



PINCONNING
AREA SCHOOL DISTRICT

Student Centered By Design

**PINCONNING AREA SCHOOLS
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
June 30, 2021**

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INDEPENDENT AUDITORS' REPORT

To The Board of Education
Pinconning Area Schools
Bay and Gladwin Counties, Michigan
Pinconning, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pinconning Area Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Pinconning Area Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pinconning Area Schools, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Schedules of Employer's Proportionate Share of Pension and OPEB liability, and Schedule of Employer's Pension and OPEB Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior year information

The financial statements contain summarized total information as of and for the year ended June 30, 2020. The prior year information was obtained from the audited financial statements for the prior year and is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pinconning Area Schools' basic financial statements. The Schedules of Revenues and Expenditures and the Indebtedness Schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Information Continued

The Schedules of Revenues and Expenditures, the Indebtedness Schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Revenues and Expenditures, the Indebtedness Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2021, on our consideration of the Pinconning Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pinconning Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pinconning Area Schools' internal control over financial reporting and compliance.

QUAST, JANKE AND COMPANY



Certified Public Accountants, P.C

Bay City, MI 48708

October 12, 2021

PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

This section of Pinconning Area Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2021. Please read it in conjunction with the School District's financial statements, which immediately follows this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pinconning Area Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplemental Information

Budgetary Information for the Major Funds

Schedule of Reporting Units Contributions

Notes to the Required Supplementary Information

Other Supplemental Information

Reporting the School District as a Whole

District-wide Financial Statements

PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

One of the most important questions asked about the School District is, “As a whole, what is the School District’s financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District’s net position – the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to their students, not to generate profits as commercial entities strive to do. One must consider many other nonfinancial factors, such as the quality of the education provided to students and the safety of the schools, to assess the overall health of the School District.

The statements of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District’s services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The School District’s fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law or by bond covenants. Other funds are established to help the School District control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District’s two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental funds

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

PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

District-wide Financial Analysis

The statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2021 and 2020:

Table 1	Governmental Activities	
	2021	2020
Assets:		
Current and other assets	\$ 6,784,436	\$ 5,145,830
Capital assets - net of accumulated depreciation	15,731,715	16,061,956
 Total Assets	 22,516,151	 21,207,786
 Deferred outflows of resources	 7,208,662	 8,821,902
Liabilities:		
Current liabilities	3,532,576	2,926,274
Long-term liabilities	38,032,097	40,008,255
 Total liabilities	 41,564,673	 42,934,529
 Deferred inflows of resources	 4,565,031	 3,897,383
Net Position:		
Net investment in capital assets	5,517,067	5,178,587
Restricted - Food service	339,222	320,235
Restricted - Debt service	152,316	167,396
Restricted - Capital Projects	512,351	403,406
Unrestricted	(22,925,847)	(22,871,847)
 Net Position	 \$ (16,404,891)	 \$ (16,802,223)

The above analysis focuses on the net position (see Table 1). The School District's net position was \$(16,404,891) at June 30, 2021. Net investment in capital assets totaling \$5,517,067 compares original cost less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraint from debt requirements and legislation that limit the School District's ability to use those net position for day-to-day operations.

**PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years 2021 and 2020.

Table 2

	Governmental Activities	
	Year Ended June 30,	
	2021	2020
Revenue:		
Program revenue:		
Charges for services	\$ 66,627	\$ 175,958
Grants and categorical	4,589,609	3,786,983
General revenue:		
Property taxes	2,411,054	2,361,939
State unrestricted	8,545,983	8,349,923
Other	103,415	130,680
Total Revenue	15,716,688	14,805,483
Function/Program Expenses:		
Instruction	8,674,284	8,478,304
Support services	4,754,480	5,264,279
Community services	139,632	109,871
Food services	707,897	824,175
Interest on long-term debt	356,620	369,908
Depreciation (unallocated)	686,443	556,065
Total Expenses	15,319,356	15,602,602
Increase (Decrease) in Net Position	\$ 397,332	\$ (797,119)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$15,319,356. Certain activities were partially funded from those who benefited from the program or by other governments and organizations that subsidized certain programs with grants and categoricals of \$4,589,609. We paid for the remaining "public benefit" portion of our governmental activities with \$2,411,054 in taxes, \$8,545,983 in state foundation allowance, and with our other revenues, such as interest and rentals.

The School District experienced an increase in net position of \$397,332. A key reason for this change in net position was an increase in grants and categoricals, and the District's concerted effort to ensure fiscal responsibility within the Budget. The increase in net position differs from the change in fund balance and the reconciliation appears on page 17.

PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

The School District's Funds

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

All funds of the District were directly affected by the Coronavirus pandemic shutdown that occurred in the State of Michigan in March of 2020. Some revenues were not received, planned expenditures did not occur, projects were delayed, and timelines changed. During the 2021-2022 school year, the situation was actively progressing and required reaction to what was occurring, as opposed to planning. The financial effects of COVID 19 on the District will continue to appear into future years. However, the District plans to be as forward thinking as feasible to ensure the continued financial strength we have worked so hard to achieve.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,951,218, which is an increase of \$1,065,062 from last year. The primary reason for this increase was an increase in federal and state source revenues. This includes CRF revenue meant to offset the previous year's proration.

In the General Fund, our principal operating fund, the fund balance increased by \$938,750, a larger increase than originally projected in the final budget. This was mainly due to the increase in federal and state source revenues.

The Food Service Fund reported a net decrease in fund balance of \$15,080. This was mainly due to higher salary expense and increased product cost to ensure safe serving during the pandemic.

The Debt Service Fund showed an increase in fund balance of \$18,987. This was due to greater collection of tax revenues related to the bond and based on property tax values.

PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

General Fund Budgetary Highlights

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

Budgeted revenues were increased from the original budget by \$2,055,300. This was due to a combination of expected student loss and decreased foundation rate on the original budget which became unexpected increases in federal and state aid funding.

Budgeted expenditures increased from the original budget by \$505,471. This change is mainly due to mid-year new unexpected grant expenditures related to COVID-19 funding.

Actual revenues were \$139,294 less than the final budget. This difference is partly due to unspent portions of current grant funding that is not received until spent.

Actual expenditures were \$358,565 less than the final budget. This was mainly due to unspent portions of current grant funding and a concerted effort to stay under budget.

PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Capital Assets

At June 30, 2021, the School District had \$37,326,707 invested in a broad range of capital assets, including land, buildings, vehicles, and equipment. This amount represents a net increase (including additions and disposals) of \$299,514.

	2021	2020
Land and improvements	\$ 2,203,773	\$ 2,173,746
Buildings and improvements	32,887,385	32,686,132
Buses and other vehicles	884,064	788,881
Equipment	1,351,485	1,378,434
Total Capital Assets	37,326,707	37,027,193
Less Accumulated Depreciation	21,594,992	20,965,237
Net Capital Assets	\$ 15,731,715	\$ 16,061,956

This year's additions of \$356,202 consisted of the following:

Buses and other vehicles	\$ 95,183
Building improvements	201,253
Land improvements	30,027
Other equipment	29,739
	\$ 356,202

Debt

At the end of this year, the School District had \$9,390,000 in long-term outstanding debt versus \$9,990,000 in the previous year. The debt was made up of only the 2016 refunding bonds.

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this limit. The School District's outstanding unqualified general obligation debt of \$9,390,000 is below the statutorily imposed limit.

PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2022 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2022 fiscal year is 90 percent and 10 percent of the October 2021 and February 2022 student counts, respectively. The 2022 fiscal year budget was adopted in June 2021, based on an estimate of students that will be enrolled in October of 2021. Approximately 77 percent of total General Fund revenues are from the unrestricted state aid. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2021-2022 school year, we anticipate that the fall student count will be comparable to the estimates used in creating the 2022 fiscal year budget. However, with the addition of virtual students, we must ensure mandates are achieved to allow the inclusion of the students within our counted numbers. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, as well as a signed State Budget, the per pupil foundation allowance will increase by \$589 per student for the 2021-2022 school year.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 605 W. Fifth St., Pinconning, MI 48650.

PINCONNING AREA SCHOOLS
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

	June 30,	
	2021	2020
ASSETS:		
Cash & equivalents	\$ 4,685,436	\$ 3,195,733
Property taxes receivable	13,590	14,301
Accounts receivable	32,563	65,033
Due from State of Michigan	1,950,592	1,700,171
Other receivables	-	-
Grants receivable	35,871	89,167
Prepays	58,000	58,000
Inventories	8,384	23,425
Capital assets	37,326,707	37,027,193
Accumulated depreciation	(21,594,992)	(20,965,237)
Total Assets	22,516,151	21,207,786
DEFERRED OUTFLOWS OF RESOURCES:		
Related to refunding bonds	215,791	233,774
Related to pensions	5,178,374	6,899,707
Related to OPEB	1,814,497	1,688,421
Total Deferred Outflows of Resources	7,208,662	8,821,902
LIABILITIES:		
Accounts payable	27,790	51,212
Accrued payroll and other related liabilities	1,101,825	1,120,952
Accrued interest long term debt	74,358	66,600
Unearned revenue	3,603	87,510
State aid note payable	1,700,000	1,000,000
Net OPEB liability	3,747,605	5,187,335
Net pension liability	24,379,025	24,230,007
Current portion of long term liabilities	625,000	600,000
Compensated absences	315,819	307,543
Non current portion of long term liabilities	9,589,648	10,283,369
Total Liabilities	41,564,673	42,934,528
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	1,474,258	1,730,088
Related to OPEB	3,090,773	2,167,295
Total Deferred Inflows of Resources	4,565,031	3,897,383
NET POSITION:		
Investment in capital assets - net of related debt	5,517,067	5,178,587
Restricted - Debt Service	339,222	320,235
Restricted - Food Service	152,316	167,396
Restricted - Capital Projects	512,351	403,406
Unrestricted	(22,925,847)	(22,871,847)
Total Net Position	\$ (16,404,891)	\$ (16,802,223)

The accompanying notes are an integral part of the financial statements.

PINCONNING AREA SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021 With Comparative Totals for 2020

	Program Revenues				Governmental Activities	
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position Year Ended June 30,	
					2021	2020
GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 8,674,284	\$ -	\$ 2,802,499	\$ -	\$ (5,871,785)	\$ (6,270,451)
Supporting Services	4,754,480	54,130	822,306	225,988	(3,652,056)	(4,401,992)
Community Services	139,632	-	59,490	-	(80,142)	(82,079)
Food Services	707,897	12,497	679,326	-	(16,074)	40,834
Interest on long-term debt	356,620	-	-	-	(356,620)	(369,908)
Depreciation (Unallocated)	686,443	-	-	-	(686,443)	(556,065)
Total Governmental Activities	<u>\$ 15,319,356</u>	<u>\$ 66,627</u>	<u>\$ 4,363,621</u>	<u>\$ 225,988</u>	(10,663,120)	(11,639,661)
GENERAL PURPOSE REVENUES:						
Property taxes - Operating					1,392,479	1,354,684
Property taxes - Debt Retirement					1,018,575	1,007,255
State school aid - unrestricted					8,545,983	8,349,923
State PILT					3,565	19,638
Investment earnings					16,131	32,088
Rental					72,508	50,532
Other					11,211	28,422
Total General Purpose Revenues					<u>11,060,452</u>	<u>10,842,542</u>
Change in Net Position					397,332	(797,119)
Net Position - Beginning of Year					<u>(16,802,223)</u>	<u>(16,199,593)</u>
Prior Period Adjustment - GASB 84					-	194,489
Net Position - Beginning of Year, as Adjusted					<u>(16,802,223)</u>	<u>(16,005,104)</u>
Net Position - End of Year					<u>\$ (16,404,891)</u>	<u>\$ (16,802,223)</u>

The accompanying notes are an integral part of the financial statements.

PINCONNING AREA SCHOOLS
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2021

<u>ASSETS</u>	GENERAL	FOOD SERVICE	2016 REFUNDING BOND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash	\$ 3,526,376	\$ 90,329	\$ 333,656	\$ 735,075	\$ 4,685,436
Taxes receivable	8,024	-	5,566	-	13,590
Accounts receivable	32,563	-	-	-	32,563
Due from State of Michigan	1,945,864	4,728	-	-	1,950,592
Due from other funds	21	-	-	-	21
Grants receivable fed	-	35,871	-	-	35,871
Prepays	18,000	40,000	-	-	58,000
Deposits	-	-	-	-	-
Inventory	-	8,384	-	-	8,384
Total Assets	\$ 5,530,848	\$ 179,312	\$ 339,222	\$ 735,075	\$ 6,784,457
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ 815	\$ 26,975	\$ -	\$ -	\$ 27,790
State aid loan	1,700,000	-	-	-	1,700,000
Salaries payable	673,442	-	-	-	673,442
Retirement	164,824	-	-	-	164,824
Payroll taxes	-	-	-	-	-
Employee benefits	263,559	-	-	-	263,559
Due to other funds	-	21	-	-	21
Due to other governmental units	-	-	-	-	-
Other	-	-	-	-	-
Unearned revenue	3,603	-	-	-	3,603
Total Liabilities	2,806,243	26,996	-	-	2,833,239
FUND BALANCES:					
Nonspendable	18,000	48,384	-	-	66,384
Restricted	-	103,932	339,222	512,351	955,505
Committed	1,248,162	-	-	222,724	1,470,886
Unassigned	1,458,443	-	-	-	1,458,443
Total Fund Balance	2,724,605	152,316	339,222	735,075	3,951,218
Total Liabilities and Fund Balances	\$ 5,530,848	\$ 179,312	\$ 339,222	\$ 735,075	\$ 6,784,457

The accompanying notes are an integral part of the financial statements.

**PINCONNING AREA SCHOOLS
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2021**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	3,951,218
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Amounts reported for governmental activities in the statement of net position are different because -

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

Capital assets at cost		37,326,707
Accumulated depreciation		(21,594,992)

Deferred outflows of resources for pension are not reported in the governmental funds-

Related to refunding bonds		215,791
Related to pensions		5,178,374
Related to OPEB		1,814,497

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

Bonds payable		(9,390,000)
Bond premium		(824,648)
Compensated balances		(315,819)
Pension liability		(24,379,025)
OPEB liability		(3,747,605)

Accrued interest payable not included as a liability in governmental activities

(74,358)

Deferred inflows of resources for pension are not reported in the governmental funds

Related to pensions		(1,474,258)
Related to OPEB		(3,090,773)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>16,404,891</u></u>
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The accompanying notes are an integral part of the financial statements.

PINCONNING AREA SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
Year Ended June 30, 2021

	GENERAL	FOOD SERVICE	2016 REFUNDING BOND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local Sources	\$ 1,764,049	\$ 12,496	\$ 1,018,587	\$ 99,272	\$ 2,894,404
State Sources	10,684,969	32,017	-	-	10,716,986
Federal Sources	1,119,560	647,310	-	-	1,766,870
Interdistrict and other sources	338,428	-	-	-	338,428
Total Revenues	13,907,006	691,823	1,018,587	99,272	15,716,688
EXPENDITURES:					
Instruction	8,046,169	-	-	-	8,046,169
Supporting Services	4,348,469	-	-	73,100	4,421,569
Community Service	139,632	-	-	-	139,632
Food Service	-	688,454	-	-	688,454
Debt Service -					-
Principal repayment	-	-	600,000	-	600,000
Interest and fiscal charges	-	-	399,600	-	399,600
Capital Outlay	233,986	18,449	-	103,767	356,202
Total Expenditures	12,768,256	706,903	999,600	176,867	14,651,626
OTHER FINANCING SOURCES (USES):					
Prior year state aid payback	-	-	-	-	-
Operating transfers in	-	-	-	267,580	267,580
Operating transfers out	(200,000)	-	-	(67,580)	(267,580)
Net Other Financing Sources (Uses)	(200,000)	-	-	200,000	-
NET CHANGE IN FUND BALANCES	938,750	(15,080)	18,987	122,405	1,065,062
FUND BALANCE - BEGINNING OF YEAR	1,785,855	167,396	320,235	612,670	2,886,156
FUND BALANCE - END OF YEAR	\$ 2,724,605	\$ 152,316	\$ 339,222	\$ 735,075	\$ 3,951,218

The accompanying notes are an integral part of the financial statements.

**PINCONNING AREA SCHOOLS
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 1,065,062
Amounts reported for governmental activities in the statement of activities are different because -		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	\$ (686,443)	
Capital outlay	<u>356,202</u>	
Net		(330,241)
Change in accrued interest recorded in the statement of activities when incurred and reported in governmental funds when paid		(7,758)
The effect of the differences in treatment of long-term debt and related items are as follows:		
Payments on bonded debt		600,000
Amortization of bond premium		68,721
Amortization of deferred outflows on refunding		(17,983)
Change in net pension liability and related deferred amounts		(1,614,521)
Change in net OPEB liability and related deferred amounts		642,328
Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6		(8,276)
Rounding		<u>-</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 397,332</u>

The accompanying notes are an integral part of the financial statements.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies

The accounting policies of Pinconning Area Schools conform to United States generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Government Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

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

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

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Fund-based Statements

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within approximately 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Fiduciary Fund statements are also reported using the economic resources measurement focus and the modified accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund

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

Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Food Service and Student Activity funds are special revenue funds used by the School District. The Food Service Fund is used to account for the revenues and expenditures of furnishing breakfast and lunch to the pupils in the School District. The Student Activity Fund is used to account for the revenues and expenditures of student activities for the pupils in the School District. Any operating deficits generated by these activities are the responsibility of the General Fund.

Debt Service Fund

The 2016 Refunding Bond Fund is a debt service fund used to account for the accumulation of financial resources for the payment of principal, interest and related costs of the bonds paid primarily by taxes levied on taxpayers residing within the School District. The fund balance of the 2016 Debt Retirement Fund is reserved to signify the amounts restricted exclusively for debt service requirements.

Capital Projects Fund

The Capital Projects Funds is used to account for the receipt and disbursement of proceeds from bond issues or other revenue specifically designated for certain capital expenditures of the School District.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Assets, Liabilities, and Net Position or Equity -

Cash and Investments

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

Receivables and Payables

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

Inventories and Prepaid Items

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

Capital Assets

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

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	3-10 years

Compensated Absences

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

Long-Term Obligations

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

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Pension

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

Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualify for reporting in this category. Two relate to the School District's net pension plan and net OPEB liabilities and are composed of the changes in assumptions, changes in proportion and differences between the School District's contributions and proportionate share of contributions, and the School District's contributions subsequent to the measurement date. The third relates to the 2016 Refunding Bonds and is composed of the difference between the reacquisition price and the net carrying amount of the old debt, which will be amortized over the life of the new debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources* which represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has two of these types of items, they arise from the School District's net pension plan and net OPEB liabilities. They are composed of the School District's share of the net difference between projected and actual earnings on plan investments and the restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

Property Taxes

Property taxes are assessed as of December 31 each year and attach as an enforceable lien on property as of the following July 1. School property taxes are levied on July 1 each year, based on the previous year's assessment, by Township governments whose boundaries include property within the District, and are due by September 15. Delinquent real taxes are advanced to the District by the Counties involved. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year-end, if any.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Net Position/Fund Balance

In the government-wide funds, the funds report the following components of net position:

Unrestricted – Net position that is not subject to externally imposed restrictions.

Net investment in capital assets – Capital assets, accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Nonexpendable - Net position subject to externally imposed constraints that it be maintained permanently by the School District.

Restricted – Expendable – Net position whose use by the School District is subject to externally imposed constraints that can be fulfilled by actions of the School District pursuant to those constraints or that expire by the passage of time.

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. Under this standard, the fund balance classifications are comprised of the following:

Non-spendable – amounts that are not in a spendable form such as inventory.

Restricted – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by a government itself.

Assigned – amounts a government intends to use for a specific purpose.

Unassigned – amounts that are available for any purpose, positive amounts are only reported in general fund.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

Sometimes a government will fund outlays for a particular purpose from both restricted and unrestricted resources (including committed and assigned). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. In the General Fund, the goal of the District is to maintain a minimum unassigned fund balance no less than 5% of prior year revenues.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Use of Estimates

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

Upcoming Accounting Pronouncements

Government Account Standards Board (GASB) Statement No. 87, *Leases* was issued in June 2017 and will be effective for the School District's 2022 year end. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring 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. It establishes a single model for leases accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General, Debt Service, and Special Revenue Funds. The presentation of the budget information and the basic financial statements is consistent except that capital outlay is presented within the functional categories in the budget and the General Fund budget is presented with the original and amended budget adopted. All annual appropriations lapse at fiscal year-end. The District does not utilize encumbrance accounting.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits school districts to amend their budgets during the year. The budget was amended during the year in a legally permissible manner.

Excess of Expenditures over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Fund Deficits - The School District had no accumulated fund balance deficits.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits of the School District are carried at cost and maintained at Independent Bank, a federally insured financial institution.

State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District’s deposits are in accordance with statutory authority.

At year end, the School District’s deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 4,685,436	\$ 4,685,436

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

Custodial Credit Risk of Bank Deposits

As of June 30, 2021, the book value of the District's demand deposits, consisting of deposits and their cash equivalents, was \$4,685,436 with a corresponding bank balance of \$4,524,798. As of June 30, 2021, \$4,277,348 of the District's \$4,524,798 bank balance was exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District’s investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District’s deposits for custodial credit risk.

Custodial Credit Risk of Investments

Custodial risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The School District’s policy for custodial risk states that custodial credit will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District’s investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. The School District’s policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the School District’s cash requirements.

Foreign Currency Risk

The District is not allowed by State statute to invest in foreign investments and accordingly has no foreign investments.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's policy does not further limit its investment choices.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Note 4. Capital Assets

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

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 197,000	\$ -	\$ -	\$ 197,000
Capital assets being depreciated				
Land improvements	1,976,746	30,027	-	2,006,773
Buildings and improvements	32,686,132	201,253	-	32,887,385
Buses and other vehicles	788,881	95,183	-	884,064
Furniture and equipment	1,378,434	29,739	56,688	1,351,485
Total capital assets being depreciated	36,830,193	356,202	56,688	37,129,707
Accumulated depreciation:				
Land improvements	1,410,328	109,487	-	1,519,815
Buildings and improvements	18,074,935	443,326	-	18,518,261
Buses and other vehicles	536,869	70,870	-	607,739
Furniture and equipment	943,105	62,760	56,688	949,177
Total accumulated depreciation	20,965,237	686,443	56,688	21,594,992
Net capital assets being depreciated	15,864,956	(330,241)	-	15,534,715
Net capital assets	<u>\$ 16,061,956</u>	<u>\$ (330,241)</u>	<u>\$ -</u>	<u>\$ 15,731,715</u>

Depreciation expense was charged to activities of the School District as follows:

Government Activities:

Instruction	\$ -
Support	-
Food Service	-
Unallocated	686,443
Total Governmental Activities	<u>\$ 686,443</u>

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 5. Interfund Receivables, Payables and Transfers

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

Individual interfund receivable and payable balances at year end were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	\$ 21

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

Interfund transfers consist of the following:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor Funds	\$ 200,000
Nonmajor Funds	Nonmajor Funds	67,580
		\$ 267,580

Note 6. Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

On November 2, 2016, the District issued general obligation refunding bonds of \$11,660,000 with interest of 3.00% to 4.00% to advance refund the District's outstanding 2007 bonds with interest of 4.00% to 5.00%. The bonds mature at various times through May 1, 2033. The general obligation bonds were issued at a premium after paying issuance costs of \$88,360 and the net proceeds were \$12,791,914. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$3,793,862, which resulted in an economic gain (difference between the present value of the debt service payment on the old debt) of \$2,237,742.

The Bonds are fully qualified for the Michigan School Bond Qualification and Loan Program pursuant to Act 92, Public Acts of Michigan, 2005, as amended, enacted pursuant to Article IX, Section 16 of the Michigan Constitution of 1963. Under the terms of these constitutional and statutory provisions, if for any reason, the District is unable to pay principal of and interest on the Bonds when due, then the District shall borrow, and the State of Michigan shall lend to it, an amount sufficient to enable the District to make payment.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

The following is a summary of the long-term debt transactions of the School District for the year ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds Payable:				
2016 Refunding bonds	\$ 9,990,000	\$ -	\$ (600,000)	\$ 9,390,000
2016 Bond premium	893,369	-	(68,721)	824,648
Total bonds payable	<u>10,883,369</u>	<u>-</u>	<u>(668,721)</u>	<u>10,214,648</u>
Other Obligations:				
Compensated absences	264,817	8,451	-	273,268
Termination benefits	42,725	-	(175)	42,550
Total other obligations	<u>307,542</u>	<u>8,451</u>	<u>(175)</u>	<u>315,818</u>
Total long-term obligations	<u><u>\$ 11,190,911</u></u>	<u><u>\$ 8,451</u></u>	<u><u>\$ (668,896)</u></u>	<u><u>\$ 10,530,466</u></u>

Fiscal year annual debt service requirements for June 30 to maturity for the above governmental fund obligations are as follows:

	Principal	Interest	Total
2021	\$ -	\$ 187,800	\$ 187,800
2022	625,000	375,600	1,000,600
2023	650,000	350,600	1,000,600
2024	675,000	324,600	999,600
2025	700,000	297,600	997,600
2026-2030	3,960,000	1,043,800	5,003,800
2031-2033	<u>2,780,000</u>	<u>225,400</u>	<u>3,005,400</u>
	<u><u>\$ 9,390,000</u></u>	<u><u>\$ 2,805,400</u></u>	<u><u>\$ 12,195,400</u></u>

State Aid Anticipation Note

In August 2020, the School District obtained a state aid anticipation note in the amount of \$1,700,000 bearing interest at 1.93% and maturing in August 2021.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Compensated Absences

The School District accrues a liability for compensated absences which meet the following criteria:

- (1) The School District's obligation relating to employees' rights to receive compensation in the future.
- (2) The obligation relates to rights that vest or accumulate.
- (3) Payment of the compensation is probable.
- (4) The amount can be reasonably estimated.

Compensated absences (unused sick and vacation pay) is calculated with the termination pay-off rates of eligible employees times the number of unused days. The amount at June 30, 2021 was \$273,268.

Termination Benefits

Termination benefits are earned by teachers annually at a rate of \$50 per year up to a maximum of 30 years. The teacher must have 11 or more years of service with the School District. Termination benefits are earned by administrators annually at a rate of \$65 per year up to a maximum of 30 years. The estimated liability for these benefits at June 30, 2021, is \$42,550 under the termination method prescribed in GASB 16.

Note 7. Risk Management

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

Note 8. Economic Dependency

Approximately 80% of the School District's General Fund revenues are received from the State of Michigan through the Michigan Department of Education. This School District is considered to be economically dependent on this revenue source.

Note 9. Tax Abatements

Local governments can grant reduced property tax revenue, that would be due to the District, to local businesses who construct new industrial facilities or rehabilitate historical facilities under the Industrial Facilities Tax exemption (PA 198 of 1974). Under the program, the Township grants reductions of 50 percent of the property tax bill for the property (or it can freeze taxable values for rehabilitation properties) for up to 12 years. For the fiscal year ended June 30, 2021, the District's tax revenue was reduced by \$16,531 under this program.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 10. Retirement Plan

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Contributions

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

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

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

Benefit Structure	Pension Contribution Rates		
	Member	Employer	
		Universities	Non-Universities
Basic	0.0 - 4.0%	26.03%	19.41%
Member Investment Plan	3.0 - 7.0%	26.03%	19.41%
Pension Plus	3.0 - 6.4%	N/A	16.46%
Pension Plus 2	6.2%	N/A	19.59%
Defined Contribution	0.0%	19.74%	13.39%

Required contributions to the pension plan from Pinconning Area Schools were \$1,950,353 for the year ended September 30, 2020.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

At June 30, 2021, the District reported a liability of \$24,379,025 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, District's proportion was .07097017 percent, which was an decrease of .00219549 percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$3,543,419. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between actual and expected experience	\$ 372,492	\$ 52,033
Changes of Assumptions	2,701,431	-
Net difference between projected and actual earnings on pension plan investments	102,430	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	127,539	515,694
Employer contributions subsequent to the measurement date	<u>1,874,482</u>	<u>906,531</u>
Total	<u>\$ 5,178,374</u>	<u>\$ 1,474,258</u>

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

**Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future Pension Expenses)**

Year Ending September 30	Amount
2021	1,362,335
2022	889,819
2023	385,981
2024	98,030

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

Notes:

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4892 for non-university employers 1.0000 for university employers]

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2020 MPERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Oppportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	0.1
TOTAL	100.0%	

**Long term rates of return are net of administrative expenses and 2.3% inflation*

Rate of Return

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

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Discount Rate

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

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

The following presents Pinconning Areas School's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus, 6.0% for the Pension Plus 2plan), as well as what Pinconning Area School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 31,554,513	\$ 24,379,025	\$ 18,432,146

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

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

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

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

The District accrued liabilities to the System in the amount of \$260,412 associated with salary and wages recorded as liabilities at year end.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

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

Benefits Provided

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

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

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

**PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Contributions

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

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

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

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.57%	8.09%
Personal Healthcare Fund (PHF)	0.00%	5.99%	7.57%

Required contributions to the OPEB plan from the District were \$494,240 for the year ended September 30, 2020.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

At June 30, 2021, District reported a liability of \$3,747,605 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. Pinconning Area School's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, District's proportion was 0.06995367 percent, which was a decrease of .002316 percent from its proportion measured as of October 1, 2019.

For the year ending June 30, 2021, Pinconning Area School recognized OPEB expense of (\$132,814). At June 30, 2021, Pinconning Area Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between actual and expected experience	\$ -	\$ 2,792,316
Changes of Assumptions	1,235,660	-
Net difference between projected and actual earnings on OPEB plan investments	31,278	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	107,648	298,457
Employer contributions subsequent to the measurement date	439,881	-
Total	<u>\$ 1,814,467</u>	<u>\$ 3,090,773</u>

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

**Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future OPEB Expenses)**

Year Ending September 30	Amount
2021	(443,423)
2022	(399,831)
2023	(347,431)
2024	(299,059)
2025	(226,413)

Actuarial Assumptions

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

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date: September 30, 2019

Actuarial Cost Method: Entry Age, Normal

Wage Inflation Rate: 2.75%

Investment Rate of Return: 6.95% net of investment expenses

Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%

Healthcare Cost Trend Rate: 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 12

Mortality: Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

Other Assumptions:

Opt Out Assumptions 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.

Coverage Election at Retirement 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes: Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.6018 for non-university employers or 1.3472 for university employers]

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
TOTAL	100.0%	

**Long-term rates of return are net of administrative expenses and 2.1% inflation*

Rate of Return

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

Discount Rate

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

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Sensitivity of Pinconning Area School’s proportionate share of the net OPEB liability to changes in the discount rate

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 4,814,224	\$ 3,747,605	\$ 2,849,601

Sensitivity of Pinconning Area School’s proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 2,815,218	\$ 3,747,605	\$ 4,808,080

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

The District accrued liabilities to the System in the amount of \$42,358 associated with salary and wages recorded as liabilities at year end.

REQUIRED SUPPLEMENTAL INFORMATION

PINCONNING AREA SCHOOLS
BUDGET COMPARISON SCHEDULE - GENERAL FUND
June 30, 2021

	Original Budget	Final Amended Budget	Actual
REVENUES:			
Local Sources	\$ 1,696,000	\$ 1,801,788	\$ 1,764,049
State Sources	9,323,100	10,642,808	10,684,969
Federal Sources	579,900	1,173,792	1,119,560
Interdistrict and Other Sources	392,000	427,912	338,428
Total Revenues	11,991,000	14,046,300	13,907,006
EXPENDITURES:			
Instruction-			
Basic Programs	6,367,100	6,693,165	6,559,346
Added Needs	1,543,200	1,523,969	1,486,823
Supporting Services -			
Pupil	290,900	309,766	302,752
Instructional Staff	352,250	325,679	278,056
General Administration	375,850	363,638	356,634
School Administration	690,800	727,937	720,117
Business Services	243,500	230,816	227,415
Operation & Maintenance	1,277,200	1,316,429	1,266,752
Transportation	828,300	787,500	762,925
Other Support Services	232,700	234,192	230,340
Athletics	200,000	201,360	200,054
Community Services	119,550	148,946	139,632
Payments to Other Agencies	-	3,424	3,424
Capital Outlay	100,000	260,000	233,986
Total Expenditures	12,621,350	13,126,821	12,768,256
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out	(10,000)	(200,000)	(200,000)
Net Other Financing Sources (Uses)	(10,000)	(200,000)	(200,000)
NET CHANGE IN FUND BALANCE	(640,350)	719,479	938,750
FUND BALANCE - BEGINNING OF YEAR	1,934,484	1,785,855	1,785,855
FUND BALANCE - END OF YEAR	\$ 1,294,134	\$ 2,505,334	\$ 2,724,605

The accompanying notes are an integral part of the financial statements.

PINCONNING AREA SCHOOLS
BUDGET COMPARISON SCHEDULE - FOOD SERVICE FUND
June 30, 2021

	Original Budget	Final Amended Budget	Actual
REVENUES:			
Local Sources	\$ 95,750	\$ 10,915	\$ 12,496
State Sources	19,500	32,017	32,017
Federal Sources	<u>613,750</u>	<u>638,068</u>	<u>647,310</u>
Total Revenues	729,000	681,000	691,823
EXPENDITURES:			
Supporting Services - Operation of Plant	-	-	-
Food Service	782,000	712,798	688,454
Capital Outlay	<u>-</u>	<u>18,449</u>	<u>18,449</u>
Total Expenditures	782,000	731,247	706,903
OTHER SOURCES AND (USES):			
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(53,000)	(50,247)	(15,080)
FUND BALANCE - BEGINNING OF YEAR	<u>148,940</u>	<u>167,396</u>	<u>167,396</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 95,940</u></u>	<u><u>117,149</u></u>	<u><u>\$ 152,316</u></u>

The accompanying notes are an integral part of the financial statements.

**PINCONNING AREA SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2021**

**Schedule of Pinconning Area School's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Employer's proportion of net pension liability (%)				0.07097%	0.07317%	0.07336%	0.07197%	0.07147%	0.07042%	0.07280%
B. Employer's proportionate share of net pension liability				24,379,025	24,230,007	22,053,428	18,649,631	17,831,979	17,200,092	16,035,393
C. Employer's covered-employee payroll				6,177,249	6,295,435	6,338,300	6,045,030	6,076,123	5,900,833	6,113,732
D. Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)				394.66%	384.88%	347.94%	308.51%	293.48%	291.49%	262.28%
E. Plan fiduciary net position as a percentage of total pension liability				59.72%	60.31%	62.36%	64.74%	63.27%	63.17%	66.20%

*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year ending June 30, 2015.

**PINCONNING AREA SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2021**

**Schedule of the Pinconning Area School's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions				\$ 1,950,353	\$ 1,942,178	\$ 1,997,778	\$ 1,843,595	\$ 1,632,512	\$ 1,572,415	\$ 1,522,638
B. Contributions in relation to statutorily required contributions*				1,950,353	1,942,178	1,997,778	1,843,595	1,632,512	1,572,415	1,522,638
C. Contribution deficiency (excess)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Employer's covered-employee payroll**				\$ 5,987,407	\$ 6,238,548	\$ 6,306,632	\$ 6,257,979	\$ 5,998,286	\$ 5,830,579	\$ 5,967,529
E. Contributions as a percentage of covered-employee payroll				32.57%	31.13%	31.68%	29.46%	27.22%	26.97%	25.52%

*Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

**The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year ending June 30, 2015.

**PINCONNING AREA SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2021**

**Schedule of Pinconning Area School's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. Employer's proportion of net OPEB liability (%)							0.06995%	0.72270%	0.07456%	0.07220%
B. Employer's proportionate share of net OPEB liability							\$ 3,747,605	\$ 5,187,335	\$ 5,927,095	\$ 6,394,077
C. Employer's covered payroll (OPEB)*							\$ 6,177,249	\$ 6,295,435	\$ 6,338,300	\$ 6,045,030
D. Employer's proportionate share of net OPEB liability as a percentage of its covered payroll (%)							60.67%	82.40%	93.51%	105.77%
E. Plan fiduciary net position as a percentage of total OPEB liability							59.44%	48.46%	42.95%	36.39%

*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

**PINCONNING AREA SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2021**

**Schedule of the Pinconning Area School's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)**

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
A. Statutorily required OPEB contributions							\$ 494,240	\$ 501,413	\$ 535,462	\$ 477,225
B. OPEB contributions in relation to statutorily required contributions*							494,240	501,413	535,462	477,225
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Employer's covered payroll (OPEB)**							\$ 5,987,407	\$ 6,238,548	\$ 6,306,632	\$ 6,257,979
E. OPEB contributions as a percentage of covered payroll							8.25%	8.04%	8.49%	7.63%

*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

**The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

PINCONNING AREA SCHOOLS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2021

Changes of Benefit Terms

There were no changes of benefit terms in fiscal year 2020.

Changes of Assumptions

There were no changes of benefit assumptions in fiscal year 2020.

OTHER SUPPLEMENTAL INFORMATION

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

REVENUES:	2021	2020
Local Sources -		
Current Tax Levy	\$ 1,392,479	\$ 1,354,684
Interest on Delinquent Taxes	-	-
Gate Receipts	33,450	50,930
Transportation Fees	20,680	32,803
Interest on Investments	4,057	19,955
Rentals	72,508	50,532
E-rate Reimbursement	-	-
Insurance Recoveries	12,062	11,731
Donations	4,325	3,258
Local Grants	213,277	68,962
Other	11,211	28,422
Total Local Sources	1,764,049	1,621,277
State Sources -		
State Unrestricted Grants	8,621,271	8,422,502
Special Education	321,343	326,330
At Risk - Section 31a	498,947	539,387
State Aid Restricted	1,243,408	1,091,092
Total State Sources	10,684,969	10,379,311
Federal Sources -		
Title I	338,290	264,127
Title IV	21,359	28,673
Title II A	29,369	54,407
GEER COVID	70,680	-
ESSER Formula COVID	221,507	-
CRF District Costs	15,329	-
CRF Coronavirus Relief	387,056	-
MIConnect COVID	35,970	-
Total Federal Sources	1,119,560	347,207
Interdistrict and Other Sources		
Transfers From Other Governmental Units:		
Bay Arenac Intermediate School District		
Great Start Readiness Program	338,428	342,939
Other	-	-
Total Interdistrict and Other Sources	338,428	342,939
Total Revenues	\$ 13,907,006	\$ 12,690,734

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
EXPENDITURES:		
Instruction - Basic Programs		
Elementary		
Teacher's Salaries	\$ 1,426,706	\$ 1,550,397
Benefits	983,150	999,990
Purchased Services	267,376	34,859
Teaching Supplies	206,918	121,961
Repairs & Maintenance	10,934	10,995
Textbooks & Software	23,551	10,993
Total Elementary	<u>2,918,635</u>	<u>2,729,195</u>
Middle School		
Teacher's Salaries	741,533	789,526
Benefits	490,427	484,700
Other Costs	831	1,698
Instructional Services	216,103	23,305
Teaching Supplies	61,710	23,067
Repairs & Maintenance	1,097	1,277
Textbooks & Software	-	15,396
Total Middle School	<u>1,511,701</u>	<u>1,338,969</u>

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

High School

Teacher's Salaries	\$ 973,087	\$ 1,025,848
Benefits	648,970	655,188
Purchased Services	210,462	30,294
Equipment	-	-
Other Costs	8,220	9,367
Instructional Services	-	-
Conferences & Travel	58	1,717
Teaching Supplies	47,028	36,666
Tuition	5,817	9,752
Repairs & Maintenance	9,966	10,901
Textbooks & Software	1,524	-
Total High School	1,905,132	1,779,733

Pre School

Teacher's Salaries	\$ 129,129	\$ 121,427
Benefits	72,875	67,292
Other Costs	-	5,288
Instructional Services	1,697	9,939
Conferences & Travel	-	1,889
Teaching Supplies	4,537	4,798
Textbooks & Software	-	-
Total Pre School	208,238	210,633

Summer School

Teacher's Salaries	9,163	-
Benefits	3,394	-
Purchased Services	1,576	2,680
Teaching Supplies	1,507	-
Total Summer School	15,640	2,680

Total Basic Programs

6,559,346	6,061,210
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**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

Instruction - Added Needs

Special Education

Teacher's Salaries	\$ 440,048	\$ 491,519
Benefits	330,709	364,586
Equipment	-	-
Instructional Services	107,899	62,685
Teaching Supplies	1,153	3,813
Total Special Education	<u>879,809</u>	<u>922,603</u>

Compensatory Education

Teacher's Salaries	352,900	328,895
Benefits	230,129	199,520
Instructional Services	1,374	2,828
Teaching Supplies	-	-
Purchased Services	-	3,885
Textbooks & Software	22,611	30,780
Total Compensatory Education	<u>607,014</u>	<u>565,908</u>

Total Added Needs	<u>1,486,823</u>	<u>1,488,511</u>
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Total Instruction	8,046,169	7,549,721
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Supporting Services - Pupil

Guidance Services

Counseling Salaries	117,172	155,101
Benefits	70,581	86,781
Supplies	441	717
Total Guidance Services	<u>188,194</u>	<u>242,599</u>

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

Pupil/Social Work Services				
Social Worker Salaries		54,000	53,000	
Benefits		40,907	38,967	
Purchased Services		19,651	15,000	
Total Pupil/Social Work Services		114,558	106,967	
Total Pupil		302,752	349,566	
Supporting Services - Instructional Staff				
Improvement of Education				
Salaries	\$	39,738	\$	76,339
Benefits		26,835		52,743
Instructional Services		8,343		21,753
Conferences & Travel		10,515		16,952
Other Costs		558		414
Textbooks & Software		-		-
Supplies		25		25
Total Improvement of Education		86,014		168,226
Media				
Salaries		37,677		36,774
Benefits		24,765		21,376
Supplies		766		681
Purchased Services				
Total Media		63,208		58,831
Staff Services				
Instructional Services		8,900		124,680
Teaching Supplies		-		1,596
Total Staff Services		8,900		126,276

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

Staff Supervision		
Salaries	63,761	52,020
Benefits	39,336	36,552
Purchased Services	-	-
Supplies	-	-
Total Staff Supervision	103,097	88,572
Academic Student Assessment	16,837	5,665
Total Instructional Staff	278,056	447,570
Supporting Services - General Administration		
Board of Education		
Legal & Audit Fees	\$ 21,780	\$ 26,130
Conferences & Workshops	371	3,581
Dues & Fees	6,018	9,953
Advertising	1,963	1,925
Other Costs	9,248	7,030
Total Board of Education	39,380	48,619
Executive Administration		
Executive Salaries	182,398	163,922
Benefits	130,325	127,623
Dues & Fees	2,898	3,273
Conferences & Travel	723	4,002
Supplies	910	762
Total Executive Administration	317,254	299,582
Total General Administration	356,634	348,201

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

Supporting Services - School Administration

Office of the Principal

Administration Salaries	424,772	395,446
Benefits	288,368	255,287
Conferences & Travel	1,010	907
Supplies	2,235	1,776
Dues & Fees	3,732	2,219
Total Office of the Principal	720,117	655,635

Total School Administration	720,117	655,635
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Supporting Services - Business Services

Fiscal Services

Salaries	\$ 100,102	\$ 98,553
Benefits	73,990	69,058
Purchases Services	23,917	24,190
Conferences & Travel	715	1,321
Repairs & Maintenance	1,090	1,068
Supplies	410	318
Other Costs	373	257
Dues & Fees	150	160
Total Fiscal Services	200,747	194,925

Other Business Services

Insurance	6,848	6,790
Interest	19,300	31,590
Other Costs	520	-
Other Business Services	26,668	38,380

Total Business Services	227,415	233,305
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**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

Supporting Services - Operation & Maintenance

Operations

Salaries	349,697	332,487
Benefits	299,985	308,936
Equipment	1,089	5,478
Telephone	43,421	48,828
Utilities	306,773	312,208
Insurance	41,750	34,186
Maintenance	74,909	83,846
Supplies	138,335	76,272
Other Costs	6,365	10,985
Capital Outlay	11,290	29,622
Total Operations	1,273,614	1,242,848

Security Services

Purchases Services	10,349	13,778
Capital Outlay	58,456	-
Total Security Services	68,805	13,778

Total Operation & Maintenance

1,342,419 1,256,626

Supporting Services - Transportation

Pupil Transportation

Salaries	\$ 311,673	\$ 319,400
Benefits	279,079	268,980
Purchased Services	22,823	32,313
Other Costs	5,045	1,602
Communications	2,916	2,916
Insurance	18,536	23,054
Maintenance & Repairs	65,224	85,554
Fuel & Oil	57,629	57,140
Capital Outlay	95,183	59,250
Total Pupil Transportation	858,108	850,209

Total Pupil Transportation

858,108 850,209

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

Supporting Services - Other Support Services		
Staff Personnel Services	928	1,909
	<hr/>	<hr/>
Central Support Services		
Salaries	70,849	64,423
Benefits	41,496	34,590
Purchased Services	23,344	24,793
Other Costs	250	250
Software	23,412	20,523
Equipment	24,325	26,558
Capital Outlay	21,150	-
	<hr/>	<hr/>
Total Central Support Services	204,826	171,137
Pupil Accounting	40,234	48,709
Pupil Activities	-	-
	<hr/>	<hr/>
Total Other Support Services	245,988	221,755

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

Supporting Services - Athletics

Athletics

Salaries	\$ 44,896	\$ 46,056
Benefits	19,446	21,695
Workers	15,039	19,909
Contracted Coaches	59,406	52,816
Athletic Trainer	15,971	16,478
Transportation	11,211	11,291
Repairs & Maintenance	11,716	8,361
Tournament Fees	6,119	5,239
Equipment	16,250	11,396
Capital Outlay	-	-

	200,054	193,241
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Total Supporting Services	4,531,543	4,556,108
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Community Services

Food Service	-	-
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Community

Salaries	-	-
Benefits	-	-
Supplies	2,347	1,918
Community Services	-	98

Total Community	2,347	2,016
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**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

Non-Public School Pupils		
Salaries	55,073	71,367
Benefits	29,812	35,851
Contracted Services	19,714	-
Conferences & Travel	7,826	-
Software	8,502	
Teaching Supplies	16,358	637
	<hr/>	<hr/>
Total Non-Public School Pupils	137,285	107,855
	<hr/>	<hr/>
Total Community Services	139,632	109,871
	<hr/>	<hr/>
Payments to Other Agencies	3,424	-
	<hr/>	<hr/>
Capital Outlay		
Buildings & Improvements	\$ 47,488	\$ 63,360
Total Capital Outlay	47,488	63,360
Other Financing Sources/(Uses)		
Prior Year State Aid Payback	-	-
Operating Transfers Out	(200,000)	(200,000)
Total Other Financing Sources/(Uses)	<hr/> (200,000) <hr/>	<hr/> (200,000) <hr/>
Total Expenditures and Other Financing Uses	12,968,256	12,479,060
Excess of Revenues over (Under) Expenditures	938,750	211,674
Fund Balance - Beginning of Year	<hr/> 1,785,855 <hr/>	<hr/> 1,574,181 <hr/>
Committed by Board	1,248,162	648,162
Unassigned	<hr/> 1,476,443 <hr/>	<hr/> 1,137,693 <hr/>
Fund Balance - End of Year	<hr/> <hr/> \$ 2,724,605 <hr/> <hr/>	<hr/> <hr/> \$ 1,785,855 <hr/> <hr/>

**PINCONNING AREA SCHOOLS
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
REVENUES:		
Local Sources -		
Food Service - Cafeteria Sales	\$ 9,134	\$ 75,018
Earnings on Investments	-	-
Headstart Sales	2,735	17,107
Other	627	100
	<u>12,496</u>	<u>92,225</u>
State Sources -		
At Risk	690	681
Section 31d School Lunch	31,327	18,692
	<u>32,017</u>	<u>19,373</u>
Federal Sources -		
National School Lunch Program	-	273,477
Summer Program	547,637	302,652
National School Breakfast Program	-	117,790
Child and Adult Care Program	17,693	28,633
CRF Covid Relief	48,449	-
Donated Commodities	33,531	30,910
	<u>647,310</u>	<u>753,462</u>
Total Federal Sources	<u>647,310</u>	<u>753,462</u>
Total Revenues	691,823	865,060

**PINCONNING AREA SCHOOLS
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPEDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
EXPENDITURES:		
Building Services		
Salaries and Wages	-	-
Employee Benefits	-	-
Purchased Services	-	7,043
Food Service -		
Salaries and Wages	132,399	157,453
Employee Benefits	80,757	89,377
Purchased Services	2,619	2,767
Contracted Management	133,722	137,279
Food and Milk	271,744	312,363
Sales Tax	-	-
Supplies and Other Costs	67,213	76,750
Indirect Costs	-	-
Capital Outlay	18,449	3,422
Total Expenditures	<u>706,903</u>	<u>786,454</u>
Other Financing Sources and Uses		
Transfer from General	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(15,080)	78,606
FUND BALANCE - BEGINNING OF YEAR	<u>167,396</u>	<u>88,790</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 152,316</u></u>	<u><u>\$ 167,396</u></u>

**PINCONNING AREA SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021 With Comparative Totals For 2020**

	STUDENT ACTIVITY FUND	CAPITAL PROJECTS 41	CAPITAL PROJECTS 42	TOTALS JUNE 30,	
				2021	2020
ASSETS:					
Cash	\$ 222,724	\$ 512,351	\$ -	\$ 735,075	\$ 612,670
Due from General Fund	-	-	-	-	-
Total Assets	<u>\$ 222,724</u>	<u>\$ 512,351</u>	<u>\$ -</u>	<u>\$ 735,075</u>	<u>\$ 612,670</u>
LIABILITIES:					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
FUND EQUITY:					
Nonspendable	-	-	-	-	-
Restricted	-	512,351	-	512,351	403,406
Committed	222,724	-	-	222,724	209,264
Unassigned	-	-	-	-	-
Total Fund Equity	<u>222,724</u>	<u>512,351</u>	<u>-</u>	<u>735,075</u>	<u>612,670</u>
	<u>\$ 222,724</u>	<u>\$ 512,351</u>	<u>\$ -</u>	<u>\$ 735,075</u>	<u>\$ 612,670</u>

PINCONNING AREA SCHOOLS
COMBINING SCHEDULE OF REVENUES AND EXPEDITURES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2021 With Comparative Totals For 2020

	Student Activity Fund	Capital Projects 41	Capital Projects 42	June 30,	
				2021	2020
REVENUES:					
Local Sources					
Local grant and donations	\$ 86,560	\$ 12,712	\$ -	\$ 99,272	\$ 225,325
EXPENDITURES:					
Supporting Services -					
Pupil services	73,100	-	-	73,100	178,491
Operation of Plant -					
Purchased services	-	-	-	-	16,125
Capital outlay	-	-	103,767	103,767	304,459
Total Supporting Services	73,100	-	103,767	176,867	499,075
Debt Service -					
Redemption of bonds	-	-	-	-	-
Interest on bonds	-	-	-	-	-
Total Debt Service	-	-	-	-	-
Total Expenditures	73,100	-	103,767	176,867	499,075
OTHER FINANCING SOURCES (USES):					
Operating Transfers In (Out)	-	267,580	(67,580)	200,000	200,000
NET CHANGE IN FUND BALANCES	13,460	280,292	(171,347)	122,405	(73,750)
FUND BALANCE - BEGINNING OF YEAR	209,264	232,059	171,347	612,670	686,420
FUND BALANCE - END OF YEAR	\$ 222,724	\$ 512,351	\$ -	\$ 735,075	\$ 612,670

**PINCONNING AREA SCHOOLS
2016 REFUNDING BOND FUND
SCHEDULE OF REVENUES AND EXPENDITURES
Year Ended June 30, 2021 and 2020**

	2021	2020
REVENUES:		
Local Sources -		
Current Tax Levy	\$ 1,018,575	\$ 1,007,255
Interest	12	402
	<hr/>	<hr/>
Total Local Sources	1,018,587	1,007,657
State Sources -		
State PILT	-	16,759
	<hr/>	<hr/>
Total Revenues	1,018,587	1,024,416
EXPENDITURES:		
Debt Service -		
Bond Principal	600,000	575,000
Bond Interest	399,600	422,600
Bond Issuance Costs	-	-
Other Fees	-	-
Taxes Abated	-	-
	<hr/>	<hr/>
Total Expenditures	999,600	997,600
Other Financing Sources (Uses)		
Proceeds on Refunding Bonds	-	-
Proceeds on Refunding Applied to Debt	-	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-
NET CHANGE IN FUND BALANCE	18,987	26,816
FUND BALANCE - BEGINNING OF YEAR	<hr/>	<hr/>
	320,235	293,419
FUND BALANCE - END OF YEAR	<hr/> <hr/>	<hr/> <hr/>
	\$ 339,222	\$ 320,235

**PINCONNING AREA SCHOOLS
 DETAIL OF BONDED DEBT
 2016 REFUNDING BONDS
 June 30, 2021**

Purpose of Issue - Refund 2007 School Building and Site Bonds

Interest Rate - 3.00% to 4.00%

Date of Bonds - November 2, 2016

Date	May 1		November 1	Total
	Principal	Interest	Interest	
2021	\$ -	\$ -	\$ 187,800	\$ 187,800
2022	625,000	187,800	175,300	988,100
2023	650,000	175,300	162,300	987,600
2024	675,000	162,300	148,800	986,100
2025	700,000	148,800	134,800	983,600
2026	730,000	134,800	120,200	985,000
2027	760,000	120,200	105,000	985,200
2028	790,000	105,000	89,200	984,200
2029	825,000	89,200	72,700	986,900
2030	855,000	72,700	55,600	983,300
2031	890,000	55,600	37,800	983,400
2032	925,000	37,800	19,300	982,100
2033	965,000	19,300	-	984,300
	<u>\$ 9,390,000</u>	<u>\$ 1,308,800</u>	<u>\$ 1,308,800</u>	<u>\$ 12,007,600</u>

PINCONNING AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2021

	Assistance Listing Number	Pass Through Grantor's #	Approved Award	(Memo Only) Prior Year Expenditure	Accrued Revenue July 1, 2020	Adjustments	Current Year's Receipts	Current Year's Expenditures	Accrued Revenue June 30, 2021	Current Year Cash Transferred To Sub recipient
U.S. DEPARTMENT OF AGRICULTURE:										
Passed Through M.D.E. -										
Child Nutrition Cluster:										
Non-Cash Assistance (Commodities):										
	10.555		\$ 33,531	\$ -	\$ -	\$ -	\$ 33,531	\$ 33,531	\$ -	\$ -
Cash Assistance:										
	10.555	200902	294,201	294,201	65,033	-	65,033	-	-	-
	10.559	200900	87,452	-	-	-	87,452	87,452	-	-
	10.559	210904	460,185	-	-	-	424,314	460,185	35,871	-
			547,637	-	-	-	511,766	547,637	35,871	-
			875,369	294,201	65,033	-	610,330	581,168	35,871	-
	10.558	201920	24,860	23,024	-	-	1,836	1,836	-	-
	10.558	211920	14,703	-	-	-	14,703	14,703	-	-
			39,563	23,024	-	-	16,539	16,539	-	-
	10.558	202010	1,732	1,604	-	-	128	128	-	-
	10.558	212010	1,026	-	-	-	1,026	1,026	-	-
			2,758	1,604	-	-	1,154	1,154	-	-
			917,690	318,829	65,033	-	628,023	598,861	35,871	-

PINCONNING AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2021

	Assistance Listing Number	Pass Through Grantor's #	Approved Award	(Memo Only) Prior Year Expenditure	Accrued Revenue July 1, 2020	Adjustments	Current Year's Receipts	Current Year's Expenditures	Accrued Revenue June 30, 2021	Current Year Cash Transferred To Sub recipient
U.S. DEPARTMENT OF THE TREASURY:										
Passed Through M.D.E. -										
Corona Virus Relief Fund										
District Covid Costs	21.019		\$ 15,330	\$ -			\$ 15,329	\$ 15,329	\$ -	\$ -
CRF School Aid	21.019		435,505	-			435,505	435,505	-	-
Total Passed Through M.D.E.			450,835	-	-	-	450,834	450,834	-	-
Passed Through Copper County ISD -										
MiConnect COVID	21.019		35,970	-	-	-	35,970	35,970	-	-
Total U.S. Department of the Treasury			\$ 486,805	\$ -	\$ -	\$ -	\$ 486,804	\$ 486,804	\$ -	\$ -
U.S. DEPARTMENT OF EDUCATION:										
Passed Through M.D.E. -										
Title 1 Part A										
2019/2020 Regular	84.010	201530-1920	\$ 284,522	\$ 264,127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020/2021 Regular		211530-2021	348,844	-			338,290	338,290	-	-
Total Title 1 Part A			633,366	264,127	-	-	338,290	338,290	-	-
Title II Part A										
2019/2020 Regular	84.367	200520-1920	65,669	54,407	-	-	-	-	-	-
2020/2021 Regular		210520-2021	73,046	-			29,369	29,369	-	-
Total Title II Part A			138,715	54,407	-	-	29,369	29,369	-	-
Title IV Part A										
2019/2020 Regular	84.424	200750-1920	30,422	28,673	-	-	-	-	-	-
2020/2021 Regular		210750-2021	21,359	-			21,359	21,359	-	-
Total Title IV Part A			51,781	28,673	-	-	21,359	21,359	-	-
Education Stabilization Fund										
Governor's Emergency Education Relief (GEER) Fund	84.425	201200-2021	70,680	-	-	-	70,680	70,680	-	-
Elementary and Secondary School Emergency Relief (ESSR) Fund	84.425	203710-1920	221,507	-	-	-	221,507	221,507	-	-
Total Education Stabilization Fund			292,187	-	-	-	292,187	292,187	-	-
Total U.S. Department of Education			\$ 823,862	\$ 347,207	\$ -	\$ -	\$ 681,205	\$ 681,205	\$ -	\$ -
Total Federal Awards			\$ 2,228,357	\$ 666,036	\$ 65,033	\$ -	\$ 1,796,032	\$ 1,766,870	\$ 35,871	\$ -

PINCONNING AREA SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Pinconning Area Schools under programs of the federal government for the year ended June 30, 2021. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended 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*. In addition, expenditures reported on the Schedule 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. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Pinconning Area Schools, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Pinconning Area Schools. Pass through entity identifying numbers are presented where available.

Note 2. Indirect Costs

Pinconning Area Schools have not elected to use the 10% de minimus indirect costs rate.

Note 3. Grant Auditor Report

Management utilizes the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 4. Noncash Assistance

The value of noncash assistance received was determined in accordance with the provisions of the *Uniform Guidance*.

Note 5. Reconciliation to Financial Statements

The total expenditure amount on the Schedule of Expenditures of Federal Awards agrees to the total amount of federal award revenue reported on the School District's financial statements.



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CERTIFIED PUBLIC ACCOUNTANTS

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Timothy J. Quast, C.P.A.
David G. Gwizdala, C.P.A.

Members:
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Michigan Association of C.P.A.'s

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

To The Board of Education
Pinconning Area Schools

Ladies and Gentlemen:

We have audited, in accordance with auditing standards general 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 government activities, each major fund, and the aggregate remaining fund information of Pinconning Area Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Pinconning Area Schools' basic financial statements, and have issued our report thereon dated October 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pinconning Area Schools' internal control over financial reporting (internal control) to determine the 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 Pinconning Area Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Pinconning Areas Schools' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Sincerely,

QUAST, JANKE AND COMPANY



Certified Public Accountants, P.C

Bay City, MI 48708

October 12, 2021



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

To The Board of Education
Pinconning Area Schools

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pinconning Area Schools' compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Sincerely,

QUAST, JANKE AND COMPANY



Certified Public Accountants, P.C
Bay City, Michigan 48708
October 12, 2021

**PINCONNING AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified: YES X NO

Significant deficiencies identified
that are not considered to be
material weaknesses:

 YES X NO

Noncompliance material to financial statements noted:

Federal Awards

Internal control over major programs:

Material weakness(es) identified: YES X NO

Significant deficiencies identified
that are not considered to be
material weaknesses:

 YES X NO

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

Any audit findings disclosed that are required to be reported with Title 2 U.S. *Code of Federal Regulations* (CFR) PART 200

Uniform Requirements: YES X NO

Identification of major programs

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I
21.019	Corona Virus Relief

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

Auditee qualified as a low-risk auditee: X YES NO

PINCONNING AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Section II. Financial Statement Audit Findings

None. There were no findings related to the financial statements, which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America for the year ended June 30, 2021.

Section III. Major Federal Award Findings

None. Our audit disclosed no findings required to be reported related to Federal programs under the Uniform Guidance for the year ended June 30, 2021.

**PINCONNING AREA SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021**

Federal Award Findings and Questioned Costs

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2020.