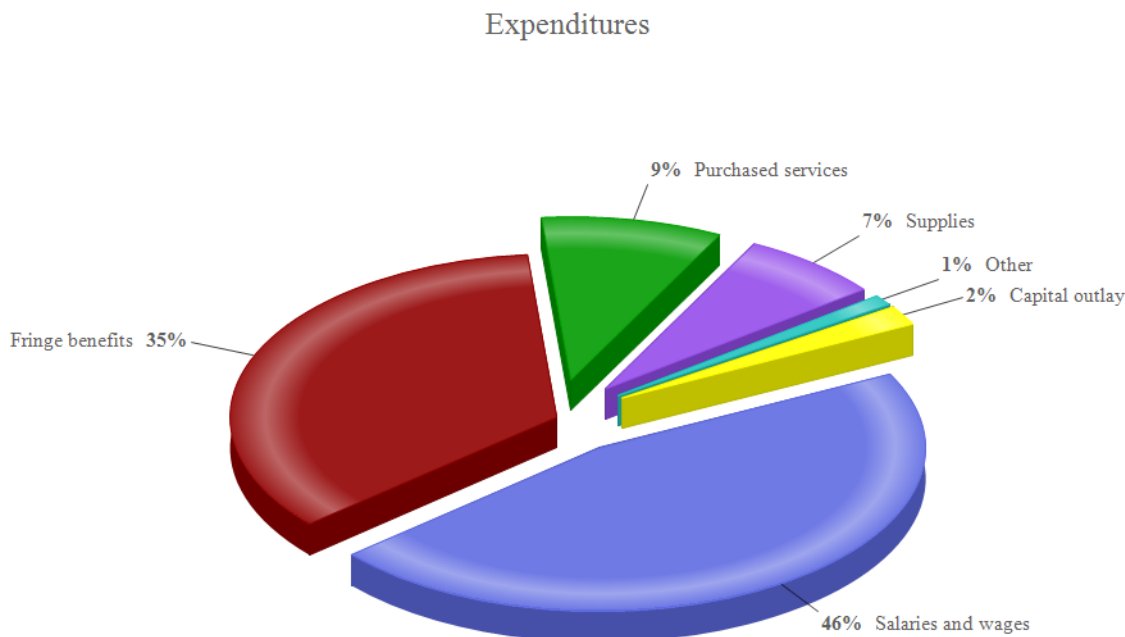
The School District's governmental funds reported a combined fund balance of \$11,376,392, which is above last year's total of \$9,892,980. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2022 and 2021.

	Fund Balance 6/30/2022	Fund Balance 6/30/2021	Increase (Decrease)
General	\$ 8,658,463	\$ 6,867,043	\$ 1,791,420
Special Revenue - Food Service	1,084,837	803,038	281,799
Special Revenue - Student Activity	540,719	554,155	(13,436)
Debt Service	298,431	323,589	(25,158)
Capital Projects	793,942	1,345,155	(551,213)
	<u>\$ 11,376,392</u>	<u>\$ 9,892,980</u>	<u>\$ 1,483,412</u>

- Our General Fund increased primarily due to an influx of COVID-19 Grant funds as well as an increase in School Aid revenue.
- Our Food Service Fund increased primarily due to revenue increasing at a greater rate than the expenditures.
- Our Student Activity Fund decreased due to revenue increasing slightly less than the expenditures.
- Our Debt Service Funds decreased due to continued tax chargebacks.
- Our Capital Projects Funds decreased primarily due to the expenses associated with a large HVAC project.

GAYLORD COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	2022	2021
Expenditures by Object		
Salaries and wages	\$ 17,458,151	\$ 15,631,139
Fringe benefits	12,410,351	11,162,954
Purchased services	3,343,301	3,150,193
Supplies	2,454,808	1,457,845
Capital outlay	0	616,054
Other	285,220	245,386
Total	<u>\$ 35,951,831</u>	<u>\$ 32,263,571</u>

Expenditures have increased by \$3,688,260. This is primarily from the increased costs associated with wages, benefits and supplies. A large contributing factor is the utilization of COVID-19 grant funds to address learning loss.

GAYLORD COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased from the original budget by \$5,186,102. This was mainly due to anticipated recognition of COVID-19 grant funds as well as the increase in the State Aid per pupil funding.
- Budgeted expenditures were increased from the original budget by \$5,111,382. This was due to the increased costs associated with the COVID grant funds as well as adjustments to expenditures throughout the budget.
- Actual revenues were \$223,764 more than the final budget. This was mainly due to recognizing a higher than anticipated amount of revenue from local sources.
- Actual expenditures were \$1,392,398 less than the final budget. This was mainly due to variances throughout the budget.

Capital Assets

At June 30, 2022, the School District had \$25,777,299 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of \$481,801 from last year.

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>Non-restated 2021</u>
Land	\$ 168,654	\$ 168,654
Construction in process	0	159,614
Buildings and improvements	53,312,500	51,487,332
Furniture and equipment	4,996,151	4,795,085
Buses and other vehicles	3,034,651	3,140,463
	<hr/>	<hr/>
Total capital assets	61,511,956	59,751,148
	<hr/>	<hr/>
Less accumulated depreciation	35,734,657	34,455,650
	<hr/>	<hr/>
Net capital assets	<u>\$ 25,777,299</u>	<u>\$ 25,295,498</u>

This year's additions of \$1,480,183 was mostly related to the finalization of a large HVAC project.

We present more detailed information about our capital assets in the notes to the financial statements.

GAYLORD COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2023 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2023 fiscal year budget was adopted in June 2022, based on an estimate of students that will be enrolled in September 2022. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2022-2023 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2023 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation until 2022-2023.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Gaylord Community Schools
615 S. Elm Avenue
Gaylord, MI 49735

GAYLORD COMMUNITY SCHOOLS
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 11,491,402
Receivables:	
Accounts receivable	67,439
Due from other governments	4,661,751
Inventory	37,993
Prepaid expenses	419,911
Capital assets less accumulated depreciation \$35,734,657	<u>25,777,299</u>
Total assets	<u>42,455,795</u>
<u>Deferred Outflows of Resources</u>	
Related to pensions	8,877,521
Related to OPEB	<u>3,494,832</u>
Total deferred outflows of resources	<u>12,372,353</u>
<u>Liabilities</u>	
Accounts payable	242,446
Due to other governments	501,731
Unearned revenue	960,752
Accrued payroll and payroll liabilities	3,566,571
Long-term liabilities:	
Due in more than one year	132,599
Net pension liability	41,243,506
Net OPEB liability	<u>2,681,484</u>
Total liabilities	<u>49,329,089</u>
<u>Deferred Inflows of Resources</u>	
Related to pensions	17,140,103
Related to OPEB	<u>10,125,206</u>
Total deferred inflows of resources	<u>27,265,309</u>
<u>Net Position</u>	
Net investment in capital assets	25,777,299
Restricted for debt service	298,431
Restricted for capital projects	793,942
Restricted for food service	97,346
Unrestricted	<u>(48,733,268)</u>
Total net position	<u>\$ (21,766,250)</u>

See accompanying notes to financial statements.

GAYLORD COMMUNITY SCHOOLS
Statement of Activities
For the Year Ended June 30, 2022

		<u>Program Revenues</u>		<u>Governmental</u>
				<u>Activities</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Net (Expense)</u>
<u>Functions/Programs</u>		<u>Services</u>	<u>Grants/</u>	<u>Revenue and</u>
			<u>Contributions</u>	<u>Changes in Net</u>
				<u>Position</u>
Primary government -				
Governmental activities:				
Instruction	\$ 21,043,895	\$ 113,232	\$ 9,413,286	\$ (11,517,377)
Support services	9,811,644	60,764	2,679,498	(7,071,382)
Community services	309,508	145,175	0	(164,333)
Food services	1,854,569	300,635	2,039,143	485,209
Athletics	995,106	94,337	0	(900,769)
Facilities, acquisition,				
construction and equipment	270,017	0	0	(270,017)
Student/school activities	373,597	397,205	0	23,608
Depreciation (unallocated)	1,488,594	0	0	(1,488,594)
Total governmental activities	<u>\$ 36,146,930</u>	<u>\$ 1,111,348</u>	<u>\$ 14,131,927</u>	<u>(20,903,655)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				11,261,750
Property taxes, levied for capital projects				1,582,093
Property taxes, levied for debt services				3,333
State aid				13,103,015
Interest and investment earnings				2,923
Other				305,198
Total general revenues				<u>26,258,312</u>
Change in net position				5,354,657
Net position - beginning of year, restated				<u>(27,120,907)</u>
Net position - end of year				<u><u>\$ (21,766,250)</u></u>

See accompanying notes to financial statements.

GAYLORD COMMUNITY SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2022

	General	Food Service	Other Nonmajor Governmental Funds	Total
<u>Assets</u>				
Cash and investments	\$ 8,396,530	\$ 2,063,957	\$ 892,140	\$11,352,627
Receivables:				
Accounts receivable	63,731	3,708	0	67,439
Due from other funds	1,249,099	47,026	880,005	2,176,130
Due from other governments	4,622,661	39,090	0	4,661,751
Inventory	13,551	24,442	0	37,993
Prepaid expenditures	419,911	0	0	419,911
 Total assets	<u>\$14,765,483</u>	<u>\$ 2,178,223</u>	<u>\$ 1,772,145</u>	<u>\$18,715,851</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 231,857	\$ 0	\$ 10,589	\$ 242,446
Due to other funds	848,097	1,091,398	128,464	2,067,959
Due to other governments	501,731	0	0	501,731
Unearned revenue	958,764	1,988	0	960,752
Accrued payroll and payroll liabilities	3,566,571	0	0	3,566,571
 Total liabilities	<u>6,107,020</u>	<u>1,093,386</u>	<u>139,053</u>	<u>7,339,459</u>
<u>Fund Balance</u>				
Nonspendable - inventory	13,551	24,442	0	37,993
Nonspendable - prepaid	419,911	0	0	419,911
Restricted for debt service	0	0	298,431	298,431
Restricted for capital projects	0	0	793,942	793,942
Restricted for food service	0	1,060,395	0	1,060,395
Committed for student/school activities	0	0	540,719	540,719
Unassigned	8,225,001	0	0	8,225,001
 Total fund balance	<u>8,658,463</u>	<u>1,084,837</u>	<u>1,633,092</u>	<u>11,376,392</u>
 Total liabilities and fund balance	<u>\$14,765,483</u>	<u>\$ 2,178,223</u>	<u>\$ 1,772,145</u>	<u>\$18,715,851</u>

See accompanying notes to financial statements.

GAYLORD COMMUNITY SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022

Total fund balance - governmental funds	\$ 11,376,392
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Cost of the capital assets	61,511,956
Accumulated depreciation	(35,734,657)

Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:

Related to pensions	8,877,521
Related to OPEB	3,494,832

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Compensated absences	(101,995)
Net pension liability	(41,243,506)
Net OPEB liability	(2,681,484)

Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:

Related to pensions	(17,140,103)
Related to OPEB	<u>(10,125,206)</u>

Total net position - governmental activities	<u>\$ (21,766,250)</u>
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See accompanying notes to financial statements.

GAYLORD COMMUNITY SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2022

	<u>General</u>	<u>Food Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Revenues</u>				
Local sources	\$11,976,096	\$ 300,976	\$ 1,982,707	\$ 14,259,779
State sources	19,494,787	101,666	0	19,596,453
Federal sources	5,240,357	1,937,477	0	7,177,834
Interdistrict and other sources	1,001,913	0	0	1,001,913
Total revenues	<u>37,713,153</u>	<u>2,340,119</u>	<u>1,982,707</u>	<u>42,035,979</u>
<u>Expenditures</u>				
Instruction	24,338,514	0	0	24,338,514
Support services	10,288,315	0	742,997	11,031,312
Athletics	995,106	0	0	995,106
Community services	309,508	0	0	309,508
Facilities, acquisition, construction and equipment	20,388	0	1,435,359	1,455,747
Food services	0	1,993,572	0	1,993,572
Student/school activities	0	0	410,641	410,641
Debt service:				
Principal	0	0	18,167	18,167
Total expenditures	<u>35,951,831</u>	<u>1,993,572</u>	<u>2,607,164</u>	<u>40,552,567</u>
Excess (deficiency) of revenues over expenditures	<u>1,761,322</u>	<u>346,547</u>	<u>(624,457)</u>	<u>1,483,412</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	79,684	14,936	34,650	129,270
Transfers out	(49,586)	(79,684)	0	(129,270)
Total other financing sources (uses)	<u>30,098</u>	<u>(64,748)</u>	<u>34,650</u>	<u>0</u>
Net change in fund balance	1,791,420	281,799	(589,807)	1,483,412
Fund balance - beginning of year	<u>6,867,043</u>	<u>803,038</u>	<u>2,222,899</u>	<u>9,892,980</u>
Fund balance - end of year	<u>\$ 8,658,463</u>	<u>\$ 1,084,837</u>	<u>\$ 1,633,092</u>	<u>\$ 11,376,392</u>

See accompanying notes to financial statements.

GAYLORD COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balance - total governmental funds	\$ 1,483,412
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(1,488,594)
Capital outlay	1,480,183
Repayment of loans are an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	18,167
Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	373,515
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	699,895
OPEB related items	<u>2,788,079</u>
Change in net position of governmental activities	<u>\$ 5,354,657</u>

See accompanying notes to financial statements.

GAYLORD COMMUNITY SCHOOLS
Internal Service Fund
Statement of Net Position
June 30, 2022

	<u>Internal Service Fund</u>
<u>Assets</u>	
Cash and investments	\$ <u>138,775</u>
<u>Liabilities</u>	
Due to other funds	\$ 108,171
Accrued payroll and other liabilities	17,918
Other obligations	<u>12,686</u>
Total liabilities	\$ <u>138,775</u>

See accompanying notes to financial statements.

GAYLORD COMMUNITY SCHOOLS
Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2022

	<u>Internal Service Fund</u>
<u>Cash Flows From Operating Activities</u>	
Adjustments to reconcile change in net position to net cash flows from operating activities:	
Due to other funds	\$ 22,766
Accrued liabilities and other obligations	<u>(22,595)</u>
Net cash flows from operating activities	<u>171</u>
Net change in cash	171
Cash - beginning of year	<u>138,604</u>
Cash - end of year	<u><u>\$ 138,775</u></u>

See accompanying notes to financial statements.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Gaylord Community Schools (the "School District") conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected 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 District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

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

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

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Proprietary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget

Food Service Fund - The Food Service Fund is used to record the general operations of the School District pertaining to school lunch. Included are all transactions related to the approved current operating budget.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Inventory and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the General Fund and Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined Benefit Plan - For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public School Employees Retirement Systems (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.

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources

Deferred outflows - 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. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and other postemployment benefits contributions made after the measurement date. This amount will reduce the net pension and other postemployment benefits liability in the following year.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows - 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. For district-wide financial statements, the School District reports deferred inflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period.

Use of Estimates - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property taxes - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Aid - For the fiscal year ended June 30, 2022, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2022, the foundation allowance was based on the average pupil membership counts taken in February 2021 and October 2021.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2021 - August 2022. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2022 relating to state aid is \$3,438,785.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Events Occurring After Reporting Date

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

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 2 - BUDGETS (CONTINUED)

Gaylord Community Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund and Food Service Fund are presented as Required Supplemental Information.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund and Food Service Fund are noted in the required supplementary information section.

NOTE 3 - CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government	Internal Service Fund	Total
Cash and cash equivalents	\$ 11,352,627	\$ 138,775	\$ 11,491,402

As of June 30, 2022 the School District had deposits and investments subject to the following risk:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2022, \$11,191,687 of the School District's bank balance of \$11,446,531 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

Interest rate risk. In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Investment type	Fair value	Weighted average maturity (years)
MILAF External Investment Pool - CMC	\$ 1,141,442	N/A

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Concentration of credit risk. The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure by credit quality.

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	<u>\$ 1,141,442</u>	AAAm	Standard & Poor's

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

Fair value measurement. The School District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the School District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The School District does not have any investments subject to the fair value hierarchy.

The School District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the School District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximates fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

Amortized
Cost

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

MILAF External Investment pool - CMC \$ 1,141,442

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Assets not being depreciated:				
Land	\$ 168,654	\$ 0	\$ 0	\$ 168,654
Construction in process	649,826	0	(649,826)	0
Subtotal	818,480	0	(649,826)	168,654
Capital assets being depreciated:				
Buildings and improvements	51,487,332	1,825,168	0	53,312,500
Furniture and equipment	4,795,085	201,066	0	4,996,151
Buses and other vehicles	3,140,463	103,775	(209,587)	3,034,651
Subtotal	59,422,880	2,130,009	(209,587)	61,343,302
Accumulated depreciation:				
Buildings and improvements	28,045,919	1,107,107	0	29,153,026
Furniture and equipment	4,474,224	112,827	0	4,587,051
Buses and other vehicles	1,935,507	268,660	(209,587)	1,994,580
Subtotal	34,455,650	1,488,594	(209,587)	35,734,657
Net capital assets being depreciated	24,967,230	641,415	0	25,608,645
Net capital assets	<u>\$ 25,785,710</u>	<u>\$ 641,415</u>	<u>\$ (649,826)</u>	<u>\$ 25,777,299</u>

Depreciation expense for fiscal year ended June 30, 2022 was \$1,488,594. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2022 are as follows:

		Payables						
		General	Food Service	2013 Debt	Sinking	Internal Service	Student Activity	Total
Receivables	General	\$ 0	\$ 1,091,398	\$ 0	\$ 0	\$ 108,171	\$ 49,530	\$ 1,249,099
	Food Service	0	0	0	0	0	47,026	47,026
	2009 Debt	194,417	0	0	0	0	0	194,417
	2013 Debt	104,014	0	0	0	0	0	104,014
	Green	41,686	0	0	31,908	0	0	73,594
	Sinking	507,980	0	0	0	0	0	507,980
		<u>\$ 848,097</u>	<u>\$ 1,091,398</u>	<u>\$ 0</u>	<u>\$ 31,908</u>	<u>\$ 108,171</u>	<u>\$ 96,556</u>	<u>\$ 2,176,130</u>

A summary of interfund transfers made during the year ended June 30, 2022 are as follows:

		Transfers Out		
		General	Food Service	Total
Transfers In	General	\$ 0	\$ 79,684	\$ 79,684
	Food Service	14,936	0	14,936
	Green Fund	34,650	0	34,650
		<u>\$ 49,586</u>	<u>\$ 79,684</u>	<u>\$ 129,270</u>

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

Interfund transfers from the Food Service Fund to the General Fund were made for overhead cost reimbursements. Transfers from the General Fund to the Green Fund were for energy savings costs. The Food Service Fund transferred to the General Fund to cover indirect costs.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2022 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and grants	\$ 3,438,785
Federal grants	1,190,369
Other	32,597
	<u>\$ 4,661,751</u>

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 7 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$960,752.

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Retirements and Payments	Balance June 30, 2022	Amount Due Within One Year
Notes from direct borrowings and direct placements	\$ 18,167	\$ 0	\$ 18,167	\$ 0	\$ 0
Compensated absences	475,510	0	373,515	101,995	0
	493,677	0	391,682	101,995	0
Other obligations reported in the Internal Service Fund	53,199	0	22,595	30,604	0
	<u>\$ 546,876</u>	<u>\$ 0</u>	<u>\$ 414,277</u>	<u>\$ 132,599</u>	<u>\$ 0</u>

Long-term obligations at June 30, 2022 is comprised of the following issues:

Under terms of the present contract between the Board of Education of Gaylord Community Schools and the various employee groups, including teachers, administration, bus drivers and extra support personnel, the School District is contingently liable for compensated absences (sick and personal pay). The amount of compensated absences, calculated based on number of years of service, amounts to \$101,995 at June 30, 2022.

The School District's other obligations reported in the Internal Service Fund is cumulative sick leave earned prior to June 30, 1997. Cumulative sick leave consists of earned sick leave benefits to be paid out once an employee retires. As of June 30, 2022 the balance remaining was \$30,604.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the system.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first worked on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 contribution share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

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 health care 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.

Retiree Healthcare Reform of 2012

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.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

Regular Retirement (no reduction factor for age)

Eligibility – A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018, are amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

The School District's contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	<u>Pension</u>	<u>Other Postemployment benefit</u>
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The School District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$6,116,000. Of the total pension contributions approximately \$6,027,000 was contributed to fund the Defined Benefit Plan and approximately \$89,000 was contributed to fund the Defined Contribution Plan.

The School District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$1,448,000. Of the total OPEB contributions approximately \$1,350,000 was contributed to fund the Defined Benefit Plan and approximately \$98,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefits, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

Pension Liabilities

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 date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPERS (Plan) Non-University Employers:	September 30, 2021	September 30, 2020
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan Fiduciary Net Position	\$ 62,717,060,920	\$ 50,939,496,006
Net Pension Liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate share	0.17420 %	0.17685 %
Net Pension liability for the School District	\$ 41,243,506	\$ 60,749,222

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

For the year ended June 30, 2022, the School District recognized pension expense of approximately \$2,278,125.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 638,880	\$ (242,875)
Net difference between projected and actual earnings on pension plan investments	0	(13,259,655)
Changes in assumptions	2,599,843	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	295,242	(879,296)
Unearned revenue related to pension portion of section 147 c	0	(2,758,277)
School District's contributions subsequent to the measurement date	<u>5,343,556</u>	<u>0</u>
Total	<u>\$ 8,877,521</u>	<u>\$ (17,140,103)</u>

\$5,343,556, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30	<u>Amount</u>
2023	\$ (1,218,142)
2024	(2,526,903)
2025	(3,438,430)
2026	(3,664,386)
	<u>\$ (10,847,861)</u>

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

OPEB Liabilities

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 date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers:	September 30, 2021	September 30, 2020
Total OPEB Liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan Fiduciary Net Position	\$ 10,520,015,621	\$ 7,849,636,555
Net OPEB Liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.17568 %	0.17499 %
Net OPEB liability for the School District	\$ 2,681,484	\$ 9,374,713

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

For the year ended June 30, 2022, the School District recognized OPEB expense of approximately \$(1,493,618).

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 0	\$ (7,654,104)
Net difference between projected and actual plan investment	0	(2,021,082)
Changes of assumption	2,241,587	(335,425)
Changes in proportion and differences between employer contributions and proportionate share of contributions	198,347	(114,595)
School District's contributions subsequent to the measurement date	<u>1,054,898</u>	<u>0</u>
Total	<u><u>\$ 3,494,832</u></u>	<u><u>\$ (10,125,206)</u></u>

\$1,054,898, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2023	\$ (1,956,202)
2024	(1,819,429)
2025	(1,713,058)
2026	(1,588,058)
2027	(537,945)
Thereafter	(70,580)
	<u><u>\$ (7,685,272)</u></u>

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Actuarial Assumptions

Investment rate of return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

Investment rate of return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%..

Inflation - 3.0%

Mortality assumptions -

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: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for the Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses 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 and OPEB 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.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit – Pre 65, 7.75% for year one and graded to 3.5% for year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

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 coverage 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.

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	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 rate of return are net of administrative expenses and 2.0% inflation.

Rate of return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Pension discount rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

OPEB discount rate - A single 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 school districts 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.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the School District's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability	<u>\$58,967,028</u>	<u>\$41,243,506</u>	<u>\$26,549,544</u>

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Sensitivity 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 Reporting Unit'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 than the current rate:

	<u>Other postemployment benefit</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	<u>\$4,982,680</u>	<u>\$2,681,484</u>	<u>\$728,589</u>

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.0%), as well as what the School District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>Other postemployment benefit</u>		
	<u>1% Decrease</u>	<u>Current Healthcare cost trend rates</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	<u>\$652,652</u>	<u>\$2,681,484</u>	<u>\$4,964,164</u>

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2021 valuation.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are included in the financial statements as a liability titled accrued payroll and payroll liabilities. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

NOTE 11 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 12 - ECONOMIC DEPENDENCY

The School District received approximately 71% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NOTE 13 - SINKING FUND COMPLIANCE

The Capital Projects Funds includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code.

GAYLORD COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 14 - TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The taxes abated for the General Fund operating millage is considered by the State of Michigan when determining the School District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the School District.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 16 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment for the purchase of capital assets is as follows:

	<u>Net Position</u>
	Governmental Activities
Net position as of July 1, 2021, as previously stated	\$ (27,611,119)
Purchase of capital assets	<u>490,212</u>
Net position as of July 1, 2021, restated	<u><u>\$ (27,120,907)</u></u>

GAYLORD COMMUNITY SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 11,137,500	\$ 11,761,225	\$ 11,976,096	\$ 214,871
State sources	18,143,392	19,354,768	19,494,787	140,019
Federal sources	1,889,408	5,387,909	5,240,357	(147,552)
Interdistrict and other sources	1,132,987	985,487	1,001,913	16,426
Total revenues	32,303,287	37,489,389	37,713,153	223,764
<u>Expenditures</u>				
Instruction:				
Basic programs	17,219,442	18,813,856	18,569,950	243,906
Added needs	4,968,358	5,896,416	5,768,564	127,852
Support services:				
Pupil	1,011,011	1,168,895	1,195,215	(26,320)
Instructional staff	516,596	1,619,566	1,124,409	495,157
General administrative	488,760	576,970	564,067	12,903
School administrative	1,898,490	2,089,407	2,079,943	9,464
Business services	518,125	480,685	559,211	(78,526)
Operations and maintenance	2,778,220	2,927,030	2,632,150	294,880
Transportation	1,122,646	1,345,176	1,313,783	31,393
Other central support services	759,561	841,973	818,706	23,267
Student/school activities	11,000	11,000	831	10,169
Athletics	672,225	952,740	995,106	(42,366)
Community services	256,413	599,015	309,508	289,507
Facilities, acquisition, construction and equipment	12,000	21,500	20,388	1,112
Total expenditures	32,232,847	37,344,229	35,951,831	1,392,398
Excess (deficiency) of revenues over expenditures	70,440	145,160	1,761,322	1,616,162
<u>Other Financing Sources (Uses)</u>				
Transfers in	75,000	95,000	79,684	15,316
Transfers out	(70,529)	(54,650)	(49,586)	5,064
Total other financing sources (uses)	4,471	40,350	30,098	20,380
Net change in fund balance	74,911	185,510	1,791,420	1,636,542
Fund balance - beginning of year	6,867,043	6,867,043	6,867,043	0
Fund balance - end of year	<u>\$ 6,941,954</u>	<u>\$ 7,052,553</u>	<u>\$ 8,658,463</u>	<u>\$ 1,605,910</u>

GAYLORD COMMUNITY SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - Food Service Fund
For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 204,720	\$ 275,700	\$ 300,976	\$ 25,276
State sources	74,774	131,009	101,666	(29,343)
Federal sources	1,440,000	1,589,685	1,937,477	347,792
Total revenues	1,719,494	1,996,394	2,340,119	343,725
<u>Expenditures</u>				
Food services	1,841,757	2,155,084	1,993,572	161,512
Excess (deficiency) of revenues over expenditures	(122,263)	(158,690)	346,547	505,237
<u>Other Financing Sources</u>				
Transfers in	21,500	20,000	14,936	(5,064)
Transfer out	(75,000)	(95,000)	(79,684)	15,316
Total other financing sources	(53,500)	(75,000)	(64,748)	10,252
Net change in fund balance	(175,763)	(233,690)	281,799	515,489
Fund balance - beginning of year	803,038	803,038	803,038	0
Fund balance - end of year	<u>\$ 627,275</u>	<u>\$ 569,348</u>	<u>\$ 1,084,837</u>	<u>\$ 515,489</u>

GAYLORD COMMUNITY SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 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>
Reporting unit's proportion of net pension liability (%)	0.17420 %	0.17685 %	0.17779 %	0.17561 %	0.17167 %	0.16483 %	0.16890 %	0.16797 %
Reporting unit's proportionate share of net pension liability	\$41,243,506	\$60,749,222	\$58,879,617	\$52,791,103	\$44,488,003	\$41,124,580	\$41,253,335	\$36,997,153
Reporting unit's covered-employee payroll*	\$15,865,654	\$15,506,283	\$15,385,350	\$15,227,212	\$14,701,166	\$13,751,681	\$14,057,495	\$14,158,047
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	38.46825 %	25.52507 %	26.13018 %	28.84428 %	33.04524 %	33.43908 %	34.07602 %	38.26794 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	62.92000 %	66.15000 %

* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

GAYLORD COMMUNITY SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal 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	\$ 6,027,373	\$ 5,140,975	\$ 4,918,548	\$ 4,760,247	\$ 4,829,497	\$ 4,040,886	\$ 3,569,772	\$ 3,451,408
Contributions in relation to statutorily required contributions*	<u>6,027,373</u>	<u>5,140,975</u>	<u>4,918,548</u>	<u>4,760,247</u>	<u>4,829,497</u>	<u>4,040,886</u>	<u>3,569,772</u>	<u>3,451,408</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 17,125,258	\$ 15,527,881	\$ 15,405,992	\$ 15,359,399	\$ 14,252,739	\$ 14,410,947	\$ 14,039,448	\$ 14,547,790
Contributions as a percentage of covered-employee payroll	35.20 %	33.11 %	31.93 %	30.99 %	33.88 %	28.04 %	25.43 %	23.72 %

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

** The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pensions and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

GAYLORD COMMUNITY SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.17568 %	0.17499 %	0.17602 %	0.17652 %	0.17075 %
Reporting unit's proportionate share of net OPEB liability	\$ 2,681,484	\$ 9,374,713	\$ 12,634,324	\$ 14,031,468	\$ 15,120,957
Reporting unit's covered-employee payroll*	\$ 15,865,654	\$ 15,506,283	\$ 15,385,350	\$ 15,227,212	\$ 14,701,166
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	591.67439 %	165.40542 %	121.77422 %	108.52187 %	97.22378 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33000 %	59.44000 %	48.46000 %	42.95000 %	36.39000 %

* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

GAYLORD COMMUNITY SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,350,472	\$ 1,262,679	\$ 1,266,073	\$ 1,222,596	\$ 1,252,863
Contributions in relation to statutorily required contributions*	<u>1,350,472</u>	<u>1,262,679</u>	<u>1,266,073</u>	<u>1,222,596</u>	<u>1,252,863</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 17,125,258	\$ 15,527,881	\$ 15,405,992	\$ 15,359,399	\$ 14,252,739
Contributions as a percentage of covered-employee payroll	7.89 %	8.13 %	8.22 %	7.96 %	8.79 %

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

** The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

GAYLORD COMMUNITY SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2022

Changes of benefit terms: There were no changes of benefit terms in 2021.

Changes of assumptions: There were no changes of assumptions for the pension in 2021.

The assumption changes for 2021 for OPEB were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

GAYLORD COMMUNITY SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Fund	Debt Service Funds		Capital Projects Fund		
	Student/School Activities	2009 Bond	2013 Bond	Green Fund	Sinking Fund	Total
<u>Assets</u>						
Cash and investments	\$ 637,275	\$ 0	\$ 0	\$ 0	\$ 254,865	\$ 892,140
Receivables:						
Due from other funds	0	194,417	104,014	73,594	507,980	880,005
Total assets	<u>\$ 637,275</u>	<u>\$ 194,417</u>	<u>\$ 104,014</u>	<u>\$ 73,594</u>	<u>\$ 762,845</u>	<u>\$ 1,772,145</u>
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,589	\$ 10,589
Due to other funds	96,556	0	0	0	31,908	128,464
Total liabilities	<u>96,556</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>42,497</u>	<u>139,053</u>
<u>Fund Balance</u>						
Restricted for debt service	0	194,417	104,014	0	0	298,431
Restricted for capital projects	0	0	0	73,594	720,348	793,942
Committed for student/school activities	540,719	0	0	0	0	540,719
Total fund balance	<u>540,719</u>	<u>194,417</u>	<u>104,014</u>	<u>73,594</u>	<u>720,348</u>	<u>1,633,092</u>
Total liabilities and fund balance	<u>\$ 637,275</u>	<u>\$ 194,417</u>	<u>\$ 104,014</u>	<u>\$ 73,594</u>	<u>\$ 762,845</u>	<u>\$ 1,772,145</u>

GAYLORD COMMUNITY SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Fund Student/School Activities	Debt Service Funds		Capital Projects Fund		Total
		2009 Bond	2013 Bond	Green Fund	Sinking Fund	
<u>Revenues</u>						
Local sources	\$ 397,205	\$ 2,046	\$ 1,338	\$ 0	\$ 1,582,118	\$ 1,982,707
<u>Expenditures</u>						
Support service:						
Instructional staff	0	0	0	0	686,068	686,068
Business services	0	15,538	13,004	0	16,796	45,338
Information services	0	0	0	0	11,591	11,591
Facilities, acquisition, construction and equipment	0	0	0	0	1,435,359	1,435,359
Student/school activities	410,641	0	0	0	0	410,641
Debt service:						
Principal on long-term debt	0	0	0	18,167	0	18,167
Total expenditures	410,641	15,538	13,004	18,167	2,149,814	2,607,164
Excess (deficiency) of revenues over expenditures	(13,436)	(13,492)	(11,666)	(18,167)	(567,696)	(624,457)
<u>Other Financing Sources (Uses)</u>						
Operating transfers in	0	0	0	34,650	0	34,650
Net change in fund balance	(13,436)	(13,492)	(11,666)	16,483	(567,696)	(589,807)
Fund balance - beginning of year	554,155	207,909	115,680	57,111	1,288,044	2,222,899
Fund balance - end of year	\$ 540,719	\$ 194,417	\$ 104,014	\$ 73,594	\$ 720,348	\$ 1,633,092



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

October 25, 2022

Board of Education
Gaylord Community Schools
Gaylord, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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 Gaylord Community Schools (School District), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Gaylord Community Schools' basic financial statements and have issued our report thereon dated October 25, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gaylord Community Schools' 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 Gaylord Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Gaylord Community Schools' 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 School District'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.



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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gaylord Community Schools' 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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weinlander Fitzhugh



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

October 25, 2022

Board of Education
Gaylord Community Schools
Gaylord, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Gaylord Community Schools' 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 Gaylord Community Schools' major federal programs for the year ended June 30, 2022. Gaylord Community Schools' 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, Gaylord Community Schools 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 U.S. generally accepted auditing standards; 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* (CFR) 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 Gaylord Community Schools and to meet our 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 Gaylord Community Schools' 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 Gaylord Community Schools' federal programs.

Auditor's Responsibility 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 Gaylord Community Schools' 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 U.S. 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 Gaylord Community Schools' compliance with the requirements for each major federal program as a whole.

In performing an audit in accordance with U.S. 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 Gaylord Community Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Gaylord Community Schools' 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 Gaylord Community Schools' 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.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Gaylord Community Schools' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Gaylord Community Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Gaylord Community Schools' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Gaylord Community Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

Gaylord Community Schools is responsible for preparing a corrective action plan to address the audit finding included in our auditor's report. Gaylord Community Schools' corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

Weinlander Fitzhugh

GAYLORD COMMUNITY 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 opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO
<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NONE REPORTED
<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO

Noncompliance material to financial statements noted?

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO
<input checked="" type="checkbox"/>	YES	<input type="checkbox"/>	NONE REPORTED

Type of auditor's report issued on compliance of major programs:

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

<input checked="" type="checkbox"/>	YES	<input type="checkbox"/>	NO
-------------------------------------	-----	--------------------------	----

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
84.425C, 84.425D, 84.425U	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

<input checked="" type="checkbox"/>	YES	<input type="checkbox"/>	NO
-------------------------------------	-----	--------------------------	----

SECTION II - Financial Statement Findings

There are no matters reported.

GAYLORD COMMUNITY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION III - Federal Award Findings and Questioned Costs

2022-001 (Repeat finding 2021-002)

Program

Nutrition Cluster - National School Breakfast and National School Lunch, U.S. Department of Agriculture, passed through Michigan Department of Education. CFDA # 10.553, 10.555, 10.559.

Criteria

Federal register section 7 CFR Part 210.14b requires School Districts to limit its School Breakfast and Lunch fund net resources to an amount that does not exceed three months average expenditures.

Condition

The School Districts net cash resources exceeded three months of average expenditures at June 30, 2022.

Questioned costs

None

Context

Applicable requirement for School Districts with a food services management company operating service activities.

Effect

Management did not monitor net cash resources to ensure that they did not exceed three months of average expenditures. The School District's net cash resources were in excess of three months over expenditures by \$452,994.

Cause

Management did not monitor net cash resources to ensure that they did not exceed three months of average expenditures. The School District's net cash resources were in excess of three months over expenditures by \$452,994.

Recommendation

We recommend that the School District review their Food Service Fund's net cash resources periodically throughout the school year to ensure that the fund will not have an excess of three months of average expenditures at the fiscal year end. The School District should also take this requirement into consideration when preparing the annual budget and any subsequent adjustments to the budget.

Views of the Responsible Officials and Planned Corrective Action

The Superintendent, Business Manager and Food Service Director will meet prior to the end of December 2022 to develop an outline of a purchasing/use of funds plan.

GAYLORD COMMUNITY SCHOOLS
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2022

2021-001

Audit Finding

The School District failed to adopt a budget for the newly created Student Activity Fund.

Corrective Action Taken

Corrective action plans were properly implemented and a budget was adopted for the 2021-2022 school year.

2021-002

Audit Finding

The School District's net cash resources in the Food Service Fund exceeded three months of average expenditures.

Corrective Action Taken

Corrective action plans were not properly implemented.

GAYLORD COMMUNITY SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Program Title/Project Number/Subrecipient Name	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at June 30, 2021	Adjustments	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2022
Clusters:								
U.S. Department of Agriculture -								
Passed through the Michigan Department of Education:								
Noncash Assistance (Commodities) -								
National School Lunch Program:	10.555							
Entitlement Commodities		\$ 84,318	\$ 0	\$ 0	\$ 0	\$ 84,318	\$ 84,318	\$ 0
Cash Assistance:								
COVID-19 Seamless Summer Option (SSO) Breakfast	10.553							
211971		36,918	0	0	0	36,918	36,918	0
221971		390,685	0	0	0	376,756	390,685	13,929
		427,603	0	0	0	413,674	427,603	13,929
COVID-19 Seamless Summer Option (SSO) Lunch	10.555							
211961		132,051	0	0	0	132,051	132,051	0
220910		59,686	0	0	0	59,686	59,686	0
221961		1,184,558	0	0	0	1,148,568	1,184,557	35,989
		1,376,295	0	0	0	1,340,305	1,376,294	35,989
COVID-19 National School Summer Program:	10.559							
210904		1,424,047	1,424,046	54,628	0	94,914	40,286	0
220904		5,913	0	0	0	0	5,913	5,913
		1,429,960	1,424,046	54,628	0	94,914	46,199	5,913
Cash Assistance Subtotal		3,233,858	1,424,046	54,628	0	1,848,893	1,850,096	55,831
Total Child Nutrition Cluster		3,318,176	1,424,046	54,628	0	1,933,211	1,934,414	55,831
COVID-19 Pandemic EBT Local Level Costs	10.649							
210980		3,063	0	0	0	3,063	3,063	0
Total U. S. Department of Agriculture		3,321,239	1,424,046	54,628	0	1,936,274	1,937,477	55,831
U.S. Department of Health and Human Services -								
Passed through Cheboygan-Otsego-Presque Isle ISD								
Medical Assistance Program Title XIX 2021-2022	93.778	15,297	0	0	0	15,297	15,297	0
Total U.S. Department of Health and Human Services		15,297	0	0	0	15,297	15,297	0

See accompanying notes to schedule of expenditures of federal awards

GAYLORD COMMUNITY SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Program Title/Project Number/Subrecipient Name	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at June 30, 2021	Adjustments	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2022
U.S. Department of Education - Passed through Michigan Department of Education								
Title I, Part A:	84.010							
Project number 211530-2021		\$ 645,443	\$ 619,872	\$ 209,468	\$ 0	\$ 209,468	\$ 0	\$ 0
Project number 221530-2122		544,865	0	0	0	411,738	526,657	114,919
Total Title I, Part A		1,190,308	619,872	209,468	0	621,206	526,657	114,919
Title II A - Improving Teacher Quality:	84.367							
Project number 210520-2021		129,749	128,455	54,001	0	54,001	0	0
Project number 220520-2122		97,675	0	0	0	72,144	88,790	16,646
Total Title II A Improving Teacher Quality		227,424	128,455	54,001	0	126,145	88,790	16,646
Title IV, Part A - Student Support and Academic Enrichment:	84.424							
Project number 210750-2021		54,734	54,734	9,554	0	9,554	0	0
Project number 220750-2122		40,814	0	0	0	30,596	40,814	10,218
Total Title IV, Part A - Student Support and Academic Enrichment		95,548	54,734	9,554	0	40,150	40,814	10,218
Education Stabilization Fund:								
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C							
Project 201200-2021		160,589	160,589	20,859	0	20,859	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425D							
Project 203710-1920		462,830	461,665	68,521	0	68,521	0	0
Project 203720-1920		74,052	74,049	5,088	0	5,088	0	0
Project 213712-2021		1,831,540	0	0	0	1,437,070	1,831,540	394,470
Project 213742-2122		35,200	0	0	0	35,200	35,200	0
Project 213762-2022		23,175	0	0	0	23,175	23,175	0
		2,426,797	535,714	73,609	0	1,569,054	1,889,915	394,470
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U							
Project 213713-2122		4,116,304	0	0	0	1,769,004	2,367,289	598,285
Total CFDA# 84.425 and Education Stabilization Fund		6,703,690	696,303	94,468	0	3,358,917	4,257,204	992,755
Total U.S. Department of Education programs passed through the MDE		8,216,970	1,499,364	367,491	0	4,146,418	4,913,465	1,134,538
Passed through Alpena Public Schools								
Career and Technical Education	84.048							
2021-2022		43,000	0	0	0	30,989	30,989	0
Total U.S. Department of Education programs		8,259,970	1,499,364	367,491	0	4,177,407	4,944,454	1,134,538
Total federal awards		\$ 11,596,506	\$ 2,923,410	\$ 422,119	\$ 0	\$ 6,128,978	\$ 6,897,228	\$ 1,190,369

See accompanying notes to schedule of expenditures of federal awards

GAYLORD COMMUNITY SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Gaylord Community Schools 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Gaylord Community Schools, it is not intended to and does not present the financial position or changes in net position of Gaylord Community Schools.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures.

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

The School District does not have any subrecipients.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the NexSys Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 3 - RECONCILIATION OF REVENUE REPORTED IN THE FINANCIAL STATEMENTS

Total federal expenditures per Schedule of Expenditures of	
Federal Awards	\$ 6,897,228
Add:	
Child Care Relief Fund	280,606
Revenues per financial statements - federal sources	<u>\$ 7,177,834</u>

NOTE 4 - (UNAUDITED) DONATED PERSONAL PROTECTIVE EQUIPMENT

For the year ended June 30, 2022, the School District did not receive any personal protective equipment.



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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October 25, 2022

Board of Education
Gaylord Community Schools
Gaylord, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gaylord Community Schools (School District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under U.S. 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 7, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Gaylord Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 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' financial statements were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

Management's estimate of depreciation is based on the estimated useful life of fixed assets. We evaluated the key factors and assumptions used to develop the estimated useful life of fixed assets in determining that depreciation is reasonable in relation to the financial statements taken as a whole.

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



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. 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 25, 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 Gaylord Community Schools' 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 Gaylord Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information and pension and OPEB 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 combining non-major fund financial statements and 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 U.S. generally accepted accounting principles, 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.

A separate management letter was not issued.

Restriction on Use

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

Very truly yours

Weinlander Fitzhugh

Gaylord Community Schools
Summary of Passed Proposed Audit Entries
June 30, 2022

	Effect - Increase (Decrease)	
	Change in	Net
	<u>Net Position</u>	<u>Position</u>
<u>Governmental Activities</u>		
<u>Carryover impact from prior years</u>		
Known errors:		
Unrecorded lease receivable	\$ (123,224)	\$ 0
Unrecorded deferred inflow	123,224	0
Unrecorded lease liability	119,138	0
Unrecorded right to use an asset	(119,138)	0
<u>Current year misstatements</u>		
Known errors:		
Unrecorded lease receivable	69,099	69,099
Unrecorded deferred inflow	(61,612)	(61,612)
Unrecorded lease liability	(73,407)	(73,407)
Unrecorded right to use an asset	73,407	73,407
Net effect on current year	<u>\$ 7,487</u>	<u>\$ 7,487</u>
<u>General Fund</u>		
<u>Carryover impact from prior years</u>		
Known errors:		
Unrecorded lease receivable	\$ (123,224)	\$ 0
Unrecorded deferred inflow	123,224	0
<u>Current year misstatements</u>		
Known errors:		
Unrecorded lease receivable	69,099	69,099
Unrecorded deferred inflow	(61,612)	(61,612)
Net effect on current year	<u>\$ 7,487</u>	<u>\$ 7,487</u>

GAYLORD COMMUNITY SCHOOLS

An NCA Accredited School District



CORRECTIVE ACTION PLAN June 30, 2022

Finding	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2022-001 The District's School Breakfast and Lunch fund net cash resources exceeded three months of average expenditures at June 30, 2022.	The Superintendent, the Director of Finance and the Director of Food Service will meet by December 31, 2022 to outline a plan to utilize the excess funds. The Director of Finance and the Director of Food Service will monitor the net cash resources in the future to ensure it does not exceed three months of average expenditures.	06/30/2023	Director of Finance and Director of Food Service