



**PINCONNING AREA SCHOOLS  
FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION  
June 30, 2022**

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Quast, Janke  
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INDEPENDENT AUDITORS' REPORT

Board of Education  
Pinconning Area Schools

**Report on the Audit of the Financial Statements**

***Opinion***

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, 2022, 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.

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

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinconning Area Schools' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the pension and other post-employment benefit schedules of proportional share and contributions schedules on pages 4–11 and 50–56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pinconning Area Schools' basic financial statements. The accompanying combining and individual nonmajor fund financial statements, indebtedness schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Prior Year Information**

The financial statements contain summarized total information as of and for the year ended June 30, 2021. The prior year information was obtained from the audited financial statements of the prior year and is consistent, in all material respects, with the audited financial statements from which it was derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2022 on our consideration of Pinconning Area Schools's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pinconning Area Schools's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pinconning Area Schools's internal control over financial reporting and compliance.

Quast, Janke and Company



Bay City, Michigan  
October 10, 2022

# PINCONNING AREA SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2022

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, 2022. 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*

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.

**PINCONNING AREA SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2022**

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, 2022**

**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, 2022 and 2021:

Table 1	Governmental Activities	
	2022	2021
<b>Assets:</b>		
Current and other assets	\$ 5,895,347	\$ 6,784,436
Capital assets - net of accumulated depreciation	15,991,437	15,731,715
 Total Assets	 21,886,784	 22,516,151
 Deferred outflows of resources	 4,947,176	 7,208,662
<b>Liabilities:</b>		
Current liabilities	1,884,066	3,532,576
Long-term liabilities	26,421,774	38,032,098
 Total liabilities	 28,305,840	 41,564,674
 Deferred inflows of resources	 11,572,551	 4,565,031
<b>Net Position:</b>		
Net investment in capital assets	6,470,510	5,517,067
Restricted - Food service	339,542	339,222
Restricted - Debt service	343,994	152,316
Restricted - Capital Projects	461,518	512,351
Unrestricted	(20,659,995)	(22,925,847)
 Net Position	 \$ (13,044,431)	 \$ (16,404,891)

The above analysis focuses on the net position (see Table 1). The School District's net position was \$(13,044,431) at June 30, 2022. Net investment in capital assets totaling \$6,470,510 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, 2022**

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 2022 and 2021.

Table 2

	Governmental Activities	
	Year Ended June 30,	
	2022	2021
<b>Revenue:</b>		
Program revenue:		
Charges for services	\$ 136,553	\$ 66,627
Grants and categorical	5,376,194	4,589,609
General revenue:		
Property taxes	2,534,687	2,411,054
State unrestricted	8,508,863	8,545,983
Other	164,804	103,415
	16,721,101	15,716,688
 Function/Program Expenses:		
Instruction	6,902,913	8,674,284
Support services	4,549,564	4,754,480
Community services	98,533	139,632
Food services	809,494	707,897
Interest on long-term debt	308,937	356,620
Depreciation (unallocated)	691,200	686,443
	13,360,641	15,319,356
 <b>Increase (Decrease) in Net Position</b>	<b>\$ 3,360,460</b>	<b>\$ 397,332</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$13,360,641. 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 \$5,376,194. We paid for the remaining "public benefit" portion of our governmental activities with \$2,534,687 in taxes, \$8,508,863 in state foundation allowance, and with our other revenues, such as interest and rentals.

The School District experienced an increase in net position of \$3,360,460. A key reason for this change in net position was an increase in grants and categoricals, and the Districts 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, 2022**

**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 continue to be directly affected by the aftermath of the Coronavirus pandemic shutdown that occurred in the State of Michigan in March of 2020. Revenues fluctuated, 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 \$4,719,714, which is an increase of \$768,496 from last year. The primary reason for this increase was an increase in federal and state source revenues. This includes several one-time grants, such as ESSER & GEER funding. As well as Food Service and Supply Chain Assistance grants, all to support how the District responded to effects of the pandemic.

In the General Fund, our principal operating fund, the fund balance increased by \$609,817, 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 increase in fund balance of \$191,678. This was mainly due to additional grants received to support healthy and ensure safe serving during the pandemic.

The Debt Service Fund showed an increase in fund balance of \$320. 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, 2022**

**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 \$1,068,000. 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 \$221,000. This change is mainly due to mid-year new unexpected grant expenditures related to COVID-19 funding.

Actual revenues were \$283,039 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 \$420,856 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, 2022**

**Capital Assets**

At June 30, 2022, the School District had \$38,126,120 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 \$799,413.

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 2,622,192	\$ 2,203,773
Buildings and improvements	33,304,666	32,887,385
Buses and other vehicles	956,064	884,064
Equipment	<u>1,243,198</u>	<u>1,351,485</u>
 Total Capital Assets	 38,126,120	 37,326,707
 Less Accumulated Depreciation	 <u>22,134,683</u>	 <u>21,594,992</u>
 Net Capital Assets	 <u>\$ 15,991,437</u>	 <u>\$ 15,731,715</u>

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

Buses and other vehicles	\$ 72,000
Building improvements	460,503
Land improvements	418,419
Other equipment	<u>-</u>
	<u>\$ 950,922</u>

**Debt**

At the end of this year, the School District had \$8,765,000 in long-term outstanding debt versus \$9,390,000 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 \$8,765,000 is below the statutorily imposed limit.

**PINCONNING AREA SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2022**

**Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2023 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2023 fiscal year is 90 percent and 10 percent of the October 2022 and February 2022 student counts, respectively. The 2023 fiscal year budget was adopted in June 2022, based on an estimate of students that will be enrolled in October of 2022. 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 2022-2023 school year, we anticipate that the fall student count will be comparable or favorable to the estimates used in creating the 2023 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual 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 \$450 per student for the 2022-2023 school year, an increase of \$50 per student over the District estimates used to create the budget.

**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, 2022 and 2021**

	June 30,	
	2022	2021
<b>ASSETS:</b>		
Cash & equivalents	\$ 3,193,149	\$ 4,685,436
Property taxes receivable	-	13,590
Accounts receivable	-	32,563
Due from State of Michigan	1,967,141	1,950,592
Grants receivable	658,217	35,871
Prepays	59,505	58,000
Inventories	17,335	8,384
Capital assets	38,126,120	37,326,707
Accumulated depreciation	(22,134,683)	(21,594,992)
Total Assets	21,886,784	22,516,151
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Related to refunding bonds	197,808	215,791
Related to pensions	3,378,301	5,178,374
Related to OPEB	1,371,067	1,814,497
Total Deferred Outflows of Resources	4,947,176	7,208,662
<b>LIABILITIES:</b>		
Accounts payable	39,577	27,790
Accrued payroll and other related liabilities	1,136,056	1,101,825
Accrued interest long term debt	58,433	74,358
Unearned revenue	-	3,603
State aid note payable	-	1,700,000
Net OPEB liability	1,022,063	3,747,605
Net pension liability	16,166,253	24,379,025
Current portion of long term liabilities	650,000	625,000
Compensated absences	362,531	315,819
Non current portion of long term liabilities	8,870,927	9,589,648
Total Liabilities	28,305,840	41,564,673
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to pensions	7,338,993	1,474,258
Related to OPEB	4,233,558	3,090,773
Total Deferred Inflows of Resources	11,572,551	4,565,031
<b>NET POSITION:</b>		
Investment in capital assets - net of related debt	6,470,510	5,517,067
Restricted - Debt Service	339,542	339,222
Restricted - Food Service	343,994	152,316
Restricted - Capital Projects	461,518	512,351
Unrestricted	(20,659,995)	(22,925,847)
Total Net Position	\$ (13,044,431)	\$ (16,404,891)

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

**PINCONNING AREA SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2022 With Comparative Totals for 2021**

	Expenses	Program Revenues			Governmental Activities	
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position Year Ended June 30,	
					2022	2021
<b>GOVERNMENTAL ACTIVITIES:</b>						
Instruction	\$ 6,902,913	\$ -	\$ 3,010,436	\$ -	\$ (3,892,477)	\$ (5,871,785)
Supporting Services	4,549,564	87,833	875,410	466,653	(3,119,668)	(3,652,056)
Community Services	98,533	-	34,997	-	(63,536)	(80,142)
Food Services	809,494	48,720	988,698	-	227,924	(16,074)
Interest on long-term debt	308,937	-	-	-	(308,937)	(356,620)
Depreciation (Unallocated)	691,200	-	-	-	(691,200)	(686,443)
Total Governmental Activities	<u>\$ 13,360,641</u>	<u>\$ 136,553</u>	<u>\$ 4,909,541</u>	<u>\$ 466,653</u>	(7,847,894)	(10,663,120)
<b>GENERAL PURPOSE REVENUES:</b>						
Property taxes - Operating					1,544,029	1,392,479
Property taxes - Debt Retirement					990,658	1,018,575
State school aid - unrestricted					8,508,863	8,545,983
State PILT					10,255	3,565
Investment earnings					27,763	16,131
Rental					73,175	72,508
Other					53,611	11,211
Total General Purpose Revenues					<u>11,208,354</u>	<u>11,060,452</u>
Change in Net Position					3,360,460	397,332
Net Position - Beginning of Year					<u>(16,404,891)</u>	<u>(16,802,223)</u>
Net Position - End of Year					<u>\$ (13,044,431)</u>	<u>\$ (16,404,891)</u>

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

**PINCONNING AREA SCHOOLS**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**June 30, 2022**

<u>ASSETS</u>	GENERAL	FOOD SERVICE	2016 REFUNDING BOND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL STUDENT ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
Cash	\$ 1,949,702	\$ 201,397	\$ 339,542	\$ 461,518	\$ 240,990	\$ 3,193,149
Taxes receivable	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Due from State of Michigan	1,967,141	-	-	-	-	1,967,141
Due from other funds	-	101,411	-	-	-	101,411
Grants receivable fed	649,075	9,142	-	-	-	658,217
Prepays	19,505	40,000	-	-	-	59,505
Deposits	-	-	-	-	-	-
Inventory	-	17,335	-	-	-	17,335
<b>Total Assets</b>	<b>\$ 4,585,423</b>	<b>\$ 369,285</b>	<b>\$ 339,542</b>	<b>\$ 461,518</b>	<b>\$ 240,990</b>	<b>\$ 5,996,758</b>
<u>LIABILITIES AND FUND BALANCE</u>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 14,286	\$ 20,687	\$ -	\$ -	\$ -	\$ 34,973
State aid loan	-	-	-	-	-	-
Salaries payable	669,422	-	-	-	-	669,422
Retirement	190,861	-	-	-	-	190,861
Payroll taxes	-	-	-	-	-	-
Employee benefits	275,773	-	-	-	-	275,773
Due to other funds	100,659	-	-	-	752	101,411
Due to other governmental units	-	4,604	-	-	-	4,604
Other	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,251,001</b>	<b>25,291</b>	<b>-</b>	<b>-</b>	<b>752</b>	<b>1,277,044</b>
<b>FUND BALANCES:</b>						
Nonspendable	19,505	57,335	-	-	-	76,840
Restricted	-	286,659	339,542	461,518	-	1,087,719
Committed	1,248,162	-	-	-	240,238	1,488,400
Unassigned	2,066,755	-	-	-	-	2,066,755
<b>Total Fund Balance</b>	<b>3,334,422</b>	<b>343,994</b>	<b>339,542</b>	<b>461,518</b>	<b>240,238</b>	<b>4,719,714</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,585,423</b>	<b>\$ 369,285</b>	<b>\$ 339,542</b>	<b>\$ 461,518</b>	<b>\$ 240,990</b>	<b>\$ 5,996,758</b>

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, 2022**

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TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	4,719,714
<p>Amounts reported for governmental activities in the statement of net position are different because -</p> <p>Capital assets used in governmental activities are not financial resources and are not reported in the funds:</p>		
Capital assets at cost		38,126,120
Accumulated depreciation		(22,134,683)
<p>Deferred outflows of resources for pension are not reported in the governmental funds-</p>		
Related to refunding bonds		197,808
Related to pensions		3,378,301
Related to OPEB		1,371,067
<p>Long-term liabilities not due and payable in the current period and therefore not reported in the funds -</p>		
Bonds payable		(8,765,000)
Bond premium		(755,927)
Compensated balances		(362,531)
Pension liability		(16,166,253)
OPEB liability		(1,022,063)
Accrued interest payable not included as a liability in governmental activities		(58,433)
<p>Deferred inflows of resources for pension are not reported in the governmental funds</p>		
Related to pensions		(7,338,993)
Related to OPEB		(4,233,558)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>(13,044,431)</u></u>

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, 2022**

	GENERAL	FOOD SERVICE	2016 REFUNDING BOND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL STUDENT ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
Local Sources	\$ 1,903,885	\$ 48,719	\$ 990,665	\$ 69,636	\$ 188,166	\$ 3,201,071
State Sources	10,750,291	47,622	10,255	-	-	10,808,168
Federal Sources	1,286,743	941,077	-	-	-	2,227,820
Interdistrict and other sources	484,042	-	-	-	-	484,042
<b>Total Revenues</b>	<b>14,424,961</b>	<b>1,037,418</b>	<b>1,000,920</b>	<b>69,636</b>	<b>188,166</b>	<b>16,721,101</b>
<b>EXPENDITURES:</b>						
Instruction	7,955,516	-	-	-	-	7,955,516
Supporting Services	4,933,142	-	-	-	170,652	5,103,794
Community Service	98,533	-	-	-	-	98,533
Food Service	-	843,240	-	-	-	843,240
Debt Service -						-
Principal repayment	-	-	625,000	-	-	625,000
Interest and fiscal charges	-	-	375,600	-	-	375,600
Capital Outlay	527,953	2,500	-	420,469	-	950,922
<b>Total Expenditures</b>	<b>13,515,144</b>	<b>845,740</b>	<b>1,000,600</b>	<b>420,469</b>	<b>170,652</b>	<b>15,952,605</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Prior year state aid payback	-	-	-	-	-	-
Operating transfers in	-	-	-	300,000	-	300,000
Operating transfers out	(300,000)	-	-	-	-	(300,000)
<b>Net Other Financing Sources (Uses)</b>	<b>(300,000)</b>	<b>-</b>	<b>-</b>	<b>300,000</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>609,817</b>	<b>191,678</b>	<b>320</b>	<b>(50,833)</b>	<b>17,514</b>	<b>768,496</b>
<b>Fund Balance - Beginning of Year</b>	<b>2,724,605</b>	<b>152,316</b>	<b>339,222</b>	<b>512,351</b>	<b>222,724</b>	<b>3,951,218</b>
<b>Fund Balance - End of Year</b>	<b>\$ 3,334,422</b>	<b>\$ 343,994</b>	<b>\$ 339,542</b>	<b>\$ 461,518</b>	<b>\$ 240,238</b>	<b>\$ 4,719,714</b>

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, 2022**

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NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 768,496

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	\$ (691,200)	
Capital outlay	<u>950,922</u>	

Net		259,722
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Change in accrued interest recorded in the statement of activities when incurred and reported in governmental funds when paid		15,925
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The effect of the differences in treatment of long-term debt and related items are as follows:

Payments on bonded debt		625,000
Amortization of bond premium		68,721
Amortization of deferred outflows on refunding		(17,983)

Change in net pension liability and related deferred amounts		547,964
Change in net OPEB liability and related deferred amounts		1,139,327

Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6		(46,712)
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Rounding		<u>-</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 3,360,460</u></u>
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The accompanying notes are an integral part of the financial statements.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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.

*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.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

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, 2022**

**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

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

*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.

*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.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

*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.

*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.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

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.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

*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.

*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.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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.

**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.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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	\$ 3,193,149	\$ 3,193,149

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, 2022, the book value of the District's demand deposits, consisting of deposits and their cash equivalents, was \$3,193,149 with a corresponding bank balance of \$3,593,705. As of June 30, 202, \$3,343,705 of the District's \$4,593,705 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.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**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.

**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.

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**Note 4. Capital Assets**

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

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Capital assets not being depreciated				
Land	<u>\$ 197,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,000</u>
Capital assets being depreciated				
Land improvements	2,006,773	418,419	-	2,425,192
Buildings and improvements	32,887,385	460,503	(43,222)	33,304,666
Buses and other vehicles	884,064	72,000	-	956,064
Furniture and equipment	<u>1,351,485</u>	<u>-</u>	<u>(108,287)</u>	<u>1,243,198</u>
Total capital assets being depreciated	37,129,707	950,922	(151,509)	37,929,120
Accumulated depreciation:				
Land improvements	1,519,815	120,677	-	1,640,492
Buildings and improvements	18,518,261	455,455	(43,222)	18,930,494
Buses and other vehicles	607,739	66,614	-	674,353
Furniture and equipment	<u>949,177</u>	<u>48,454</u>	<u>(108,287)</u>	<u>889,344</u>
Total accumulated depreciation	<u>21,594,992</u>	<u>691,200</u>	<u>(151,509)</u>	<u>22,134,683</u>
Net capital assets being depreciated	<u>15,534,715</u>	<u>259,722</u>	<u>-</u>	<u>15,794,437</u>
Net capital assets	<u><u>\$ 15,731,715</u></u>	<u><u>\$ 259,722</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,991,437</u></u>

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

Government Activities:	
Instruction	\$ -
Support	-
Food Service	-
Unallocated	<u>691,200</u>
Total Governmental Activities	<u><u>\$ 691,200</u></u>

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**Note 5. Interfund Receivables, Payables and Transfers**

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Fund	\$ 752
Food Service Fund	Capital Projects Fund	101,411
General Fund	Capital Projects Fund	(752)

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	Capital Projects Fund	\$ 300,000

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Bonds Payable:</b>				
2016 Refunding bonds	\$ 9,390,000	\$ -	\$ (625,000)	\$ 8,765,000
2016 Bond premium	824,648	-	(68,721)	755,927
Total bonds payable	<u>10,214,648</u>	<u>-</u>	<u>(693,721)</u>	<u>9,520,927</u>
<b>Other Obligations:</b>				
Compensated absences	273,268	46,163	-	319,431
Termination benefits	42,550	550	-	43,100
Total other obligations	<u>315,818</u>	<u>46,713</u>	<u>-</u>	<u>362,531</u>
Total long-term obligations	<u>\$ 10,530,466</u>	<u>\$ 46,713</u>	<u>\$ (693,721)</u>	<u>\$ 9,883,458</u>

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

	Principal	Interest	Total
2023	\$ 650,000	\$ 350,600	\$ 1,000,600
2024	675,000	324,600	999,600
2025	700,000	297,600	997,600
2026	730,000	269,600	999,600
2027	760,000	240,400	1,000,400
2028-2032	4,285,000	720,600	5,005,600
2033-2033	965,000	38,600	1,003,600
	<u>\$ 8,765,000</u>	<u>2,242,000</u>	<u>11,007,000</u>

**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
- (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, 2022 was \$319,431.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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*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, 2022, is \$43,100 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, 2022, the District's tax revenue was reduced by \$5,858 under this program.

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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**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 [Michigan.gov/ORSSchools](http://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, 2022**

**Contributions**

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

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

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

Benefit Structure	Pension Contribution Rates		
	Member	Employer	
		Universities	Non-Universities
Basic	0.0 - 4.0%	26.26%	19.78%
Member Investment Plan	3.0 - 7.0%	26.26%	19.78%
Pension Plus	3.0 - 6.4%	N/A	16.82%
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 \$2,050,277 for the year ended September 30, 2021.

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

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

At June 30, 2022, the District reported a liability of \$16,166,253 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, District's proportion was .0682828 percent, which was an decrease of .00268729 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$1,553,934. At June 30, 2022, 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	\$ 250,422	\$ 95,200
Changes of Assumptions	1,019,063	-
Net difference between projected and actual earnings on pension plan investments	-	5,197,399
Changes in proportion and differences between Employer contributions and proportionate share of contributions	39,511	996,556
Employer contributions subsequent to the measurement date	2,069,305	1,049,838
Total	<u>\$ 3,378,301</u>	<u>\$ 7,338,993</u>

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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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, 2023. 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	<u>Amount</u>
2022	(749,892)
2023	(1,235,826)
2024	(1,509,978)
2025	(1,484,463)

**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, 2022**

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date: September 30, 2020  
Actuarial Cost Method: Entry Age, Normal  
Wage Inflation Rate: 2.75%

Investment Rate of Return:

- MIP and Basic Plans: 6.80% net of investment expenses  
- Pension Plus Plan: 6.80% net of investment expenses  
- Pension Plus 2 Plan: 6.00% net of investment expenses  
Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%  
Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

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

Active Members: 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, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.*

*Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4367 for non-university employers 1.0000 for university*

*Recognition period for assets in years is 5.0000*

*Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at [michigan.gov/ORSSchools](http://michigan.gov/ORSSchools).*

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic	12.5	6.1
Short-Term Investment Pools	2.0	(1.3)
TOTAL	100.0%	

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

**Rate of Return**

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

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**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%
\$ 23,113,358	\$ 16,166,253	\$ 10,406,648

*\* 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 [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Payables to the Michigan Public School Employees' Retirement System (MPSERS)**

The District accrued liabilities to the System in the amount of \$288,221 associated with salary and wages recorded as liabilities at year end.

**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 [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

**PINCONNING AREA SCHOOLS**  
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**June 30, 2022**

**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, 2022**

**Contributions**

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

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

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

Benefit Structure	Member	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 \$497,074 for the year ended September 30, 2021.

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

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

At June 30, 2022, District reported a liability of \$1,022,063 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, District's proportion was 0.06696001 percent, which was a decrease of .002994 percent from its proportion measured as of October 1, 2020.

For the year ending June 30, 2022, Pinconning Area School recognized OPEB expense of (\$636,521). At June 30, 2022, 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	\$ -	\$ 2,917,405
Changes of Assumptions	854,394	127,849
Net difference between projected and actual earnings on OPEB plan investments	-	770,347
Changes in proportion and differences between employer contributions and proportionate share of contributions	71,134	417,957
Employer contributions subsequent to the measurement date	445,539	-
Total	<u>\$ 1,371,067</u>	<u>\$ 4,233,558</u>

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

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

Year Ending September 30	<u>Amount</u>
2022	(835,497)
2023	(785,994)
2024	(740,223)
2025	(669,554)
2026	(244,668)
Thereafter	(32,094)

**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, 2022**

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date: September 30, 2020

Actuarial Cost Method: Entry Age, Normal

Wage Inflation Rate: 2.75%

Investment Rate of Return: 6.95% net of investment expenses

Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.

Healthcare Cost Trend Rate: Pre-65: 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120  
Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120

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

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

Other Assumptions:

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

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

Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for one 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, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.*

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.1312 for non-university employers or 1.000 for university employers]*

*Recognition period for assets in years is 5.0000*

*Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at Michigan.gov/ORSSchools.*

**Long-Term Expected Return on Plan Assets**

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
TOTAL	100.0%	

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

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**Rate of Return**

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

**Discount Rate**

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

**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	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$ 1,899,177	\$ 1,022,063	\$ 277,706

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**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:

	Current Healthcare Cost Trend Rate	
1% Decrease		1% Increase
\$ 248,762	\$ 1,022,063	\$ 1,892,119

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS CAFR, available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

**Payables to the OPEB Plan**

The District accrued liabilities to the System in the amount of \$40,406 associated with salary and wages recorded as liabilities at year end.

REQUIRED SUPPLEMENTAL INFORMATION

**PINCONNING AREA SCHOOLS**  
**BUDGET COMPARISON SCHEDULE - GENERAL FUND**  
**June 30, 2022**

	Original Budget	Final Amended Budget	Actual
<b>REVENUES:</b>			
Local Sources	\$ 1,740,000	\$ 1,907,491	\$ 1,903,885
State Sources	10,075,000	10,692,460	10,750,291
Federal Sources	1,400,000	1,506,446	1,286,743
Interdistrict and Other Sources	425,000	601,603	484,042
Total Revenues	<u>13,640,000</u>	<u>14,708,000</u>	<u>14,424,961</u>
<b>EXPENDITURES:</b>			
Instruction-			
Basic Programs	6,935,000	6,386,000	6,331,705
Added Needs	1,670,000	1,690,000	1,623,811
Supporting Services -			
Pupil	325,000	399,000	391,803
Instructional Staff	340,000	493,500	449,571
General Administration	385,000	380,000	375,308
School Administration	765,000	735,000	729,719
Business Services	240,000	235,000	231,124
Operation & Maintenance	1,340,000	1,361,000	1,324,286
Transportation	820,000	925,000	904,983
Other Support Services	240,000	330,000	329,147
Athletics	200,000	203,000	197,201
Community Services	155,000	110,500	98,533
Payments to Other Agencies	-	-	-
Capital Outlay	300,000	688,000	527,953
Total Expenditures	<u>13,715,000</u>	<u>13,936,000</u>	<u>13,515,144</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers Out	(100,000)	(300,000)	(300,000)
Net Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>
Net Change in Fund Balance	(175,000)	472,000	609,817
Fund Balance - Beginning of Year	2,505,334	2,724,605	2,724,605
Fund Balance - End of Year	<u>\$ 2,330,334</u>	<u>\$ 3,196,605</u>	<u>\$ 3,334,422</u>

**PINCONNING AREA SCHOOLS**  
**BUDGET COMPARISON SCHEDULE - FOOD SERVICE FUND**  
**June 30, 2022**

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	Original Budget	Final Amended Budget	Actual
<b>REVENUES:</b>			
Local Sources	\$ 38,000	\$ 36,600	\$ 48,719
State Sources	32,000	56,954	47,622
Federal Sources	589,619	936,335	941,077
Total Revenues	659,619	1,029,889	1,037,418
<b>EXPENDITURES:</b>			
Supporting Services - Operation of Plant	7,000	8,000	7,070
Food Service	652,798	889,500	836,170
Capital Outlay	-	2,500	2,500
Total Expenditures	659,798	900,000	845,740
<b>OTHER SOURCES AND (USES):</b>			
Transfer from General Fund	-	-	-
Net Change in Fund Balance	(179)	129,889	191,678
Fund Balance - Beginning of Year	117,096	152,316	152,316
Fund Balance - End of Year	<u>\$ 116,917</u>	<u>282,205</u>	<u>\$ 343,994</u>

**PINCONNING AREA SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2022**

**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 (%)			0.06828%	0.07097%	0.07317%	0.07336%	0.07197%	0.07147%	0.07042%	0.07280%
B. Employer's proportionate share of net pension liability			16,166,253	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			6,008,039	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 (%)			269.08%	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			72.60%	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, 2022**

**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			\$ 2,050,277	\$ 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*			2,050,277	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**			\$ 6,223,267	\$ 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			32.95%	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, 2022**

**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)

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
A. Employer's proportion of net OPEB liability (%)						0.06696%	0.06995%	0.72270%	0.07456%	0.07220%
B. Employer's proportionate share of net OPEB liability						\$ 1,022,063	\$ 3,747,605	\$ 5,187,335	\$ 5,927,095	\$ 6,394,077
C. Employer's covered payroll (OPEB)*						\$ 6,008,039	\$ 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 (%)						17.01%	60.67%	82.40%	93.51%	105.77%
E. Plan fiduciary net position as a percentage of total OPEB liability						87.33%	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, 2022**

**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						\$ 497,074	\$ 494,240	\$ 501,413	\$ 535,462	\$ 477,225
B. OPEB contributions in relation to statutorily required contributions*						497,074	494,240	501,413	535,462	477,225
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Employer's covered payroll (OPEB)**						\$ 6,223,267	\$ 5,987,407	\$ 6,238,548	\$ 6,306,632	\$ 6,257,979
E. OPEB contributions as a percentage of covered payroll						7.99%	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, 2022**

**Changes of Benefit Terms**

There were no changes of benefit terms in fiscal year 2021.

**Changes of Assumptions**

There were no changes of benefit assumptions in fiscal year 2021.

OTHER SUPPLEMENTAL INFORMATION

**PINCONNING AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Years Ended June 30, 2022 and 2021**

REVENUES:	2022	2021
Local Sources -		
Current Tax Levy	\$ 1,544,029	\$ 1,392,479
Interest on Delinquent Taxes	-	-
Gate Receipts	54,465	33,450
Transportation Fees	33,368	20,680
Interest on Investments	5,089	4,057
Rentals	73,175	72,508
E-rate Reimbursement	-	-
Insurance Recoveries	22,667	12,062
Donations	1,000	4,325
Local Grants	116,481	213,277
Other	53,611	11,211
Total Local Sources	<u>1,903,885</u>	<u>1,764,049</u>
State Sources -		
State Unrestricted Grants	8,577,478	8,621,271
Special Education	232,231	321,343
At Risk - Section 31a	561,242	498,947
State Aid Restricted	1,379,340	1,243,408
Total State Sources	<u>10,750,291</u>	<u>10,684,969</u>
Federal Sources -		
Title I	253,298	338,290
Title IV	23,912	21,359
Title II A	70,356	29,369
GEER COVID	-	70,680
ESSER Formula COVID	797,544	221,507
MDHHS HRA - BAISD	32,533	-
ECF	109,100	-
CRF District Costs	-	15,329
CRF Coronavirus Relief	-	387,056
MIConnect COVID	-	35,970
Total Federal Sources	<u>1,286,743</u>	<u>1,119,560</u>
Interdistrict and Other Sources		
Transfers From Other Governmental Units:		
Bay Arenac Intermediate School District		
Great Start Readiness Program	416,706	338,428
Other	67,336	-
Total Interdistrict and Other Sources	<u>484,042</u>	<u>338,428</u>
Total Revenues	<u>\$ 14,424,961</u>	<u>\$ 13,907,006</u>

**PINCONNING AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Years Ended June 30, 2022 and 2021**

	2022	2021
<b>EXPENDITURES:</b>		
Instruction - Basic Programs		
Elementary		
Teacher's Salaries	\$ 1,447,620	\$ 1,426,706
Benefits	993,277	983,150
Purchased Services	103,246	267,376
Teaching Supplies	102,037	206,918
Repairs & Maintenance	12,552	10,934
Textbooks & Software	11,466	23,551
Total Elementary	2,670,198	2,918,635
Middle School		
Teacher's Salaries	726,990	741,533
Benefits	497,678	490,427
Other Costs	1,547	831
Instructional Services	19,596	216,103
Teaching Supplies	55,617	61,710
Repairs & Maintenance	1,423	1,097
Textbooks & Software	25,854	-
Total Middle School	1,328,705	1,511,701
High School		
Teacher's Salaries	\$ 1,054,356	\$ 973,087
Benefits	712,380	648,970
Purchased Services	103,694	210,462
Other Costs	1,197	8,220
Conferences & Travel	752	58
Teaching Supplies	39,267	47,028
Tuition	4,081	5,817
Repairs & Maintenance	11,895	9,966
Textbooks & Software	42,867	1,524
Total High School	1,970,489	1,905,132

**PINCONNING AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Years Ended June 30, 2022 and 2021**

Pre School		
Teacher's Salaries	\$ 125,264	\$ 129,129
Benefits	74,999	72,875
Instructional Services	17,958	1,697
Teaching Supplies	23,146	4,537
Total Pre School	<u>241,367</u>	<u>208,238</u>
Summer School		
Teacher's Salaries	75,865	9,163
Benefits	27,701	3,394
Purchased Services	16,640	1,576
Teaching Supplies	740	1,507
Total Summer School	<u>120,946</u>	<u>15,640</u>
Total Basic Programs	6,331,705	6,559,346
Instruction - Added Needs		
Special Education		
Teacher's Salaries	\$ 466,525	\$ 440,048
Benefits	349,128	330,709
Equipment	-	-
Instructional Services	146,943	107,899
Teaching Supplies	397	1,153
Total Special Education	<u>962,993</u>	<u>879,809</u>
Compensatory Education		
Teacher's Salaries	371,704	352,900
Benefits	244,673	230,129
Instructional Services	6,228	1,374
Teaching Supplies	38,213	22,611
Total Compensatory Education	<u>660,818</u>	<u>607,014</u>
Total Added Needs	<u>1,623,811</u>	<u>1,486,823</u>
Total Instruction	7,955,516	8,046,169

**PINCONNING AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Years Ended June 30, 2022 and 2021**

Supporting Services - Pupil

Guidance Services

Counseling Salaries	127,483	117,172
Benefits	78,405	70,581
Supplies	175	441
Total Guidance Services	206,063	188,194

Health Services

Health Worker Salaries	25,062	-
Benefits	8,341	-
Purchased Services	32,533	-
Total Pupil/Social Work Services	65,936	-

Pupil/Social Work Services

Social Worker Salaries	55,060	54,000
Benefits	44,047	40,907
Purchased Services	-	-
Total Pupil/Social Work Services	99,107	94,907

Other Pupil Support Services

Purchased Services	20,697	19,651
Total Pupil/Social Work Services	20,697	19,651

Total Pupil	391,803	302,752
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Supporting Services - Instructional Staff

Improvement of Education

Salaries	\$ 27,918	\$ 39,738
Benefits	21,605	26,835
Instructional Services	70,776	8,343
Conferences & Travel	15,510	10,515
Other Costs	637	558
Supplies	3,306	25
Total Improvement of Education	139,752	86,014

**PINCONNING AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Years Ended June 30, 2022 and 2021**

Media		
Salaries	51,990	37,677
Benefits	27,490	24,765
Supplies	892	766
Purchased Services	-	-
Total Media	<u>80,372</u>	<u>63,208</u>
Staff Services		
Instructional Services	27,524	8,900
Teaching Supplies	-	-
Total Staff Services	<u>27,524</u>	<u>8,900</u>
Staff Supervision		
Salaries	52,326	63,761
Benefits	47,398	39,336
Purchased Services	-	-
Total Staff Supervision	<u>99,724</u>	<u>103,097</u>
Academic Student Assessment	<u>-</u>	<u>16,837</u>
Other Instructional Staff Services		
Salaries	93,100	-
Benefits	9,099	-
Purchased Services	-	-
Total Staff Supervision	<u>102,199</u>	<u>-</u>
Total Instructional Staff	449,571	278,056
Supporting Services - General Administration		
Board of Education		
Salaries	\$ 5,985	\$ -
Benefits	466	-
Legal & Audit Fees	42,859	21,780
Conferences & Workshops	380	371
Dues & Fees	7,076	6,018
Advertising	2,100	1,963
Other Costs	444	9,248
Total Board of Education	<u>59,310</u>	<u>39,380</u>

**PINCONNING AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Years Ended June 30, 2022 and 2021**

Executive Administration		
Executive Salaries	174,162	182,398
Benefits	131,511	130,325
Dues & Fees	3,373	2,898
Conferences & Travel	3,706	723
Supplies	3,246	910
Total Executive Administration	<u>315,998</u>	<u>317,254</u>
 Total General Administration	 375,308	 356,634
 Supporting Services - School Administration		
Office of the Principal		
Administration Salaries	414,884	424,772
Benefits	304,981	288,368
Conferences & Travel	798	1,010
Supplies	5,396	2,235
Dues & Fees	3,660	3,732
Total Office of the Principal	<u>729,719</u>	<u>720,117</u>
 Total School Administration	 729,719	 720,117
 Supporting Services - Business Services		
Fiscal Services		
Salaries	\$ 102,701	\$ 100,102
Benefits	77,586	73,990
Purchases Services	22,890	23,917
Conferences & Travel	3,228	715
Repairs & Maintenance	1,123	1,090
Supplies	2,144	410
Other Costs	319	373
Dues & Fees	183	150
Total Fiscal Services	<u>210,174</u>	<u>200,747</u>

**PINCONNING AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Years Ended June 30, 2022 and 2021**

Other Business Services		
Insurance	6,669	6,848
Interest	14,110	19,300
Other Costs	171	520
Total Other Business Services	<u>20,950</u>	<u>26,668</u>
Total Business Services	231,124	227,415
Supporting Services - Operation & Maintenance		
Operations		
Salaries	348,584	349,697
Benefits	296,598	299,985
Equipment	-	1,089
Telephone	46,315	43,421
Utilities	333,939	306,773
Insurance	48,698	41,750
Maintenance	100,778	74,909
Supplies	139,904	138,335
Other Costs	4,667	6,365
Capital Outlay	-	11,290
Total Operations	<u>1,319,483</u>	<u>1,273,614</u>
Security Services		
Purchases Services	4,803	10,349
Capital Outlay	-	58,456
Total Security Services	<u>4,803</u>	<u>68,805</u>
Total Operation & Maintenance	1,324,286	1,342,419

**PINCONNING AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Years Ended June 30, 2022 and 2021**

Supporting Services - Transportation

Pupil Transportation

Salaries	\$ 375,151	\$ 311,673
Benefits	315,709	279,079
Purchased Services	11,647	22,823
Other Costs	1,631	5,045
Communications	2,916	2,916
Insurance	17,904	18,536
Maintenance & Repairs	67,935	65,224
Fuel & Oil	110,139	57,629
Capital Outlay	72,000	95,183
Total Pupil Transportation	<u>975,032</u>	<u>858,108</u>

Supporting Services - Other Support Services

Communication Services	<u>273</u>	<u>-</u>
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Staff Personnel Services	<u>5,649</u>	<u>928</u>
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Central Support Services

Salaries	78,402	70,849
Benefits	50,307	41,496
Purchased Services	41,589	23,344
Other Costs	150	250
Software	69,652	23,412
Equipment	23,036	24,325
Capital Outlay	8,078	21,150
Total Central Support Services	<u>271,214</u>	<u>204,826</u>

Pupil Accounting

Salaries	21,579	17,900
Benefits	30,432	22,334
Total Pupil Accounting	<u>52,011</u>	<u>40,234</u>

Total Other Support Services	329,147	245,988
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**PINCONNING AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Years Ended June 30, 2022 and 2021**

Supporting Services - Athletics

Athletics

Salaries	\$ 51,354	\$ 44,896
Benefits	21,501	19,446
Workers	24,068	15,039
Contracted Coaches	50,683	59,406
Athletic Trainer	-	15,971
Transportation	15,875	11,211
Repairs & Maintenance	11,073	11,716
Tournament Fees	9,315	6,119
Equipment	13,332	16,250
Capital Outlay	-	-
Total Athletics	<u>197,201</u>	<u>200,054</u>

Total Supporting Services	5,003,191	4,531,543
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Community Services

Direction	<u>127</u>	<u>-</u>
Community	<u>1,032</u>	<u>2,347</u>

Non-Public School Pupils

Salaries	58,984	55,073
Benefits	30,203	29,812
Contracted Services	6,674	19,714
Conferences & Travel	-	7,826
Software	-	8,502
Teaching Supplies	<u>1,513</u>	<u>16,358</u>
Total Non-Public School Pupils	<u>97,374</u>	<u>137,285</u>

Total Community Services	<u>98,533</u>	<u>139,632</u>
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**PINCONNING AREA SCHOOLS  
FOOD SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Years Ended June 30, 2022 and 2021**

	2022	2021
<b>REVENUES:</b>		
Local Sources -		
Food Service - Cafeteria Sales	\$ 20,281	\$ 9,134
Earnings on Investments	-	-
Headstart Sales	23,821	2,735
Other	4,617	627
	48,719	12,496
State Sources -		
At Risk	727	690
Section 31d School Lunch	46,895	31,327
	47,622	32,017
Federal Sources -		
National School Lunch Program	536,496	-
Summer Program	32,576	547,637
National School Breakfast Program	247,463	-
Child and Adult Care Program	47,284	17,693
CRF Covid Relief	-	48,449
EBT Admin Cost	3,063	-
School Snack	1,585	-
Supply Chain Assist	27,196	-
Donated Commodities	45,414	33,531
	941,077	647,310
Total Federal Sources	941,077	647,310
Total Revenues	1,037,418	691,823

**PINCONNING AREA SCHOOLS  
FOOD SERVICE FUND  
SCHEDULE OF REVENUES, EXPEDITURES AND  
CHANGES IN FUND BALANCE  
Years Ended June 30, 2022 and 2021**

	2022	2021
EXPENDITURES:		
Building Services -		
Salaries and Wages	-	-
Employee Benefits	-	-
Purchased Services	7,070	-
Food Service -		
Salaries and Wages	159,734	132,399
Employee Benefits	95,695	80,757
Purchased Services	16,275	22,040
Contracted Management	131,272	133,722
Food and Milk	417,292	271,744
Sales Tax	-	-
Supplies and Other Costs	15,902	47,792
Capital Outlay	2,500	18,449
Total Expenditures	845,740	706,903
Other Financing Sources and Uses		
Transfer from General	-	-
Net Change in Fund Balance	191,678	(15,080)
Fund Balance - Beginning of Year	152,316	167,396
Fund Balance - End of Year	\$ 343,994	\$ 152,316

**PINCONNING AREA SCHOOLS  
2016 REFUNDING BOND FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
Year Ended June 30, 2022 and 2021**

	2022	2021
<b>REVENUES:</b>		
Local Sources -		
Current Tax Levy	\$ 990,658	\$ 1,018,575
Interest	7	12
Total Local Sources	990,665	1,018,587
State Sources -		
State PILT	10,255	-
Total Revenues	1,000,920	1,018,587
<b>EXPENDITURES:</b>		
Debt Service -		
Bond Principal	625,000	600,000
Bond Interest	375,600	399,600
Bond Issuance Costs	-	-
Other Fees	-	-
Taxes Abated	-	-
Total Expenditures	1,000,600	999,600
Other Financing Sources (Uses)		
Proceeds on Refunding Bonds	-	-
Proceeds on Refunding Applied to Debt	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balance	320	18,987
Fund Balance - Beginning of Year	339,222	320,235
Fund Balance - End of Year	\$ 339,542	\$ 339,222

**PINCONNING AREA SCHOOLS  
 DETAIL OF BONDED DEBT  
 2016 REFUNDING BONDS  
 June 30, 2022**

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	
2022	\$ -	\$ -	\$ 175,300	\$ 175,300
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>\$ 8,765,000</u>	<u>\$ 1,121,000</u>	<u>\$ 1,121,000</u>	<u>\$ 11,007,000</u>

**PINCONNING AREA SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2022**

	Assistance Listing Number	Pass Through Grantor's #	Approved Award	(Memo Only) Prior Year Expenditure	Accrued Revenue July 1, 2021	Adjustments	Current Year's Receipts	Current Year's Expenditures	Accrued Revenue June 30, 2022	Current Year Cash Transferred To Sub recipient
U.S. DEPARTMENT OF AGRICULTURE:										
Passed Through M.D.E. -										
Child Nutrition Cluster:										
Non-Cash Assistance (Commodities):										
National School Lunch - Entitlement	10.555		\$ 45,414	\$ -	\$ -	\$ -	\$ 45,414	\$ 45,414	\$ -	\$ -
Cash Assistance:										
School Breakfast Program:										
Seamless Summer Option (SSO)	10.553	211971	30,528	-	-	-	30,528	30,528		
Seamless Summer Option (SSO)	10.553	221971	216,935	-	-	-	214,740	216,935	2,195	-
			<u>247,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,268</u>	<u>247,463</u>	<u>2,195</u>	
National School Lunch Program:										
Seamless Summer Option (SSO)	10.555	211961	61,218	-	-	-	61,218	61,218	-	-
Seamless Summer Option (SSO)	10.555	221961	475,278	-	-	-	472,205	475,278	3,073	
Seamless Summer Option (SSO)	10.555	221980	1,585	-	-	-	1,585	1,585	-	
Supply Chain Assistance	10.555	220910	27,196	-	-	-	27,196	27,196	-	-
			<u>565,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>562,204</u>	<u>565,277</u>	<u>3,073</u>	<u>-</u>
Summer Food Service Program for Children										
Extended SFSP	10.559	210904	64,574	35,871	35,871	-	64,573	32,576	3,874	-
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>922,728</u>	<u>35,871</u>	<u>35,871</u>	<u>-</u>	<u>917,459</u>	<u>890,730</u>	<u>9,142</u>	<u>-</u>
Child and Adult Care Food Program										
CACFP Meals	10.558	211920	4,165	-	-	-	4,165	4,165	-	-
CACFP Meals	10.558	211925	6,958	-	-	-	6,958	6,958		
CACFP Meals	10.558	212010	296	-	-	-	296	296		
CACFP Meals	10.558	221920	33,625	-	-	-	33,625	33,625		
CACFP Meals	10.558	222010	2,240	-	-	-	2,240	2,240		
			<u>47,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,284</u>	<u>47,284</u>	<u>-</u>	<u>-</u>
State Pandemic Electronic Benefit Transfer										
Administrative Costs Grant	10.649	210980	3,063	-	-	-	3,063	3,063	-	-
Total U.S. Department of Agriculture			<u>973,075</u>	<u>35,871</u>	<u>35,871</u>	<u>-</u>	<u>967,806</u>	<u>941,077</u>	<u>9,142</u>	<u>-</u>

**PINCONNING AREA SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2022**

	Assistance Listing Number	Pass Through Grantor's #	Approved Award	(Memo Only) Prior Year Expenditure	Accrued Revenue July 1, 2021	Adjustments	Current Year's Receipts	Current Year's Expenditures	Accrued Revenue June 30, 2022	Current Year Cash Transferred To Sub recipient
Federal Communications Commission										
Universal Service Administrative Company										
Non-Cash Assistance:										
Emergency Connectivity Funds Program										
	32.009		109,100	-	-	-	109,100	109,100	-	-
U.S. DEPARTMENT OF EDUCATION:										
Passed Through M.D.E. -										
Title 1 Part A										
2021/2022 Regular										
	84.010	221530-2122	315,223	-	-	-	253,298	253,298	-	-
Title II Part A										
2021/2022 Regular										
	84.367	220520-2122	91,241	-	-	-	70,356	70,356	-	-
Title IV Part A										
2021/2022 Regular										
	84.424	220750-2122	23,912	-	-	-	23,912	23,912	-	-
Education Stabilization Fund										
Governor's Emergency Education Relief (GEER) Fund										
Teacher & Support Staff Payments										
	84.425C	211202-2122	18,000	-	-	-	18,000	18,000	-	-
ESSER II - Summer Program										
	84.425D	213722-2122	100,100	-	-	-	100,100	100,100	-	-
ESSER II - Credit Recovery										
	84.425D	213742-2122	22,550	-	-	-	22,550	22,550	-	-
ESSER II - Before & After School										
	84.425D	213752-2122	25,000	-	-	-	5,380	5,380	-	-
Elementary and Secondary School Emergency Relief (ESSR) Fund II										
	84.425D	213712-2122	803,251	-	-	-	198,872	633,914	435,042	-
Elementary and Secondary School Emergency Relief (ESSR) Fund III										
	84.425U	213713-2122	17,600	-	-	-	-	17,600	17,600	-
			986,501	-	-	-	344,902	797,544	452,642	-
Total U.S. Department of Education			1,416,877	-	-	-	692,468	1,145,110	452,642	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Passed Through Bay-Arenac ISD										
Health Resources Advocates Grant										
	93.323		34,815	-	-	-	15,872	32,533	16,661	-
Total Federal Awards			\$ 2,533,867	\$ 35,871	\$ 35,871	\$ -	\$ 1,785,246	\$ 2,227,820	\$ 478,445	\$ -

**PINCONNING AREA SCHOOLS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

**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, 2022. 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

*Partners:*  
Timothy J. Quast, C.P.A.  
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*Members:*  
American Institute of C.P.A.'s  
Michigan Association of C.P.A.'s

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

Board of Education  
Pinconning Area Schools

We have audited, 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, the 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, 2022, and the related notes to the financial statements, which collectively comprise Pinconning Area Schools' basic financial statements and have issued our report thereon dated August 30, 2022.

**Report on 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 opinion 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 Area 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.

**Report on 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 the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Quast, Janke and Company



---

Bay City, Michigan

October 10, 2022



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

Board of Education  
Pinconning Area Schools

**Report on Compliance for Each Major Federal Program**

***Opinion on Major Federal Program***

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

In our opinion, 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 its major federal program for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

**Report on Internal Control over Compliance**

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

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

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

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

Quast, Janke and Company



Bay City, Michigan

October 10, 2022

**PINCONNING AREA SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2022**

**Section I. Summary of Auditor's Results**

*Financial Statements*

Type of 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
84.425	Education Stabilization Fund

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, 2022**

**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, 2022.

**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, 2022.

**PINCONNING AREA SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2022**

**Federal Award Findings and Questioned Costs**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2021.

**PINCONNING AREA SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2022 With Comparative Totals For 2021**

	STUDENT ACTIVITY FUND	CAPITAL PROJECTS 41	TOTALS JUNE 30,	
			2022	2021
<b>ASSETS:</b>				
Cash	\$ 240,990	\$ 461,518	\$ 702,508	\$ 612,670
Due from General Fund	-	-	-	-
<b>Total Assets</b>	<b>\$ 240,990</b>	<b>\$ 461,518</b>	<b>\$ 702,508</b>	<b>\$ 612,670</b>
<b>LIABILITIES:</b>				
Due to other funds	\$ 752	\$ 300,000	\$ 300,752	\$ -
<b>FUND EQUITY:</b>				
Nonspendable	-	-	-	-
Restricted	-	161,518	161,518	403,406
Committed	240,238	-	240,238	209,264
Unassigned	-	-	-	-
<b>Total Fund Equity</b>	<b>240,238</b>	<b>161,518</b>	<b>401,756</b>	<b>612,670</b>
	<b>\$ 240,990</b>	<b>\$ 461,518</b>	<b>\$ 702,508</b>	<b>\$ 612,670</b>

**PINCONNING AREA SCHOOLS**  
**COMBINING SCHEDULE OF REVENUES AND EXPEDITURES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2022 With Comparative Totals For 2021**

	Student Activity Fund	Capital Projects 41	June 30,	
			2022	2021
<b>REVENUES:</b>				
Local Sources				
Local grant and donations	\$ 17,514	\$ 69,636	\$ 87,150	\$ 225,325
<b>EXPENDITURES:</b>				
Supporting Services -				
Pupil services	-	-	-	178,491
Operation of Plant -				
Purchased services	-	-	-	16,125
Capital outlay	-	420,469	420,469	304,459
Total Supporting Services	-	420,469	420,469	499,075
Debt Service -				
Redemption of bonds	-	-	-	-
Interest on bonds	-	-	-	-
Total Debt Service	-	-	-	-
Total Expenditures	-	420,469	420,469	499,075
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In (Out)	-	-	-	200,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>17,514</b>	<b>(350,833)</b>	<b>(333,319)</b>	<b>(73,750)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>222,724</b>	<b>512,351</b>	<b>735,075</b>	<b>686,420</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 240,238</b>	<b>\$ 161,518</b>	<b>\$ 401,756</b>	<b>\$ 612,670</b>