

GILLETT SCHOOL DISTRICT

Annual Financial Report

June 30, 2022

 KerberRose

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GILLETT SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Board of Education
Gillett School District
Gillett, Wisconsin

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 Gillett School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

To the Board of Education
Gillett School District

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

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

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, schedule of changes in total OPEB liability and related ratios – other post-employment benefits, schedule of revenues, expenditures and change in fund balance – budget and actual – general fund, and schedule of revenues, expenditures and change in fund balance – budget and actual – cooperative program fund on pages 37 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Education
Gillett School District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gillett School District's basic financial statements. The combining balance sheet – nonmajor governmental funds, the combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds, combining schedule of internal general and special education funds – balance sheet, and combining schedule of internal general and special education funds – statement of revenues, expenditures and changes in fund balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by *Wisconsin State Single Audit Guidelines* and the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction.

The combining balance sheet – nonmajor governmental funds, the combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds, combining schedule of internal general and special education funds – balance sheet, combining schedule of internal general and special education funds – statement of revenues, expenditures and changes in fund balances, schedule of expenditures of federal awards and schedule of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet – nonmajor governmental funds, the combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds, combining schedule of internal general and special education funds – balance sheet, combining schedule of internal general and special education funds – statement of revenues, expenditures and changes in fund balances, schedule of expenditures of federal awards and schedule of state financial assistance are fairly stated in all material respects in relation to the 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 December 14, 2022, on our consideration of Gillett School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Gillett School District's internal control over financial reporting and compliance.

KerberRose SC

KerberRose SC
Certified Public Accountants
Shawano, Wisconsin
December 14, 2022

FINANCIAL STATEMENTS

GILLETT SCHOOL DISTRICT
District-Wide Statement of Net Position
As of June 30, 2022

	Governmental Activities
ASSETS	
Current Assets	
Cash and Investments	\$ 2,902,580
Receivables:	
Taxes	833,543
Accounts	893
Due from Other Governments	7,709
Due from State Government	696
Due from Federal Government	218,624
Prepaid Items	1,315
Total Current Assets	3,965,360
Noncurrent Assets	
Net Pension Asset	1,841,855
Capital Assets	
Nondepreciable	77,425
Depreciable, net	7,145,987
Total Noncurrent Assets	9,065,267
TOTAL ASSETS	13,030,627
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	3,480,027
Deferred Outflows Related to Other Post-Employment Benefits - Single Employer	179,144
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,659,171
LIABILITIES	
Current Liabilities	
Accounts Payable	181,920
Accrued Interest Payable	26,394
Accrued and Other Current Liabilities	309,547
Due to Other Governments	1,021
Unearned Revenue	42,314
Current Portion of Long-Term Obligations	671,826
Total Current Liabilities	1,233,022
Noncurrent Liabilities	
Noncurrent Portion of Long-Term Obligations	2,038,697
Net OPEB Liability	1,592,005
Total Noncurrent Liabilities	3,630,702
TOTAL LIABILITIES	4,863,724
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	4,337,476
Deferred Inflows Related to Other Post-Employment Benefits - Single Employer	159,616
TOTAL DEFERRED INFLOWS OF RESOURCES	4,497,092
NET POSITION	
Net Investment in Capital Assets	4,558,933
Restricted	2,708,587
Unrestricted	61,462
TOTAL NET POSITION	\$ 7,328,982

See Accompanying Notes

GILLETT SCHOOL DISTRICT
District-Wide Statement of Activities
For the Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular Instruction	\$ 2,379,411	\$ 15,001	\$ 509,879	\$ (1,854,531)
Vocational Instruction	290,847	-	7,335	(283,512)
Physical Instruction	216,466	-	-	(216,466)
Special Instruction	1,054,028	420	798,127	(255,481)
Other Instruction	254,823	103,594	7,063	(144,166)
Total Instruction	<u>4,195,575</u>	<u>119,015</u>	<u>1,322,404</u>	<u>(2,754,156)</u>
Support Services				
Pupil Services	456,727	-	-	(456,727)
Instructional Staff Services	600,508	90,022	41,585	(468,901)
General Administration Services	238,505	-	-	(238,505)
School Building Administration Services	366,628	4,550	-	(362,078)
Business Administration	218,680	-	671,210	452,530
Operations and Maintenance of Plant	589,370	-	-	(589,370)
Pupil Transportation Services	499,848	-	-	(499,848)
Food Services	268,578	2,934	414,634	148,990
Central Services	67,075	-	-	(67,075)
Insurance	89,805	-	-	(89,805)
Other Support Services	288,104	-	-	(288,104)
Scholarships	21,550	-	18,615	(2,935)
Community Services	32,694	1,875	-	(30,819)
Interest and Fiscal Charges	36,027	-	-	(36,027)
Depreciation - Unallocated	315,642	-	-	(315,642)
Total Support Services	<u>4,089,741</u>	<u>99,381</u>	<u>1,146,044</u>	<u>(2,844,316)</u>
Non-Program Transactions				
Open Enrollment	694,661	392,764	-	(301,897)
Non-Open Enrollment	221,149	-	-	(221,149)
Total Non-Program Transactions	<u>915,810</u>	<u>392,764</u>	<u>-</u>	<u>(523,046)</u>
TOTAL DISTRICT WIDE	<u>\$ 8,285,316</u>	<u>\$ 611,160</u>	<u>\$ 2,468,448</u>	<u>(6,121,518)</u>
GENERAL REVENUES				
Property Taxes				3,028,277
State and Federal Aids not Restricted to Specific Functions:				
Equalization, Exempt Computer Aid and Per Pupil Aid				4,655,337
Interest and Investment Earnings				45,308
Miscellaneous				35,284
Total General Revenues				<u>7,764,206</u>
CHANGE IN NET POSITION				1,642,688
NET POSITION - BEGINNING OF YEAR				<u>5,686,294</u>
NET POSITION - END OF YEAR				<u>\$ 7,328,982</u>

See Accompanying Notes

GILLETT SCHOOL DISTRICT

Balance Sheet
Governmental Funds
As of June 30, 2022

	<u>General</u>	<u>Special Revenue Trust</u>	<u>Long-term Capital Improvements</u>
ASSETS			
Cash and Investments	\$ 1,434,759	\$ 544,183	\$ 514,006
Receivables:			
Taxes	833,543	-	-
Accounts	-	893	-
Due from Other Fund	-	-	276,283
Due from Other Government	7,709	-	-
Due from State Government	696	-	-
Due from Federal Government	209,930	-	-
Prepaid Items	1,315	-	-
TOTAL ASSETS	<u>\$ 2,487,952</u>	<u>\$ 545,076</u>	<u>\$ 790,289</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 167,646	\$ 6,240	\$ -
Accrued Liabilities	309,547	-	-
Due to Other Fund	276,283	-	-
Due to Other Governments	1,021	-	-
Deferred Revenue	-	-	-
Total Liabilities	<u>754,497</u>	<u>6,240</u>	<u>-</u>
Fund Balances			
Nonspendable:			
Prepaid Items	1,315	-	-
Restricted:			
Donor Intentions	-	538,836	-
Self-Funded Insurance	53,472	-	-
Debt Service	-	-	-
Food Service	-	-	-
Community Service Funds	-	-	-
Capital Projects	-	-	790,289
Unassigned	1,678,668	-	-
Total Fund Balances	<u>1,733,455</u>	<u>538,836</u>	<u>790,289</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,487,952</u>	<u>\$ 545,076</u>	<u>\$ 790,289</u>

See Accompanying Notes

Cooperative Program Fund	Other Governmental Funds	Total Governmental Funds
\$ 36,456	\$ 373,176	\$ 2,902,580
-	-	833,543
-	-	893
-	-	276,283
-	-	7,709
-	-	696
-	8,694	218,624
-	-	1,315
<u>\$ 36,456</u>	<u>\$ 381,870</u>	<u>\$ 4,241,643</u>
\$ -	\$ 8,034	\$ 181,920
-	-	309,547
-	-	276,283
-	-	1,021
36,456	5,858	42,314
<u>36,456</u>	<u>13,892</u>	<u>811,085</u>
-	-	1,315
-	-	538,836
-	-	53,472
-	122,017	122,017
-	197,254	197,254
-	48,707	48,707
-	-	790,289
-	-	1,678,668
-	367,978	3,430,558
<u>\$ 36,456</u>	<u>\$ 381,870</u>	<u>\$ 4,241,643</u>

See Accompanying Notes

GILLETT SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds to the District-Wide Statement of Net Position
As of June 30, 2022

	<u>2022</u>	
Total Fund Balances - Governmental Funds	\$	3,430,558
<i>Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balance because:</i>		
Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported in the statement of net position:		
Governmental Capital Assets	15,643,484	
Governmental Accumulated Depreciation	<u>(8,420,072)</u>	7,223,412
Net pension asset is not usable in the current period therefore not reported in the fund financial statements.		1,841,855
Deferred outflows and inflows of resources reflect changes in long-term assets or liabilities and are not reported in the funds.		
Deferred Outflows of Resources Related to Pension - Cost-Sharing Plan	3,480,027	
Deferred Inflows of Resources Related to Pension - Cost-Sharing Plan	(4,337,476)	
Deferred Outflows of Resources Related to OPEB - Single-Employer Plan	179,144	
Deferred Inflows of Resources Related to OPEB - Single-Employer Plan	<u>(159,616)</u>	(837,921)
Certain liabilities, including bonds and notes payable, are not due in the current period and therefore not reported in the fund statements. Liabilities reported in the statement of net position that are not reported in the funds balance sheet:		
General Obligations	(2,634,000)	
Vested Employee Benefits	(46,044)	
Bond Premium	(30,479)	
Accrued Interest on General Obligation Debt	(26,394)	
Other Post-Employment Benefits	<u>(1,592,005)</u>	<u>(4,328,922)</u>
Total Net Position - Governmental Activities	\$	<u>7,328,982</u>

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GILLETT SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General	Special Revenue Trust	Long-term Capital Improvements
REVENUES			
Property Taxes	\$ 2,251,771	\$ -	\$ -
Other Local Sources	36,266	241,740	-
Interdistrict Sources	403,080	-	-
Intermediate Sources	44,210	-	-
State Sources	5,336,805	-	-
Federal Sources	1,199,535	-	-
Other Sources	35,091	7,241	1,536
Total Revenues	<u>9,306,758</u>	<u>248,981</u>	<u>1,536</u>
EXPENDITURES			
Instruction			
Regular Instruction	2,526,284	20,490	-
Vocational Instruction	302,246	1,100	-
Physical Instruction	232,561	-	-
Special Instruction	1,117,144	-	-
Other Instruction	140,711	107,954	-
Total Instruction	<u>4,318,946</u>	<u>129,544</u>	<u>-</u>
Support Services			
Pupil Services	474,634	200	-
Instructional Staff Services	529,773	-	-
General Administration Services	253,874	-	-
School Building Administration Services	390,585	3,290	-
Business Services	141,945	-	-
Operations and Maintenance	613,410	-	-
Pupil Transportation	487,926	4,955	-
Food Services	-	-	-
Central Services	64,937	-	-
Insurance	89,805	-	-
Other Support Services	647,134	21,550	-
Community Services	-	-	-
Co-Curricular Cooperative Program Charges	-	3,906	-
Debt Service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total Support Services	<u>3,694,023</u>	<u>33,901</u>	<u>-</u>
Non-Program Transactions			
Open Enrollment	700,107	-	-
Non-Open Enrollment	115,278	-	-
Adjustments and Refunds	-	96,520	-
Total Non-Program Transactions	<u>815,385</u>	<u>96,520</u>	<u>-</u>
Total Expenditures	<u>8,828,354</u>	<u>259,965</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>478,404</u>	<u>(10,984)</u>	<u>1,536</u>
OTHER FINANCING SOURCE (USE)			
Transfer from Other Funds	-	-	276,283
Transfer to Other Funds	(278,283)	-	-
Total Other Financing Source (Use)	<u>(278,283)</u>	<u>-</u>	<u>276,283</u>
NET CHANGES IN FUND BALANCES	200,121	(10,984)	277,819
FUND BALANCES - BEGINNING OF YEAR	1,533,334	549,820	512,470
FUND BALANCES - END OF YEAR	<u>\$ 1,733,455</u>	<u>\$ 538,836</u>	<u>\$ 790,289</u>

Cooperative Program Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 776,506	\$ 3,028,277
-	5,363	283,369
90,022	-	493,102
-	-	44,210
-	-	5,336,805
-	414,634	1,614,169
-	15	43,883
<u>90,022</u>	<u>1,196,518</u>	<u>10,843,815</u>
-	-	2,546,774
-	-	303,346
-	-	232,561
-	-	1,117,144
-	-	248,665
<u>-</u>	<u>-</u>	<u>4,448,490</u>
-	-	474,834
92,022	-	621,795
-	-	253,874
-	-	393,875
-	4,428	146,373
-	-	613,410
-	-	492,881
-	276,656	276,656
-	-	64,937
-	-	89,805
-	-	668,684
-	34,236	34,236
-	-	3,906
-	683,389	683,389
-	48,937	48,937
<u>92,022</u>	<u>1,047,646</u>	<u>4,867,592</u>
-	-	700,107
-	-	115,278
-	-	96,520
<u>-</u>	<u>-</u>	<u>911,905</u>
<u>92,022</u>	<u>1,047,646</u>	<u>10,227,987</u>
<u>(2,000)</u>	<u>148,872</u>	<u>615,828</u>
2,000	-	278,283
-	-	(278,283)
<u>2,000</u>	<u>-</u>	<u>-</u>
-	148,872	615,828
-	219,106	2,814,730
<u>\$ -</u>	<u>\$ 367,978</u>	<u>\$ 3,430,558</u>

See Accompanying Notes

GILLETT SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds to the District-Wide Statement of Activities
 For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds		\$ 615,828
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital outlay reported in governmental fund statements	285,125	
Depreciation expense reported in the statement of activities	<u>(456,865)</u>	
Amount by which capital outlays are less than depreciation in the current period.		(171,740)
Amounts related to the pension plan benefits that affect the statement of activities but do not affect the fund financial statements.		418,407
Amounts related to the other post-employment benefits that affect the statement of activities but do not affect the fund financial statements.		83,894
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of the long-term debt principal payments in the current year is:		
Bonds and notes payable		683,389
In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.		
The amount of interest paid during the current period	48,937	
The amount of interest accrued during the current period	<u>(42,123)</u>	
Interest paid is more than interest accrued by:		6,814
Prior year debt premium, discount and refunding losses are allocated over the period the debt is outstanding and is reported as amortization revenue/expense in the statement of activities. The amortization for the current year is		<u>6,096</u>
Change in Net Position - Governmental Activities		<u>\$ 1,642,688</u>

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GILLET SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
As of June 30, 2022

	<u>Custodial Fund</u>
ASSETS	
Cash and Investments	\$ 46,470
LIABILITIES	
Accrued Liabilities	<u>2,024</u>
NET POSITION	
Restricted for Student Activities	<u>\$ 44,446</u>

See Accompanying Notes

GILLETT SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2022

	<u>Custodial Fund</u>
ADDITIONS	
Student Fundraising	\$ 92,088
DEDUCTIONS	
Student Activities	<u>87,326</u>
CHANGE IN NET POSITION	4,762
NET POSITION - BEGINNING	<u>39,684</u>
NET POSITION - ENDING	<u><u>\$ 44,446</u></u>

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Gillett School District (District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management who is responsible for the integrity and objectivity of the financial statements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements. The more significant accounting policies established by GAAP and used by the District are discussed below.

Nature of Operations

The Gillett School District is organized as a unified school district. The District, governed by a seven-member elected school board, operates grades Kindergarten through 12 and is comprised of all or parts of nine taxing districts.

The accompanying financial statements present the activities of the Gillett School District. The District is not a component unit of another reporting entity nor does it have any component units.

The financial reporting entity consists of (a) organizations for which the stand-alone government is financially accountable and (b) the stand alone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the stand-alone government.

District-Wide 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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) operating and capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and the fiduciary fund, 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.

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental funds are identified as either general, special revenue, debt service, or capital projects based upon the following guidelines:

General Fund

The general fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Capital Projects Funds

Capital project funds are used to account for financial resources to be used for acquisition or construction of major capital expenditures.

Fiduciary Fund (Not included in district-wide statements)

Custodial Fund

Custodial fund is used to account for assets held by the District as a custodian for various student organizations.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Major Funds

The District reports the following major governmental funds:

General Fund – The general fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

Cooperative Program Fund – This fund accounts for the activities associated with the TRITON program, which it has with various districts.

Long-Term Capital Improvements Fund – This fund accounts for contributions from the general fund for future long-term capital improvement plan expenditures.

Special Revenue Trust Fund – This fund accounts for funds from private gifts and donations from private parties and student activities.

Non-Major Funds

The District reports the following non-major funds:

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

Food Service Fund – This fund accounts for the activities associated with the District's hot lunch and breakfast programs.

Community Service Fund – This fund accounts for the activities related to the community recreation programs.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide and custodial fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Cash

The District's cash is considered to be cash on hand, demand deposits, and time deposits with financial institutions and are carried at cost. Cash balances for individual funds are pooled unless maintained in segregated accounts.

Investments

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Available balances in the debt service fund may be invested in time deposits of authorized depositories, municipal obligations, obligations of the United States, and the local government pooled-investment fund.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 2 or Level 3 inputs.

Property Taxes

The aggregate District tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or in two or more installments with the first installment payable by the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the twentieth of each subsequent month thereafter, the District may be paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Property Taxes (continued)

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2021 tax levy is used to finance operations of the District's fiscal year ended June 30, 2022. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material.

Capital Assets

Capital assets are reported at actual or estimated historical cost, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated acquisition value at the time received.

Capitalization thresholds (the dollar valued above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows: assets with an initial individual cost of \$5,000 or higher and an estimated useful life in excess of one year. All depreciable capital assets are depreciated on a straight-line basis with estimated useful lives for land improvements and buildings and improvements of 15-40 years and furniture and equipment of 5-10 years.

In the fund statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental funds upon acquisition.

Pension and Other Post-Employment Benefits

Pension. For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the WRS. 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.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Other Post-Employment Benefits (OPEB). The total OPEB liability of the District's single-employer other post-employment benefit plan has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. The plan has no assets and benefits are paid on a pay-as-you go basis.

Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Principal payments are recorded against the liability and interest payments are recorded as current expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal payments and interest payments are recorded as current expenditures in the governmental funds.

Leases

The District adopted GASB Statement No. 87 for the year ended June 30, 2022 which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. There were no material leases that were required to be recorded for the year ended June 30, 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are a consumption of net position by the District that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the District that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses and revenues are deferred until the future periods to which the outflows and inflows are applicable. See Note 7 for deferred outflows and inflows of resources related to pension and Note 8 for OPEB.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with available expendable financial resources are recorded during the year as expenditures in the appropriate governmental fund types. If they are not liquidated with available expendable financial resources, a liability is recorded in the district-wide statement of net position. The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year-end.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Equity Classifications

District-Wide Statements

Equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted component of net position – Consists of resources with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- Unrestricted component of net position – Net amount that does not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

Nonspendable fund balance represents amounts that cannot be spent due to form (such as inventories and prepaid amounts), or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to yearend; however, the amount can be determined in the subsequent period. The School Board is the decision-making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance, in the general fund, represents amounts constrained by the School Board for a specific intended purpose. The Board has not delegated that authority. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

The District, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from those estimates.

Note 2 – Cash and Investments

The debt service fund accounts for transactions through separate and distinct bank and investment accounts as required by state statutes. In addition, the custodial fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

The District is required to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- Time deposits in any credit union, bank, savings bank or trust with a company maturity in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district or by the University of Wisconsin Hospitals and Clinics Authority.
- Bonds or securities guaranteed by the federal government.
- The Local Government Pooled Investment Fund and the Wisconsin Investment Trust.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

Additional restrictions could arise from local charters, ordinances, resolutions and grant resolutions of the District. At June 30, 2022 the bank balance of cash was \$2,755,360. The District maintains its cash accounts at several financial institutions. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts) and \$250,000 for the combined amount of all interest and non-interest-bearing demand deposit accounts.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 2 – Cash and Investments (Continued)

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governments. This coverage has not been considered in computing the uninsured deposits below.

The following represents a summary of deposits as of June 30, 2022:

Fully Insured Deposits	\$	273,051
Collateralized with securities held by the pledging financial institution in the District's name		<u>2,482,309</u>
Total	\$	<u>2,755,360</u>

The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit at June 30, 2022.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value.

- Level 1 – Valuation for assets are from quoted prices in active markets. These valuations are obtained from readily available pricing sources for market transactions involving identical assets.
- Level 2 – Valuation for assets are from less active markets. These valuations are obtained from third party pricing services for identical or similar assets.
- Level 3 – Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations. These valuations incorporate certain assumptions and projections in determining fair value assigned to such assets.

As of June 30, 2022 the District had the following investments in its special revenue trust fund:

	<u>Fair Value</u>	<u>Level 1</u>
Mutual Funds	<u>\$ 336,097</u>	<u>\$ 336,097</u>

Credit Risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations in the District's governmental activities. The District's investment policy does not further limit its investment choices. State law does not limit the investments for special revenue trust fund. As of June 30, 2022, the District's investments in its special revenue trust fund are in mutual funds which are not rated.

Concentration of Credit Risk – The District placed no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in mutual funds. These investments are 100% of the District's total investments.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 3 – Interfund Receivable, Payable, and Transfers

Interfund receivable and payable at June 30, 2022, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Long-Term Capital Improvements	General Fund	<u>\$ 276,283</u>	Contribution to Capital Projects

Interfund transfers for the year ended June 30, 2022 are as follows:

<u>Transfer From:</u>	<u>Transfer To:</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Long-Term Capital Improvements	\$ 276,283	Contribution to Capital Projects
General Fund	Cooperative Fund	<u>2,000</u>	District's Share of TRITON Fees
		<u>\$ 278,283</u>	

Note 4 – Capital Assets

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities				
Capital Assets, Nondepreciable:				
Land	\$ 77,425	\$ -	\$ -	\$ 77,425
Capital Assets, Depreciable				
Land Improvements	580,340	-	-	580,340
Buildings and Improvements	13,124,317	-	-	13,124,317
Machinery and Equipment	<u>1,576,277</u>	<u>285,125</u>	-	<u>1,861,402</u>
Total Capital Assets, Depreciable	<u>15,280,934</u>	<u>285,125</u>	-	<u>15,566,059</u>
Less Accumulated Depreciation for				
Land Improvements	(411,576)	(24,488)	-	(436,064)
Buildings and Improvements	(6,209,179)	(366,894)	-	(6,576,073)
Machinery and Equipment	<u>(1,342,452)</u>	<u>(65,483)</u>	-	<u>(1,407,935)</u>
Total Accumulated Depreciation	<u>(7,963,207)</u>	<u>(456,865)</u>	-	<u>(8,420,072)</u>
Total Capital Assets, Depreciable, Net	<u>7,317,727</u>	<u>(171,740)</u>	-	<u>7,145,987</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation				
	<u>\$ 7,395,152</u>	<u>\$ (171,740)</u>	<u>\$ -</u>	<u>\$ 7,223,412</u>

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 4 – Capital Assets (Continued)

Depreciation expense for fiscal year ended June 30, 2022 amounted to \$456,864 and was charged to the following functions:

Instruction:	
Regular	\$ 11,924
Vocational	8,119
Special	4,164
Other	9,657
Support Services:	
Business Services	85,927
Operations and Maintenance	11,218
Central Services	2,138
Food Services	5,376
Other Support Services	2,699
Unallocated	315,642
Total Depreciation Expense	<u>\$ 456,864</u>

Note 5 – Long-Term Obligations

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amount Due Within One Year</u>
General Obligations					
Direct Placements:					
General Obligation					
Refunding Bond	\$ 3,263,000	\$ -	\$ 629,000	\$ 2,634,000	\$ 641,000
State Trust Fund Loan	54,389	-	54,389	-	-
Total General					
Obligation Debt	<u>3,317,389</u>	<u>-</u>	<u>683,389</u>	<u>2,634,000</u>	<u>641,000</u>
Insurance Premium	36,575	-	6,096	30,479	-
Compensated Absences	<u>46,044</u>	<u>39,781</u>	<u>39,781</u>	<u>46,044</u>	<u>30,826</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 3,400,008</u>	<u>\$ 39,781</u>	<u>\$ 729,266</u>	<u>\$ 2,710,523</u>	<u>\$ 671,826</u>

Total interest expense for the year ended June 30, 2022 was \$48,937 for general obligation debt.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2022, is comprised of the following individual issues:

	<u>Date of Issuance</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 6/30/2022</u>
2020 General Obligation Refunding	11/23/2020	3/1/2027	3.00%	\$ 3,585,000	\$ 2,634,000

GILLETT SCHOOL DISTRICT

Notes to Financial Statements
June 30, 2022

Note 5 – Long-Term Obligations (Continued)

The legal debt limit and margin of indebtedness as of June 30, 2022, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Equalized valuation of the District	\$ 342,488,120
Statutory limitation percentage	10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	34,248,812
Total outstanding general obligation debt applicable to debt limitation	2,634,000
Less: Debt service fund net of accrued interest	95,623
Legal margin for new debt	<u>\$ 31,519,189</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2022, follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 641,000	\$ 33,954	\$ 674,954
2024	649,000	21,134	670,134
2025	658,000	14,644	672,644
2026	341,000	8,063	349,063
2027	345,000	4,312	349,312
Total	<u>\$ 2,634,000</u>	<u>\$ 82,107</u>	<u>\$ 2,716,107</u>

Compensated absences are excluded from the above cash flow requirements because repayment schedules have not been determined.

Other Debt Information

The District's outstanding debt from direct borrowings and direct placements related to governmental-type activities contain event of default and/or termination provisions with possible finance-related consequences. District management has evaluated the event of default and/or termination provisions with possible finance-related consequences and in the opinion of District management, the likelihood is remote that these provisions will have a significant effect on the District's financial position or results of operations.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 6 – Net Position

Net position reported on the district-wide statement of net position at June 30, 2022 includes the following:

Net Investment in Capital Assets	
Net Capital Assets	\$ 7,223,412
Less: Related Long-Term Debt Outstanding	(2,634,000)
Less: Debt Premium	(30,479)
Net Investment in Capital Assets	<u>4,558,933</u>
Restricted for	
Debt Service	95,623
Insurance	53,472
Food Service	197,254
Donor Specified Projects	538,836
Capital Projects	790,289
Pension	984,406
Community Service Activities	48,707
Total Restricted	<u>2,708,587</u>
Unrestricted	<u>61,462</u>
Total District-Wide Net Position	<u>\$ 7,328,982</u>

Note 7 – Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 7 – Defined Benefit Pension Plan (Continued)

Benefits Provided. Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2012	(7.0)%	(7)%
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21
2021	5.1	13

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 7 – Defined Benefit Pension Plan (Continued)

During the reporting period, the WRS recognized \$261,585 in contributions from the employer.

Contribution rates as of June 30, 2022 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.50%	6.50%

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

At June 30, 2022 the District reported an asset of \$1,841,855 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021 the District's proportion was 0.02285128%, which was a decrease of 0.00005873% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized a reduction of pension expense of \$156,410.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between pension plan - projected and actual experiences	\$ 2,975,424	\$ 214,560
Changes in assumptions	343,627	-
Net differences between pension plan - projected and actual earnings on pension plan investments	-	4,120,383
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,817	2,533
Employer contributions subsequent to the measurement date	157,159	-
Total	<u>\$ 3,480,027</u>	<u>\$ 4,337,476</u>

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 7 – Defined Benefit Pension Plan (Continued)

The \$157,159 reported as deferred outflows related to pension resulting from the District contributions subsequent to the measurement date will be recognized as an adjustment to the net pension asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30,	Net Deferred Outflows (Inflows) of Resources
2023	\$ (84,224)
2024	(499,845)
2025	(220,038)
2026	(210,501)
	<u>\$ (1,014,608)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset):	December 31, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-retirement Adjustments*	1.7%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 7 – Defined Benefit Pension Plan (Continued)

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

**Asset Allocation Targets and Expected Returns¹
As of December 31, 2021**

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return % ²
Global Equities	52%	6.8%	4.2%
Fixed Income	25	4.3	1.8
Inflation Sensitive Assets	19	2.7	0.2
Real Estate	7	5.6	3.0
Private Equity/Debt	12	9.7	7.0
Total Core Fund ³	115% *	6.6%	4.0%
Variable Fund Asset Class			
U.S. Equities	70%	6.3%	4.1%
International Equities	30	7.2	4.9
Total Variable Fund	100%	6.8%	4.6%

¹Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

²New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%.

³The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

Single Discount Rate. A single discount rate of 6.8% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 7 – Defined Benefit Pension Plan (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80 percent) or 1-percentage-point higher (7.80 percent) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase To Discount Rate (7.8%)
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,306,926	\$ (1,841,855)	\$ (4,108,392)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Payables to the Pension Plan. The District is required to remit the monthly required contribution for both the employee and District portions by the last day of the following month. The amount due to WRS as of June 30, 2022 is \$94,925.

Note 8 – Post-Employment Benefits Other Than Pension Benefits

Plan Description and Contribution Information. The Gillett School District operates a single-employer retiree benefit plan that provides post-employment health and dental insurance benefits to eligible employees. This plan is described below:

Teaching Staff. The District provides post-employment health, dental and life insurance benefits to any teachers who have reached the age of 55 and taught at least 15 years in the District. The District contributes towards medical and dental premiums equal to an amount made on behalf of active employees for a period up to 4 years based upon years of services as of July 1, 2012. Retirees may elect to continue their life insurance plan provided they contract the provider and self-pay the full amount (100%) of the premiums.

Teachers retired prior to July 1, 2012, receive continued medical and/or long-term care coverage subsidized by the District for a period up to 4 years.

Superintendent. The District also provides post-employment health and dental benefits to the superintendent who has reached the age of 55 and is eligible for retirement under the Wisconsin Retirement System after an accumulated 3 years of service. The District contributes 88% of medical premiums and 100% of dental premiums for a period of 2 years, plus an additional year for each successive 2 years of service, but to not exceed a total of 4 years.

Elementary School Principal and Secondary Principal. The District also provides post-employment health and dental benefits to the elementary school principal and pupil services director. These individuals must reach the age of 55 and have 15 years of service. The District contributes towards medical and dental premiums equal to an amount made on behalf of active employees frozen at the time of retirement for a period of 4 years.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 8 – Post-Employment Benefits Other Than Pension Benefits (Continued)

Support Staff (Year-Round includes Aides, Bookkeeper, Food Service, Nurse, Custodians, Speech Therapist, and Secretaries). The District also provides post-employment health and dental benefits to eligible support staff that are year-round employees. Any support staff member hired prior to July 1, 2007, who has reached the age of 55 and provided 15 years of service receives medical and dental premiums equal to an amount made on behalf of active employees for a period of 3 years. Year-round support staff shall receive the benefit for 4 years. If the period between retirement and Medicare eligibility is longer than 36/48 months, the retiree shall choose the 3-year/4-year period for which they wish to have contributions paid on their behalf. Support staff (year-round and school year) retired prior to July 1, 2012 receive continued medical insurance 100% paid by the District.

Upon retirement, retirees may choose to self-pay the full (100%) amount of premiums to remain on the District's medical plan only for the duration of COBRA.

Benefits Provided. The Plan provides post-employment health and dental benefits to eligible teachers, administration, and support staff.

Employees Covered by the Benefit Terms. At June 30, 2020, the actuarial valuation, the District's membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	10
Active employees	<u>92</u>
	<u>102</u>

Contributions. The District has not established a trust or equivalent arrangement to fund its OPEB liability. Health premiums related to retirees are paid as they come due.

Actuarial Assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Salary Increases	3.00%
Discount Rate	2.25%
Healthcare Cost Trend Rates	6.50% decreasing by 0.50% per year down to 5.50%, then by 0.10% per year down to 5.0%, and level thereafter.

Mortality rates were based on the Wisconsin 2018 Mortality Table.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study conducted in 2018 using experience from 2015-2017.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 8 – Post-Employment Benefits Other Than Pension Benefits (Continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 2.25 percent as of the measurement date of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from the District will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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.

As of the measurement date of June 30, 2021, the discount rate was changed to 2.25 percent to be reflective of a 20-year AA municipal bond rate.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 7/1/20	<u>\$ 1,647,657</u>
Changes for the year:	
Service Cost	48,139
Interest	36,041
Benefit Payments	<u>(139,832)</u>
Net Changes	<u>(55,652)</u>
Balance at 6/30/21	<u><u>\$ 1,592,005</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the District’s total OPEB liability calculated using the discount rate of 2.25 percent, as well as what the total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current discount rate.

	1% Decrease (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Total OPEB Liability	<u>\$ 1,639,630</u>	<u>\$ 1,592,005</u>	<u>\$ 1,544,681</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the District’s total OPEB liability calculated using the current healthcare cost trend rate of 6.50 percent decreasing to 5.00 percent, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent decreasing to 6.0 percent) than the current rate.

	1% Decrease (5.50% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)	1% Increase (7.50% decreasing to 6.0%)
Total OPEB Liability	<u>\$ 1,512,865</u>	<u>\$ 1,592,005</u>	<u>\$ 1,676,944</u>

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 8 – Post-Employment Benefits Other Than Pension Benefits (Continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$62,287.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experiences	\$ 11,167	\$ 115,521
Changes in assumptions	21,795	44,095
Employer contributions subsequent to the measurement date	<u>146,182</u>	-
Total	<u>\$ 179,144</u>	<u>\$ 159,616</u>

The \$146,182 reported as deferred outflows of resources related to OPEB resulting from the OPEB contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2023	\$ (21,893)
2024	(21,893)
2025	(21,893)
2026	(21,893)
2027	(21,893)
Thereafter	<u>(17,189)</u>
	<u>\$ (126,654)</u>

Payable to the OPEB Plan. At June 30, 2022, the District had no outstanding contributions payable to the plan.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 9 – Limitation on School District Revenues

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount has been approved by a referendum.

This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A resolution of the school board or by a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

Note 10 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the District purchases commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

Dental Self-Insurance

At June 30, 2022, the District has reported liability of \$18,254, which represents reported and unreported claims which were incurred on or before June 30, 2022, but were not paid by the District as of that date.

The plan consists of payments to a third-part administrator for dental claims and administrative fees. At June 30, 2022 the District has reported expenditures of \$92,486, which consists of \$87,051 for dental claims and \$5,435 for administrative fees.

	<u>Beginning-of- Fiscal Year Liability</u>	<u>Current-Year Funding</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2019 - 2020	\$ 16,743	\$ 93,544	\$ 91,995	\$ 18,292
2020 - 2021	18,292	111,937	111,984	18,245
2021 - 2022	18,245	92,486	92,477	18,254

The self-funded dental insurance plan has been considered immaterial to the District as a whole, therefore no actuarial certification was performed.

GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

Note 11 – Commitments and Contingencies

The District has a service agreement for transportation services to be provided to the District for the 2022-2023 school year of approximately \$380,000

The District has a service agreement for educational services to be provided to the District for the 2022-2023 school year of approximately \$212,000.

The District received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement to the grantor agency for expenditures disallowed under terms of the grants. The District believes such disallowances, if any, would be immaterial.

From time to time the District is involved in legal actions and claims, most of which normally occur in governmental operations. In the opinion of District management, these issues, and any other proceedings known to exist at June 30, 2022 , are not likely to have a material adverse impact on the District's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

GILLETT SCHOOL DISTRICT

Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System (WRS)
Last 10 Fiscal Years*

WRS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension Asset/Liability	District's Proportionate Share of the Net Pension (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2021	0.02285128%	\$ (1,841,855)	\$ 3,942,993	46.71%	106.02%
12/31/2020	0.02291001%	(1,430,303)	3,775,424	37.88%	105.26%
12/31/2019	0.02300952%	(741,931)	3,699,643	20.05%	102.96%
12/31/2018	0.02313510%	823,074	3,541,353	23.24%	96.45%
12/31/2017	0.02386832%	(708,678)	3,398,020	20.86%	102.93%
12/31/2016	0.02468280%	203,445	3,398,783	5.99%	99.12%
12/31/2015	0.02549906%	414,355	3,587,568	11.55%	98.20%
12/31/2014	0.02588416%	(635,786)	3,535,017	17.99%	102.74%

Schedule of Employer Contributions
Wisconsin Retirement System (WRS)

District Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2022	\$ 261,585	\$ 261,585	\$ -	\$ 3,964,883	6.60%
6/30/2021	261,654	261,654	-	3,876,349	6.75%
6/30/2020	242,326	242,326	-	3,771,294	6.43%
6/30/2019	237,270	237,270	-	3,631,903	6.53%
6/30/2018	236,323	236,323	-	3,514,985	6.72%
6/30/2017	235,403	235,403	-	3,505,397	6.72%
6/30/2016	225,804	225,804	-	3,377,078	6.69%
6/30/2015	236,544	236,544	-	3,439,982	6.88%

*Ten years of information will be accumulated and presented beginning with the Districts fiscal year ended June 30, 2015.

GILLETT SCHOOL DISTRICT

Schedule of Changes in Total OPEB Liability and Related Ratios - Other Post-Employment Benefits
Last 10 Measurement Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability					
Service Cost	\$ 48,139	\$ 61,237	\$ 57,034	\$ 94,080	\$ 94,080
Interest	36,041	54,303	54,676	58,251	56,195
Changes of Benefit Terms					-
Differences Between Expected and Actual Experience	-	14,357	-	(192,533)	-
Changes of Assumptions or Other Input	-	15,392	14,035	(73,491)	-
Benefit Payments	<u>(139,832)</u>	<u>(37,063)</u>	<u>(31,640)</u>	<u>(116,493)</u>	<u>(66,570)</u>
Net Change in Total OPEB Liability	<u>(55,652)</u>	<u>108,226</u>	<u>94,105</u>	<u>(230,186)</u>	<u>83,705</u>
Total OPEB Liability - Beginning	<u>1,647,657</u>	<u>1,539,431</u>	<u>1,445,326</u>	<u>1,675,512</u>	<u>1,591,807</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 1,592,005</u></u>	<u><u>\$ 1,647,657</u></u>	<u><u>\$ 1,539,431</u></u>	<u><u>\$ 1,445,326</u></u>	<u><u>\$ 1,675,512</u></u>
Covered-Employee Payroll	\$ 3,781,137	\$ 3,781,137	\$ 3,544,368	\$ 3,544,368	\$ 1,936,722
Total OPEB Liability as a Percentage of Covered-Employee Payroll	42.10%	43.58%	43.43%	40.78%	86.51%

*Ten years of data will be accumulated beginning with 2017.

GILLETT SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 2,230,433	\$ 2,251,658	\$ 2,251,771	\$ 113
Other Local Sources	36,550	32,787	36,266	3,479
Interdistrict Sources	474,130	405,643	402,660	(2,983)
Intermediate Sources	5,525	2,572	7,335	4,763
State Sources	5,002,786	4,997,940	4,995,940	(2,000)
Federal Sources	598,298	927,858	925,971	(1,887)
Other Sources	46,000	35,091	35,091	-
Total Revenues	<u>8,393,722</u>	<u>8,653,549</u>	<u>8,655,034</u>	<u>1,485</u>
EXPENDITURES				
Instruction				
Regular Instruction	2,479,930	2,537,357	2,526,284	11,073
Vocational Instruction	304,157	304,376	302,246	2,130
Physical Instruction	231,875	233,979	232,561	1,418
Other Instruction	174,502	141,369	140,711	658
Total Instruction	<u>3,190,464</u>	<u>3,217,081</u>	<u>3,201,802</u>	<u>15,279</u>
Support Services				
Pupil Services	197,164	199,712	198,786	926
Instructional Staff Services	394,435	398,534	384,745	13,789
General Administration Services	252,271	258,588	253,874	4,714
School Building Administration Services	400,257	394,657	390,585	4,072
Business Administration	140,895	63,124	141,945	(78,821)
Operations and Maintenance	719,126	719,126	613,410	105,716
Pupil Transportation	478,400	478,400	454,830	23,570
Central Services	56,950	66,491	64,937	1,554
Insurance	91,025	89,805	89,805	-
Other Support Services	611,646	655,813	647,134	8,679
Total Support Services	<u>3,342,169</u>	<u>3,324,250</u>	<u>3,240,051</u>	<u>84,199</u>
Non-Program Transactions				
General Tuition Payments	769,272	694,661	694,661	-
Non-Program Payments	75,492	105,447	104,451	996
Total Non-Program Transactions	<u>844,764</u>	<u>800,108</u>	<u>799,112</u>	<u>996</u>
Total Expenditures	<u>7,377,397</u>	<u>7,341,439</u>	<u>7,240,965</u>	<u>100,474</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,016,325</u>	<u>1,312,110</u>	<u>1,414,069</u>	<u>101,959</u>
OTHER FINANCING USE				
Transfer to Other Funds	(1,016,325)	(982,971)	(1,213,948)	(230,977)
NET CHANGE IN FUND BALANCE	-	329,139	200,121	(129,018)
FUND BALANCE - BEGINNING OF YEAR	<u>1,533,334</u>	<u>1,533,334</u>	<u>1,533,334</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,533,334</u>	<u>\$ 1,862,473</u>	<u>\$ 1,733,455</u>	<u>\$ (129,018)</u>

GILLETT SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Cooperative Program fund
For the Year Ended June 30, 2022

	Budgeted Amounts Original and Final	Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
REVENUES			
Interdistrict Sources	\$ 30,551	\$ 90,022	\$ 59,471
EXPENDITURES			
Support Services			
Instructional Staff Services	32,551	92,022	(59,471)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(2,000)	(2,000)	-
OTHER FINANCING SOURCE			
Transfer From General Fund	2,000	2,000	-
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

GILLETT SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2022

Budgets and Budgetary Accounting

Operating budgets are adopted each fiscal year for most of the governmental funds except for the special revenue trust in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the two-digit subfunction level in the general fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution.

The District follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedule:

- Based upon requests from district staff, district administration recommends budget proposals to the school board.
- The school board reviews the proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30th fiscal year.
- Pursuant to a public budget hearing, the school board may make alterations to the proposed budget.
- Once the school board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations, unless authorized by a 2/3 vote of the entire school board.
- Appropriations lapse at year-end unless authorized as carryover by the school board. The portion of fund balance representing carryover appropriations is reported as committed or assigned fund balance.

The Board did not adopt a budget for the Special Revenue Trust Fund.

Basis of Accounting

The budget is prepared on the same modified accrual basis of accounting as applied in the governmental funds in the basic financial statements.

There is a perspective difference between the budget and reporting under generally accepted accounting principles (GAAP). For budgetary purposes the special education fund was budgeted separate from the general fund but for GAAP the two are combined. There is a reconciliation to the statement of revenues, expenditures and changes in fund balances provided as part of the notes to the required supplementary information.

Excess Expenditures Over Budget

The following individual functions had an excess of expenditures over the budget for the year June 30, 2022:

Individual Function	Excess Expenditures
General Fund	
Business Administration	\$ 78,821
Cooperative Program Fund	
Instructional Staff Services	59,471

GILLETT SCHOOL DISTRICT
Notes to Required Supplementary Information - Continued
June 30, 2022

Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	General Fund
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Revenues" from the Schedule of Revenues, Expenditures and Changes in Fund Balance	\$ 8,655,034
Differences – Budget to GAAP:	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	651,724
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Change in Fund Balances – Governmental Funds	\$ 9,306,758
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Expenditures and Other Financing Uses" from the Schedule of Revenues, Expenditures and Changes in Fund Balance	\$ 8,454,913
Differences – Budget to GAAP:	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	1,587,389
The Transfer to the Special Education Fund is Eliminated because it is Considered to be Part of the General Fund.	(935,665)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$ 9,106,637

Defined Benefit Pension Plan

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions.

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the post-retirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

Post-Employment Benefits Other Than Pension Benefits

Changes of benefit terms. There were no changes of benefit terms for any participating employer in other post-employment benefits.

Changes of assumptions. As of the measurement date of June 30, 2022, the discount rate was changed to 2.25 percent to be reflective of a 20-year AA municipal band rate since assets are held solely as cash and cash equivalents.

SUPPLEMENTARY INFORMATION

GILLETT SCHOOL DISTRICTCombining Balance Sheet
Nonmajor Governmental Funds
As of June 30, 2022

	<u>Debt Service Fund</u>	<u>Food Service Fund</u>	<u>Community Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash	\$ 122,017	\$ 201,043	\$ 50,116	\$ 373,176
Due from Federal Government	-	8,694	-	8,694
Total Assets	<u>\$ 122,017</u>	<u>\$ 209,737</u>	<u>\$ 50,116</u>	<u>\$ 381,870</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 6,625	\$ 1,409	\$ 8,034
Unearned Revenue	-	5,858	-	5,858
Total Liabilities	<u>-</u>	<u>12,483</u>	<u>1,409</u>	<u>13,892</u>
FUND BALANCES				
Restricted	<u>122,017</u>	<u>197,254</u>	<u>48,707</u>	<u>367,978</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 122,017</u>	<u>\$ 209,737</u>	<u>\$ 50,116</u>	<u>\$ 381,870</u>

GILLETT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	<u>Debt Service Fund</u>	<u>Food Service Fund</u>	<u>Community Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Property Taxes	\$ 731,506	\$ -	\$ 45,000	\$ 776,506
Other Local Sources	553	2,935	1,875	5,363
Federal Sources	-	414,634	-	414,634
Other Sources	-	15	-	15
Total Revenues	<u>732,059</u>	<u>417,584</u>	<u>46,875</u>	<u>1,196,518</u>
EXPENDITURES				
Business Services	-	-	4,428	4,428
Food Services	-	276,656	-	276,656
Community Services	-	-	34,236	34,236
Debt Service				
Principal	683,389	-	-	683,389
Interest and Fiscal Charges	48,937	-	-	48,937
Total Expenditures	<u>732,326</u>	<u>276,656</u>	<u>38,664</u>	<u>1,047,646</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(267)</u>	<u>140,928</u>	<u>8,211</u>	<u>148,872</u>
NET CHANGES IN FUND BALANCES	(267)	140,928	8,211	148,872
FUND BALANCES - BEGINNING OF YEAR	<u>122,284</u>	<u>56,326</u>	<u>40,496</u>	<u>219,106</u>
FUND BALANCES - END OF YEAR	<u>\$ 122,017</u>	<u>\$ 197,254</u>	<u>\$ 48,707</u>	<u>\$ 367,978</u>

GILLETT SCHOOL DISTRICT

Combining Schedule of Internal General and Special Education Funds - Balance Sheet
As of June 30, 2022

	<u>General</u>	<u>Special Education</u>	<u>Total General Fund</u>
ASSETS			
Cash and Investments	\$ 1,434,659	\$ 100	\$ 1,434,759
Receivables:			
Taxes	833,543	-	833,543
Due from Other Fund	25,596	(25,596)	-
Due from Other Government	7,709	-	7,709
Due from State Government	696	-	696
Due from Federal Government	167,264	42,666	209,930
Prepaid Items	1,315	-	1,315
TOTAL ASSETS	<u>\$ 2,470,782</u>	<u>\$ 17,170</u>	<u>\$ 2,487,952</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 150,476	\$ 17,170	\$ 167,646
Accrued Liabilities	309,547	-	309,547
Due to Other Funds	276,283	-	276,283
Due to Other Governments	1,021	-	1,021
Total Liabilities	<u>737,327</u>	<u>17,170</u>	<u>754,497</u>
FUND BALANCES			
Nonspendable:			
Prepaid Items	1,315	-	1,315
Restricted			
Self Funded Insurance	53,472	-	53,472
Unassigned	1,678,668	-	1,678,668
Total Fund Balances	<u>1,733,455</u>	<u>-</u>	<u>1,733,455</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,470,782</u>	<u>\$ 17,170</u>	<u>\$ 2,487,952</u>

GILLETT SCHOOL DISTRICT
Combining Schedule of Internal General and Special Education Funds -
Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General	Special Education	Total General Fund
REVENUES			
Property Taxes	\$ 2,251,771	\$ -	\$ 2,251,771
Other Local Sources	36,266	-	36,266
Interdistrict Sources	402,660	420	403,080
Intermediate Sources	7,335	36,875	44,210
State Sources	4,995,940	340,865	5,336,805
Federal Sources	925,971	273,564	1,199,535
Other Sources	35,091	-	35,091
Total Revenues	8,655,034	651,724	9,306,758
EXPENDITURES			
Instruction			
Regular Instruction	2,526,284	-	2,526,284
Vocational Instruction	302,246	-	302,246
Physical Instruction	232,561	-	232,561
Special Instruction	-	1,117,144	1,117,144
Other Instruction	140,711	-	140,711
Total Instruction	3,201,802	1,117,144	4,318,946
Support Services			
Pupil Services	198,786	275,848	474,634
Instructional Staff Services	384,745	145,028	529,773
General Administration Services	253,874	-	253,874
School Building Administration Services	390,585	-	390,585
Business Services	141,945	-	141,945
Operations and Maintenance	613,410	-	613,410
Pupil Transportation	454,830	33,096	487,926
Central Services	64,937	-	64,937
Insurance	89,805	-	89,805
Other Support Services	647,134	-	647,134
Total Support Services	3,240,051	453,972	3,694,023
Non-Program Transactions			
Open Enrollment	694,661	5,446	700,107
Non-Open Enrollment	104,451	10,827	115,278
Total Non-Program Transactions	799,112	16,273	815,385
Total Expenditures	7,240,965	1,587,389	8,828,354
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,414,069	(935,665)	478,404
OTHER FINANCING SOURCE (USE)			
Transfer from Other Funds	-	935,665	935,665
Transfer to Other Funds	(1,213,948)	-	(1,213,948)
Total Other Financing Source (Use)	(1,213,948)	935,665	(278,283)
NET CHANGES IN FUND BALANCES	200,121	-	200,121
FUND BALANCES - BEGINNING OF YEAR	1,533,334	-	1,533,334
FUND BALANCES - END OF YEAR	\$ 1,733,455	\$ -	\$ 1,733,455

ADDITIONAL REPORTS

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

To the Board of Education
Gillett School District
Gillett, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gillett School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Education
Gillett School District

Gillett School District's Response to Finding

Government Auditing Standards require the auditors to perform limited procedures on the District's response to the finding identified in our audit and is described in the accompanying *schedule of findings and questioned costs*. The District's response was not subjected to the other auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

KerberRose SC

KerberRose SC
Certified Public Accountants
Shawano, Wisconsin
December 14, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, STATE SINGLE AUDIT GUIDELINES AND THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

To the Board of Education
Gillett School District
Gillett, Wisconsin

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Gillett School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement, *State Single Audit Guidelines* and the *Wisconsin Public School District Audit Manual* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2022. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal and State Program

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

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

Responsibilities of Management of Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal and state programs.

To the Board of Education
Gillett School District

Auditors' 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 the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, *State Single Audit Guidelines* and the *Wisconsin Department of Public Instruction Audit Manual* 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 judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, *State Single Audit Guidelines* and the *Wisconsin Department of Public Instruction Audit Manual*, we:

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

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

Report on Internal Control Over Compliance

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

To the Board of Education
Gillett School District

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, *State Single Audit Guidelines* and the *Wisconsin Department of Public Instruction Audit Manual*. Accordingly, this report is not suitable for any other purpose.

KerberRose SC

KerberRose SC
Certified Public Accountants
Shawano, Wisconsin
December 14, 2022

FEDERAL AND STATE AWARDS SECTION

GILLETT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Grantor Agency/Federal Program Title	ALN	Pass-Through Agency	Pass-Through Number	(Accrued) Deferred Revenue 7/1/2021	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2022	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>CHILD NUTRITION CLUSTER</i>								
School Breakfast Program	10.553	WI DPI	2022-422128-DPI-SB-SEVERE-546	-	95,002	-	95,002	-
National School Lunch Program	10.555	WI DPI	2022-422128-DPI-NSL-547	-	277,019	-	277,019	-
Donated Commodities 2021-22	10.555	WI DPI	2022-422128-DPI-NSL-547	-	26,311	-	26,311	-
<i>Total National School Lunch Program</i>				-	303,330	-	303,330	-
Summer Food Service Program	10.559	WI DPI	2021-422128-DPI-SFSP-586	(12,301)	19,909	-	7,608	-
Summer Food Service Program	10.559	WI DPI	2022-422128-DPI-SFSP-561	-	-	8,694	8,694	-
<i>Total Summer Food Service Program</i>				(12,301)	19,909	8,694	16,302	-
Total U.S. Department of Agriculture and Child Nutrition Cluster				(12,301)	418,241	8,694	414,634	-
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2021-422128-DPI-TIA-141	(87,456)	87,456	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2022-422128-DPI-TIA-141	-	62,884	48,428	111,312	-
<i>Total Title I Grants to Local Educational Agencies</i>				(87,456)	150,340	48,428	111,312	-
<i>SPECIAL EDUCATION CLUSTER</i>								
Special Education Grants to States	84.027	WI DPI	2021-422128-DPI-IDEA-FT-341	(34,198)	34,198	-	-	-
Special Education Grants to States	84.027	WI DPI	2022-422128-DPI-IDEA-FT-341	-	116,481	40,480	156,961	-
Special Education Preschool Grants	84.173	WI DPI	2021-422128-DPI-DPI-IDEA-P-347	(3,102)	3,102	-	-	-
Special Education Preschool Grants	84.173	WI DPI	2022-422128-DPI-DPI-IDEA-P-347	-	2,764	-	2,764	-
<i>Total Special Education Cluster</i>				(37,300)	156,545	40,480	159,725	-
Career and Technical Education - Basic Grants to States	84.048	CESA 8	2021-422128-DPI-CTE-400	(6,038)	6,038	-	-	-
Career and Technical Education - Basic Grants to States	84.048	CESA 8	2022-422128-DPI-CTE-400	-	7,335	-	7,335	-
Improving Teacher Quality State Grants	84.367A	WI DPI	2021-422128-DPI-TIIA-365	(7,867)	7,867	-	-	-
Improving Teacher Quality State Grants	84.367A	WI DPI	2022-422128-DPI-TIIA-365	-	10,858	7,950	18,808	-
Small, Rural School Achievement Program	84.358A	Direct Award	Not Available	-	26,548	-	26,548	-
Small, Rural School Achievement Program	84.358A	Direct Award	Not Available	-	8,429	-	8,429	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2021-422128-DPI-TIV-A-381	(3,014)	3,014	-	-	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2022-422128-DPI-TIV-A-381	-	19,368	-	19,368	-
Elementary and Secondary School Emergency Relief - COVID-19	84.425D	WI DPI	2021-422128-DPI-ESSERF-160	(17,421)	34,397	-	16,976	-
Elementary and Secondary School Emergency Relief II - COVID-19	84.425D	WI DPI	2022-422128-DPI-ESSERFII-163	(23,303)	360,868	61,358	398,923	-
Elementary and Secondary School Emergency Relief III - COVID-19	84.425U	WI DPI	2022-422128-DPI-ESSERFIII-165	-	113,668	49,237	162,905	-
<i>Total Elementary and Secondary School Emergency Relief</i>				(40,724)	508,933	110,595	578,804	-
Total U.S. Department of Education				(182,399)	905,275	207,453	930,329	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
<i>MEDICAID CLUSTER</i>								
Medical Assistance Program	93.778	WI DHS	Not Available	(3,075)	3,075	-	-	-
Medical Assistance Program	93.778	WI DHS	Not Available	-	181,589	2,477	184,066	-
Total U.S. Department of Health and Human Services and Medicaid Cluster				(3,075)	184,664	2,477	184,066	-
TOTAL FEDERAL ASSISTANCE				<u>\$ (197,775)</u>	<u>\$ 1,508,180</u>	<u>\$ 218,624</u>	<u>\$ 1,529,029</u>	<u>\$ -</u>

Reconciliation to the basic financial statements:
Governmental Funds
Federal Sources \$ 1,614,169
Intermediate Sources 7,335
Federal Sources no Included on Schedule of Federal Awards (92,475)
Total expenditures of federal awards \$ 1,529,029

GILLETT SCHOOL DISTRICT
Schedule of State Financial Assistance
For the Year Ended June 30, 2022

Awarding Agency/ Awarding Description/ Pass-Through Agency	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/2021	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2022	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	422128-100	\$ -	\$ 338,952	\$ -	\$ 338,952	\$ -
Special Education and School Age Parents	255.101	CESA 8	422128-100	-	36,875	-	36,875	-
Common School Fund Library Aid	255.103	Direct Program	422128-104	-	22,777	-	22,777	-
General Transportation Aid	255.107	Direct Program	422128-102	-	26,858	-	26,858	-
General Equalization Aids	255.201	Direct Program	422128-116	(60,775)	4,049,858	-	3,989,083	-
Sparsity Aid	255.212	Direct Program	422128-162	-	214,036	-	214,036	-
Achievement Gap Reduction	255.504	Direct Program	422128-160	-	217,059	-	217,059	-
Aid for High Poverty School District	255.926	Direct Program	422128-121	-	30,035	-	30,035	-
Educator Effective Eval Sys Grants Public	255.940	Direct Program	422128-154	-	4,240	-	4,240	-
Per Pupil Aid	255.945	Direct Program	422128-113	-	416,262	-	416,262	-
High Cost Transportation Aid	255.947	Direct Program	422128-114	-	65,548	-	65,548	-
Assesment of Reading Readiness	255.956	Direct Program	422128-166	-	964	-	964	-
Aid for Special Education Transition Grant	255.960	Direct Program	422128-168	-	1,913	-	1,913	-
TOTAL STATE PROGRAMS				<u>\$ (60,775)</u>	<u>\$ 5,425,377</u>	<u>\$ -</u>	<u>\$ 5,364,602</u>	<u>\$ -</u>

Reconciliation to the basic financial statements:

Governmental Funds

State sources	\$ 5,336,805
Intermediate sources	36,875
Less: State sources not considered state financial assistance	
State tax exempt aid	(5,921)
Payment in lieu of taxes and other revenues	(3,157)
Total expenditures of state awards	<u>\$ 5,364,602</u>

GILLETT SCHOOL DISTRICT

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
June 30, 2022

Note 1 – Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Gillett School District under programs of the federal and state governments for the year ended June 30, 2022. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *State Single Audit Guidelines*. Because the schedules present only a select portion of operations of the District, they are not intended to, and do not, present the financial position and change in net position of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the schedules 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.

Gillett School District has not elected to use the 10 percent *de minimis* indirect cost rate as allowable under the Uniform Guidance.

Note 3 – Special Education and School Age Parents Program

2021- 2022 eligible costs under the State Special Education Program are \$1,222,287.

Note 4 – Oversight Agencies

The District's federal agency oversight agency is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

GILLETT SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unmodified
Internal control over financial reporting	
Material weakness identified?	Yes
Significant deficiency identified?	None Reported
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over major programs	
Material weakness identified?	No
Significant deficiency identified?	None Reported
Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

ALN	Name of Federal Program
10.553	<i>Child Nutrition Cluster</i>
10.555	School Breakfast Program
10.559	National School Lunch Program
	Summer Food Service Program for Children
	Education Stabilization Funds
84.425D	Elementary and Secondary School Emergency Relief I
84.425U	Elementary and Secondary School Emergency Relief II

Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
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Auditee qualified as a low-risk auditee?	No
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GILLETT SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

Section I – Summary of Auditors’ Results

State Awards

Internal control over major programs:
 Material weaknesses identified? No
 Significant deficiencies identified? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required in accordance with the Wisconsin *State Single Audit Guidelines* No

Identification of major state programs:

State I.D. Number	Name of State Program
255.101	Handicapped Pupils and School Age Parents
255.201	<i>General Aids Cluster</i>
255.926	General Equalization Aids Aid for High Poverty District
255.107	General Transportation Aid

GILLETT SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022

Financial Statement Finding

2021-001 – Segregation of Duties - See corrective action plan finding 2022-001.



*Opportunities, for Every Child, Every Day.
"It's the Tiger Way!"*



Gillett School District

208 West Main Street P.O. Box 227 Gillett, WI 54124-0227

Corrective Action Plan

Financial Statement Finding

2022-001 - Segregation of Duties - The District is aware of the lack of segregation of duties caused by the limited size of its staff. Segregation of duties is enhanced whenever possible and the Board of Education reviews receipts, disbursements, transactions and monthly financial statements.

Responsible Officials - Todd Hencsik Superintendent
Heather Schowalter, District Bookkeeper

Anticipated Completion Date – This finding will not completely resolve itself given the size of the District and the limited staff.