



PINCONNING
AREA SCHOOL DISTRICT

Student Centered By Design

**PINCONNING AREA SCHOOLS
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
June 30, 2023**

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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, 2023, 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, 2023 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, 2022. 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 23, 2023 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 23, 2023

PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

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, 2023. 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, the Food Service Fund, the 2016 Debt Retirement Fund, and the Capital Project Fund with all other funds presented in one column as nonmajor funds.

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, 2023

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, 2023

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, 2023 and 2022:

Table 1	Governmental Activities	
	2023	2022
Assets:		
Current and other assets	\$ 7,108,486	\$ 5,895,347
Capital assets - net of accumulated depreciation	16,400,046	15,991,437
 Total Assets	 23,508,532	 21,886,784
 Deferred outflows of resources	 8,750,194	 4,947,176
Liabilities:		
Current liabilities	2,441,800	1,884,066
Long-term liabilities	34,734,844	26,421,775
 Total liabilities	 37,176,644	 28,305,841
 Deferred inflows of resources	 5,515,456	 11,572,551
Net Position:		
Net investment in capital assets	7,597,840	6,470,510
Restricted - Food service	329,907	339,542
Restricted - Debt service	374,994	343,994
Restricted - Capital Projects	672,887	461,518
Unrestricted	(19,409,002)	(20,659,995)
 Net Position	 \$ (10,433,374)	 \$ (13,044,431)

The above analysis focuses on the net position (see Table 1). The School District's net position was \$(10,433,374) at June 30, 2023. Net investment in capital assets totaling \$7,597,840 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, 2023**

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 2023 and 2022.

Table 2

	Governmental Activities	
	Year Ended June 30,	
	2023	2022
Revenue:		
Program revenue:		
Charges for services	\$ 165,839	\$ 136,553
Grants and categorical	6,217,284	5,376,194
General revenue:		
Property taxes	2,615,979	2,534,687
State unrestricted	8,937,998	8,508,863
Other	162,204	164,804
Total Revenue	18,099,304	16,721,101
 Function/Program Expenses:		
Instruction	8,223,001	6,902,913
Support services	5,289,285	4,549,564
Community services	124,766	98,533
Food services	842,911	809,494
Interest on long-term debt	295,529	308,937
Depreciation (unallocated)	712,755	691,200
Total Expenses	15,488,247	13,360,641
 Increase (Decrease) in Net Position	\$ 2,611,057	\$ 3,360,460

As reported in the statement of activities, the cost of all of our governmental activities this year was \$15,498,256. 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 \$6,217,284. We paid for the remaining "public benefit" portion of our governmental activities with \$2,615,979 in taxes, \$8,937,998 in state foundation allowance, and with our other revenues, such as interest and rentals.

The School District experienced an increase in net position of \$2,611,057. A key reason for this change in net position was an increase in grants and categoricals, and the District's concerted effort to ensure fiscal responsibility within the Budget. The increase in net position differs from the change in fund balance and the reconciliation appears on page 17.

PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

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 2022-2023 school year, the situation began to normalize. 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 \$5,395,786, which is an increase of \$676,072 from last year. The primary reason for this increase was an increase in federal and state source revenues. This includes several one-time grants aimed at learning loss, security, and mental health, as well as expending the remainder of available ESSER II funding. The Food Service fund also received higher than normal claim reimbursements and a Supply Chain Assistance grant. All funds to support how the District continued to respond to effects of the pandemic.

In the General Fund, our principal operating fund, the fund balance increased by \$415,205, 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 \$31,000. This was mainly due to additional grants received to support raising product costs. In addition, the District was unable to secure a much needed capital outlay due to supply chain issues.

The Debt Service Fund showed a decrease in fund balance of \$9,635. 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, 2023

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 \$1,952,000. 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 \$1,606,000. This change is mainly due to mid-year new unexpected grant expenditures related to one-time funding.

Actual revenues were \$369,350 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 \$595,555 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, 2023**

Capital Assets

At June 30, 2023, the School District had \$38,886,125 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 \$760,005.

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 2,906,094	\$ 2,622,192
Buildings and improvements	33,635,209	33,304,666
Buses and other vehicles	1,037,063	956,064
Equipment	<u>1,307,759</u>	<u>1,243,198</u>
 Total Capital Assets	 38,886,125	 38,126,120
 Less Accumulated Depreciation	 <u>22,486,079</u>	 <u>22,134,683</u>
 Net Capital Assets	 <u>\$ 16,400,046</u>	 <u>\$ 15,991,437</u>

This year's additions of \$1,131,373 consisted of the following:

Buses and other vehicles	\$ 80,999
Building improvements	330,543
Land improvements	632,159
Other equipment	<u>87,672</u>
	<u>\$ 1,131,373</u>

Debt

At the end of this year, the School District had \$8,115,000 in long-term outstanding debt versus \$8,765,000 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 \$8,115,000 is below the statutorily imposed limit.

PINCONNING AREA SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2024 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 2024 fiscal year is 90 percent and 10 percent of the October 2023 and February 2023 student counts, respectively. The 2024 fiscal year budget was adopted in June 2023, based on an estimate of students that will be enrolled in October of 2023. 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 2023-2024 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 \$458 per student for the 2023-2024 school year.

Contacting the School District's Financial Management

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

PINCONNING AREA SCHOOLS
STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	June 30,	
	2023	2022
ASSETS:		
Cash & equivalents	\$ 3,882,848	\$ 3,193,149
Property taxes receivable	15,359	-
Accounts receivable	6,843	-
Due from State of Michigan	2,258,123	1,967,141
Grants receivable	866,459	658,217
Prepays	63,000	59,505
Inventories	15,854	17,335
Capital assets	38,886,125	38,126,120
Accumulated depreciation	(22,486,079)	(22,134,683)
Total Assets	23,508,532	21,886,784
DEFERRED OUTFLOWS OF RESOURCES:		
Related to refunding bonds	179,825	197,808
Related to pensions	6,737,492	3,378,301
Related to OPEB	1,832,877	1,371,067
Total Deferred Outflows of Resources	8,750,194	4,947,176
LIABILITIES:		
Accounts payable	119,028	39,577
Accrued payroll and other related liabilities	1,287,025	1,136,056
Accrued interest long term debt	54,100	58,433
Unearned revenue	306,647	-
Net OPEB liability	1,374,727	1,022,063
Net pension liability	24,881,237	16,166,253
Current portion of long term liabilities	675,000	650,000
Compensated absences	351,674	362,531
Non current portion of long term liabilities	8,127,206	8,870,927
Total Liabilities	37,176,644	28,305,840
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	2,308,706	7,338,993
Related to OPEB	3,206,750	4,233,558
Total Deferred Inflows of Resources	5,515,456	11,572,551
NET POSITION:		
Investment in capital assets - net of related debt	7,597,840	6,470,510
Restricted - Debt Service	329,907	339,542
Restricted - Food Service	374,994	343,994
Restricted - Capital Projects	672,887	461,518
Unrestricted	(19,409,002)	(20,659,995)
Total Net Position	\$ (10,433,374)	\$ (13,044,431)

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

PINCONNING AREA SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023 With Comparative Totals for 2022

	Program Revenues				Governmental Activities	
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position Year Ended June 30,	
					2023	2022
GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 8,223,001	\$ -	\$ 3,454,434	\$ -	\$ (4,768,567)	\$ (3,892,477)
Supporting Services	5,289,285	117,395	1,716,187	167,010	(3,288,693)	(3,119,668)
Community Services	124,766	-	16,525	-	(108,241)	(63,536)
Food Services	842,911	48,444	863,128	-	68,661	227,924
Interest on long-term debt	295,529	-	-	-	(295,529)	(308,937)
Depreciation (Unallocated)	712,755	-	-	-	(712,755)	(691,200)
Total Governmental Activities	<u>\$ 15,488,247</u>	<u>\$ 165,839</u>	<u>\$ 6,050,274</u>	<u>\$ 167,010</u>	(9,105,124)	(7,847,894)
GENERAL PURPOSE REVENUES:						
Property taxes - Operating					1,628,377	1,544,029
Property taxes - Debt Retirement					987,602	990,658
State school aid - unrestricted					8,937,998	8,508,863
State PILT					2,388	10,255
Investment earnings					69,711	27,763
Rental					69,425	73,175
Other					20,680	53,611
Total General Purpose Revenues					<u>11,716,181</u>	<u>11,208,354</u>
Change in Net Position					2,611,057	3,360,460
Net Position - Beginning of Year					<u>(13,044,431)</u>	<u>(16,404,891)</u>
Net Position - End of Year					<u>\$ (10,433,374)</u>	<u>\$ (13,044,431)</u>

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

PINCONNING AREA SCHOOLS
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2023

<u>ASSETS</u>	GENERAL	FOOD SERVICE	2016 REFUNDING BOND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL STUDENT ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
Cash	\$ 2,394,282	\$ 222,482	\$ 324,826	\$ 672,887	\$ 268,371	\$ 3,882,848
Taxes receivable	10,278	-	5,081	-	-	15,359
Accounts receivable	-	6,843	-	-	-	6,843
Due from State of Michigan	2,253,148	4,975	-	-	-	2,258,123
Due from other funds	-	84,840	-	-	-	84,840
Grants receivable fed	866,459	-	-	-	-	866,459
Prepays	23,000	40,000	-	-	-	63,000
Deposits	-	-	-	-	-	-
Inventory	-	15,854	-	-	-	15,854
Total Assets	\$ 5,547,167	\$ 374,994	\$ 329,907	\$ 672,887	\$ 268,371	\$ 7,193,326
<u>LIABILITIES AND FUND BALANCE</u>						
LIABILITIES:						
Accounts payable	\$ 119,028	\$ -	\$ -	\$ -	\$ -	\$ 119,028
State aid loan	-	-	-	-	-	-
Salaries payable	696,172	-	-	-	-	696,172
Retirement	319,709	-	-	-	-	319,709
Payroll taxes	-	-	-	-	-	-
Employee benefits	271,144	-	-	-	-	271,144
Due to other funds	84,840	-	-	-	-	84,840
Due to other governmental units	-	-	-	-	-	-
Other	-	-	-	-	-	-
Unearned revenue	306,647	-	-	-	-	306,647
Total Liabilities	1,797,540	-	-	-	-	1,797,540
FUND BALANCES:						
Nonspendable	23,000	55,854	-	-	-	78,854
Restricted	-	319,140	329,907	672,887	-	1,321,934
Committed	1,248,162	-	-	-	268,371	1,516,533
Unassigned	2,478,465	-	-	-	-	2,478,465
Total Fund Balance	3,749,627	374,994	329,907	672,887	268,371	5,395,786
Total Liabilities and Fund Balances	\$ 5,547,167	\$ 374,994	\$ 329,907	\$ 672,887	\$ 268,371	\$ 7,193,326

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, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	5,395,786
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Amounts reported for governmental activities in the statement of net position are different because -

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

Capital assets at cost		38,886,125
Accumulated depreciation		(22,486,079)

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

Related to refunding bonds		179,825
Related to pensions		6,737,492
Related to OPEB		1,832,877

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

Bonds payable		(8,115,000)
Bond premium		(687,206)
Compensated balances		(351,674)
Pension liability		(24,881,237)
OPEB liability		(1,374,727)

Accrued interest payable not included as a liability in governmental activities		(54,100)
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Deferred inflows of resources for pension are not reported in the governmental funds

Related to pensions		(2,308,706)
Related to OPEB		(3,206,750)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>(10,433,374)</u>
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The accompanying notes are an integral part of the financial statements.

**PINCONNING AREA SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
Year Ended June 30, 2023**

	GENERAL	FOOD SERVICE	2016 REFUNDING BOND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL STUDENT ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Local Sources	\$ 1,977,469	\$ 48,443	\$ 988,577	\$ 108,488	\$ 182,638	\$ 3,305,615
State Sources	12,089,487	34,032	2,388	-	-	12,125,907
Federal Sources	1,199,320	829,097	-	-	-	2,028,417
Interdistrict and other sources	649,374	-	-	-	-	649,374
Total Revenues	15,915,650	911,572	990,965	108,488	182,638	18,109,313
EXPENDITURES:						
Instruction	8,764,926	-	-	-	-	8,764,926
Supporting Services	5,397,951	-	-	-	154,505	5,552,456
Community Service	124,766	-	-	-	-	124,766
Food Service	-	859,120	-	-	-	859,120
Debt Service -						-
Principal repayment	-	-	650,000	-	-	650,000
Interest and fiscal charges	-	-	350,600	-	-	350,600
Capital Outlay	712,802	21,452	-	397,119	-	1,131,373
Total Expenditures	15,000,445	880,572	1,000,600	397,119	154,505	17,433,241
OTHER FINANCING SOURCES (USES):						
Prior year state aid payback	-	-	-	-	-	-
Operating transfers in	-	-	-	500,000	-	500,000
Operating transfers out	(500,000)	-	-	-	-	(500,000)
Net Other Financing Sources (Uses)	(500,000)	-	-	500,000	-	-
Net Change in Fund Balances	415,205	31,000	(9,635)	211,369	28,133	676,072
Fund Balance - Beginning of Year	3,334,422	343,994	339,542	461,518	240,238	4,719,714
Fund Balance - End of Year	\$ 3,749,627	\$ 374,994	\$ 329,907	\$ 672,887	\$ 268,371	\$ 5,395,786

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, 2023**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 676,072

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	\$ (712,755)	
Capital outlay	1,131,373	
Loss on asset disposal	(10,009)	
	(10,009)	

Net		408,609
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Change in accrued interest recorded in the statement of activities when incurred and reported in governmental funds when paid		4,333
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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		650,000
Amortization of bond premium		68,721
Amortization of deferred outflows on refunding		(17,983)

Change in net pension liability and related deferred amounts		(325,506)
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Change in net OPEB liability and related deferred amounts		1,135,954
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Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6		10,857
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Rounding		-
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 2,611,057
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The accompanying notes are an integral part of the financial statements.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023

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.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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.

Change in Accounting Principle

For 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangement*. GASB Statement No. 96 will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The District did not identify any arrangements that met the capitalization criteria.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023

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	\$ 3,882,848	\$ 3,882,848

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, 2023, the book value of the District's demand deposits, consisting of deposits and their cash equivalents, was \$3,882,849 with a corresponding bank balance of \$4,450,765. As of June 30, 2023, \$4,200,765 of the District's \$4,450,765 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, 2023

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, 2023

Note 4. Capital Assets

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

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 197,000	\$ -	\$ -	\$ 197,000
Capital assets being depreciated				
Land improvements	2,425,192	632,159	(348,257)	2,709,094
Buildings and improvements	33,304,666	330,543	-	33,635,209
Buses and other vehicles	956,064	80,999	(23,111)	1,013,952
Furniture and equipment	1,243,198	87,672	-	1,330,870
Total capital assets being depreciated	37,929,120	1,131,373	(371,368)	38,689,125
Accumulated depreciation:				
Land improvements	1,640,492	146,933	(348,257)	1,439,168
Buildings and improvements	18,930,494	463,412	-	19,393,906
Buses and other vehicles	674,353	60,451	-	734,804
Furniture and equipment	889,344	41,959	(13,102)	918,201
Total accumulated depreciation	22,134,683	712,755	(361,359)	22,486,079
Net capital assets being depreciated	15,794,437	418,618	(10,009)	16,203,046
Net capital assets	<u>\$ 15,991,437</u>	<u>\$ 418,618</u>	<u>\$ (10,009)</u>	<u>\$ 16,400,046</u>

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

Government Activities:	
Instruction	\$ -
Support	-
Food Service	-
Unallocated	712,755
Total Governmental Activities	<u>\$ 712,755</u>

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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
Food Service Fund	General Fund	\$ 84,840

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	\$ 500,000

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 6. Long-Term Debt

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

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

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

**PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

The following is a summary of the long-term debt transactions of the School District for the year ended June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds Payable:				
2016 Refunding bonds	\$ 8,765,000	\$ -	\$ (650,000)	\$ 8,115,000
2016 Bond premium	<u>755,927</u>	<u>-</u>	<u>(68,721)</u>	<u>687,206</u>
Total bonds payable	9,520,927	-	(718,721)	8,802,206
Other Obligations:				
Compensated absences	319,431	-	(6,707)	312,724
Termination benefits	<u>43,100</u>	<u>-</u>	<u>(4,150)</u>	<u>38,950</u>
Total other obligations	362,531	-	(10,857)	351,674
Total long-term obligations	<u>\$ 9,883,458</u>	<u>\$ -</u>	<u>\$ (729,578)</u>	<u>\$ 9,153,880</u>

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

	Principal	Interest	Total
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	790,000	210,000	1,000,000
2029-2033	<u>4,460,000</u>	<u>549,200</u>	<u>5,009,200</u>
	<u>\$ 8,115,000</u>	<u>1,891,400</u>	<u>10,006,400</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 in
- (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, 2023 was \$312,724.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023, is \$38,950 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, 2023, the District's tax revenue was reduced by \$3,579 under this program.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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.

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, 2023

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, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2022.

Benefit Structure	Pension Contribution Rates		
	Member	Employer	
		Universities	Non-Universities
Basic	0.0 - 4.0%	26.38%	20.14%
Member Investment Plan	3.0 - 7.0%	26.38%	20.14%
Pension Plus	3.0 - 6.4%	N/A	17.22%
Pension Plus 2	6.2%	N/A	19.93%
Defined Contribution	0.0%	19.86%	13.73%

Required contributions to the pension plan from Pinconning Area Schools were \$2,251,750 for the year ended September 30, 2022.

**PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

At June 30, 2023, the District reported a liability of \$24,881,237 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, District's proportion was 0.06615816 percent, which was an decrease of .00212184 percent from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$2,601,922. At June 30, 2023, 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	\$ 248,899	\$ 55,632
Changes of Assumptions	4,275,488	-
Net difference between projected and actual earnings on pension plan investments	58,347	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,101	1,145,270
Employer contributions subsequent to the measurement date	2,151,657	1,107,804
Total	<u>\$ 6,737,492</u>	<u>\$ 2,308,706</u>

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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)**

2024	836,124
2025	572,884
2026	602,920
2027	1,373,005

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, 2023

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date: September 30, 2021
Actuarial Cost Method: Entry Age, Normal
Wage Inflation Rate: 2.75%

Investment Rate of Return:

- MIP and Basic Plans: 6.00% net of investment expenses
- Pension Plus Plan: 6.00% 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, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.3922 for non-university employers 1.0000 for university

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2022 MPSERS Comprehensive Annual Financial Report found on the ORS website at michigan.gov/ORSSchools.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short-Term Investment Pools	2.0	(0.5)
TOTAL	100.0%	

**Long term rates of return are net of administrative expenses and 2.2% inflation*

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. 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, 2023

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% 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 6.00% (6.00% 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
5.00%	6.00%	7.00%
\$ 32,833,989	\$ 24,881,237	\$ 18,327,811

** 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.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

The District accrued liabilities to the System in the amount of \$301,938 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.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023

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, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2022.

OPEB Contribution Rates			
Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.79%	8.09%
Personal Healthcare Fund (PHF)	0.00%	5.87%	7.23%

Required contributions to the OPEB plan from the District were \$548,144 for the year ended September 30, 2022.

**PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

At June 30, 2023, District reported a liability of \$1,374,727 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, District's proportion was 0.06490495 percent, which was a decrease of .002055 percent from its proportion measured as of October 1, 2021.

For the year ending June 30, 2023, Pinconning Area School recognized OPEB expense of (\$619,390). At June 30, 2023, 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	\$ -	\$ 2,692,565
Changes of Assumptions	1,225,339	99,774
Net difference between projected and actual earnings on OPEB plan investments	107,446	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,570	414,411
Employer contributions subsequent to the measurement date	467,522	-
Total	<u>\$ 1,832,877</u>	<u>\$ 3,206,750</u>

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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)	
2024	(617,706)
2025	(573,722)
2026	(504,409)
2027	(91,625)
2028	(49,769)
Thereafter	(4,164)

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, 2023

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.
Healthcare Cost Trend Rate:	Pre-65: 7.75% 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, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

**PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.2250 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 2022 MPERS 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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	-0.2
Real Estate and Infrastructure Pools	10.0	50.3
Absolute Return Pools	9.0	2.7
Real Return/Oppportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	-0.5
TOTAL	100.0%	

**Long-term rates of return are net of administrative expenses and 2.2% inflation*

**PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99)%. 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 6.00% 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 6.00%. 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 6.00%, as well as what Pinconning Area School's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 2,305,973	\$ 1,374,727	\$ 590,503

**PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 575,670	\$ 1,374,727	\$ 2,271,685

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2022 MPSERS CAFR, available on the ORS website at Michigan.gov/ORSSchools.

Payables to the OPEB Plan

The District accrued liabilities to the System in the amount of \$42,191 associated with salary and wages recorded as liabilities at year end.

REQUIRED SUPPLEMENTAL INFORMATION

PINCONNING AREA SCHOOLS
BUDGET COMPARISON SCHEDULE - GENERAL FUND
June 30, 2023

	Original Budget	Final Amended Budget	Actual
REVENUES:			
Local Sources	\$ 2,057,491	\$ 1,985,089	\$ 1,977,469
State Sources	10,794,460	12,342,708	12,089,487
Federal Sources	879,446	1,269,484	1,199,320
Interdistrict and Other Sources	601,603	687,719	649,374
Total Revenues	<u>14,333,000</u>	<u>16,285,000</u>	<u>15,915,650</u>
EXPENDITURES:			
Instruction-			
Basic Programs	6,475,000	7,110,000	7,056,082
Added Needs	1,740,000	1,780,000	1,708,844
Supporting Services -			
Pupil	420,000	580,000	497,873
Instructional Staff	440,000	424,000	372,453
General Administration	405,000	405,000	394,883
School Administration	815,000	835,000	821,102
Business Services	245,000	260,000	246,879
Operation & Maintenance	1,420,000	1,650,000	1,457,268
Transportation	960,000	1,040,000	984,689
Other Support Services	342,000	397,000	381,664
Athletics	210,000	255,000	241,140
Community Services	113,000	140,000	124,766
Payments to Other Agencies	-	-	-
Capital Outlay	405,000	720,000	712,802
Total Expenditures	<u>13,990,000</u>	<u>15,596,000</u>	<u>15,000,445</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out	(200,000)	(500,000)	(500,000)
Net Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>
Net Change in Fund Balance	143,000	189,000	415,205
Fund Balance - Beginning of Year	3,196,605	3,334,422	3,334,422
Fund Balance - End of Year	<u>\$ 3,339,605</u>	<u>\$ 3,523,422</u>	<u>\$ 3,749,627</u>

PINCONNING AREA SCHOOLS
BUDGET COMPARISON SCHEDULE - FOOD SERVICE FUND
June 30, 2023

	Original Budget	Final Amended Budget	Actual
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Local Sources	\$ 38,000	\$ 41,200	\$ 48,443
State Sources	26,000	34,100	34,032
Federal Sources	850,000	923,200	829,097
Total Revenues	<u>914,000</u>	<u>998,500</u>	<u>911,572</u>
EXPENDITURES:			
Supporting Services - Operation of Plant	7,000	12,400	11,177
Food Service	970,000	899,400	847,943
Capital Outlay	50,000	21,500	21,452
Total Expenditures	<u>1,027,000</u>	<u>933,300</u>	<u>880,572</u>
OTHER SOURCES AND (USES):			
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(113,000)	65,200	31,000
Fund Balance - Beginning of Year	<u>301,896</u>	<u>343,994</u>	<u>343,994</u>
Fund Balance - End of Year	<u><u>\$ 188,896</u></u>	<u><u>409,194</u></u>	<u><u>\$ 374,994</u></u>

**PINCONNING AREA SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2023**

**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 (%)		0.06616%	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		24,881,237	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		6,320,683	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 (%)		393.65%	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		60.77%	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, 2023**

**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		\$ 2,251,750	\$ 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*		<u>2,251,750</u>	<u>2,050,277</u>	<u>1,950,353</u>	<u>1,942,178</u>	<u>1,997,778</u>	<u>1,843,595</u>	<u>1,632,512</u>	<u>1,572,415</u>	<u>1,522,638</u>
C. Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. Employer's covered-employee payroll**		\$ 6,547,400	\$ 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		34.39%	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, 2023**

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. Employer's proportion of net OPEB liability (%)					0.06490%	0.06696%	0.06995%	0.72270%	0.07456%	0.07220%
B. Employer's proportionate share of net OPEB liability					\$ 1,374,728	\$ 1,022,063	\$ 3,747,605	\$ 5,187,335	\$ 5,927,095	\$ 6,394,077
C. Employer's covered payroll (OPEB)*					\$ 6,320,683	\$ 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 (%)					21.75%	17.01%	60.67%	82.40%	93.51%	105.77%
E. Plan fiduciary net position as a percentage of total OPEB liability					83.09%	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, 2023**

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

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
A. Statutorily required OPEB contributions					\$ 494,403	\$ 497,074	\$ 494,240	\$ 501,413	\$ 535,462	\$ 477,225
B. OPEB contributions in relation to statutorily required contributions*					494,403	497,074	494,240	501,413	535,462	477,225
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Employer's covered payroll (OPEB)**					\$ 6,547,400	\$ 6,223,267	\$ 5,987,407	\$ 6,238,548	\$ 6,306,632	\$ 6,257,979
E. OPEB contributions as a percentage of covered payroll					7.55%	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, 2023

Changes of Benefit Terms

There were no changes of benefit terms in fiscal year 2022.

Changes of Assumptions

There were no changes of benefit assumptions in fiscal year 2022.

OTHER SUPPLEMENTAL INFORMATION

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

REVENUES:	2023	2022
Local Sources -		
Current Tax Levy	\$ 1,628,377	\$ 1,544,029
Interest on Delinquent Taxes	-	-
Gate Receipts	66,352	54,465
Transportation Fees	51,043	33,368
Interest on Investments	5,273	5,089
Rentals	69,425	73,175
E-rate Reimbursement	-	-
Insurance Recoveries	63,463	22,667
Donations	1,500	1,000
Local Grants	61,347	116,481
Other	30,689	53,611
Total Local Sources	1,977,469	1,903,885
State Sources -		
State Unrestricted Grants	9,000,479	8,577,478
Special Education	306,186	232,231
At Risk - Section 31a	631,615	561,242
State Aid Restricted	2,151,207	1,379,340
Total State Sources	12,089,487	10,750,291
Federal Sources -		
Title I	312,284	253,298
Title IV	22,165	23,912
Title II A	38,814	70,356
ESSER Formula COVID	519,681	797,544
MDHHS HRA - BAISD	41,204	32,533
98C Learning Loss	60,303	-
ECF	204,869	109,100
Total Federal Sources	1,199,320	1,286,743
Interdistrict and Other Sources		
Transfers From Other Governmental Units:		
Bay Arenac Intermediate School District		
Great Start Readiness Program	535,458	416,706
Other	113,916	67,336
Total Interdistrict and Other Sources	649,374	484,042
Total Revenues	\$ 15,915,650	\$ 14,424,961

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

	2023	2022
EXPENDITURES:		
Instruction - Basic Programs		
Elementary		
Teacher's Salaries	\$ 1,536,044	\$ 1,447,620
Benefits	1,241,651	993,277
Purchased Services	87,796	103,246
Teaching Supplies	151,059	102,037
Repairs & Maintenance	23,167	12,552
Textbooks & Software	15,403	11,466
Total Elementary	3,055,120	2,670,198
Middle School		
Teacher's Salaries	734,145	726,990
Benefits	598,975	497,678
Purchased Services	40,258	19,596
Teaching Supplies	62,890	55,617
Repairs & Maintenance	3,844	1,423
Textbooks & Software	1,683	25,854
Other Costs	1,625	1,547
Total Middle School	1,443,420	1,328,705
High School		
Teacher's Salaries	1,091,025	1,054,356
Benefits	879,877	712,380
Purchased Services	123,813	103,694
Conferences & Travel	897	752
Teaching Supplies	88,548	39,267
Tuition	9,874	4,081
Repairs & Maintenance	14,433	11,895
Textbooks & Software	9,337	42,867
Other Costs	12,003	1,197
Total High School	2,229,807	1,970,489

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

Pre School		
Teacher's Salaries	\$ 150,927	\$ 125,264
Benefits	85,926	74,999
Instructional Services	11,873	17,958
Teaching Supplies	27,984	23,146
Total Pre School	<u>276,710</u>	<u>241,367</u>
Summer School		
Teacher's Salaries	3,530	75,865
Benefits	1,281	27,701
Purchased Services	-	16,640
Teaching Supplies	46,214	740
Total Summer School	<u>51,025</u>	<u>120,946</u>
Total Basic Programs	7,056,082	6,331,705
Instruction - Added Needs		
Special Education		
Teacher's Salaries	496,272	466,525
Benefits	345,460	349,128
Equipment	-	-
Purchased Services	161,827	146,943
Teaching Supplies	735	397
Total Special Education	<u>1,004,294</u>	<u>962,993</u>
Compensatory Education		
Teacher's Salaries	411,833	371,704
Benefits	267,801	244,673
Instructional Services	2,718	6,228
Teaching Supplies	22,198	38,213
Total Compensatory Education	<u>704,550</u>	<u>660,818</u>
Total Added Needs	<u>1,708,844</u>	<u>1,623,811</u>
Total Instruction	8,764,926	7,955,516

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

Supporting Services - Pupil

Guidance Services

Counseling Salaries	\$ 131,818	\$ 127,483
Benefits	87,446	78,405
Supplies	278	175
Total Guidance Services	<u>219,542</u>	<u>206,063</u>

Health Services

Health Worker Salaries	-	25,062
Benefits	-	8,341
Purchased Services	154,464	32,533
Total Pupil/Social Work Services	<u>154,464</u>	<u>65,936</u>

Pupil/Social Work Services

Social Worker Salaries	59,030	55,060
Benefits	45,670	44,047
Purchased Services	-	-
Total Pupil/Social Work Services	<u>104,700</u>	<u>99,107</u>

Other Pupil Support Services

Purchased Services	19,167	20,697
Total Pupil/Social Work Services	<u>19,167</u>	<u>20,697</u>

Total Pupil	497,873	391,803
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Supporting Services - Instructional Staff

Improvement of Education

Salaries	66,775	27,918
Benefits	52,914	21,605
Instructional Services	29,660	70,776
Conferences & Travel	15,161	15,510
Other Costs	2,193	637
Supplies	252	3,306
Total Improvement of Education	<u>166,955</u>	<u>139,752</u>

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

Media		
Salaries	\$ 37,485	\$ 51,990
Benefits	37,866	27,490
Supplies	982	892
Purchased Services	-	-
Total Media	<u>76,333</u>	<u>80,372</u>
Staff Services		
Instructional Services	11,082	27,524
Teaching Supplies	-	-
Total Staff Services	<u>11,082</u>	<u>27,524</u>
Staff Supervision		
Salaries	56,408	52,326
Benefits	49,766	47,398
Purchased Services	-	-
Total Staff Supervision	<u>106,174</u>	<u>99,724</u>
Academic Student Assessment	<u>11,909</u>	<u>-</u>
Other Instructional Staff Services		
Salaries	-	93,100
Benefits	-	9,099
Purchased Services	-	-
Total Staff Supervision	<u>-</u>	<u>102,199</u>
Total Instructional Staff	372,453	449,571
Supporting Services - General Administration		
Board of Education		
Salaries	5,040	5,985
Benefits	396	466
Legal & Audit Fees	34,870	42,859
Conferences & Workshops	2,526	380
Dues & Fees	7,726	7,076
Advertising	1,940	2,100
Other Costs	152	444
Total Board of Education	<u>52,650</u>	<u>59,310</u>

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

Executive Administration		
Executive Salaries	\$ 182,653	\$ 174,162
Benefits	149,698	131,511
Dues & Fees	1,650	3,373
Conferences & Travel	7,004	3,706
Supplies	1,228	3,246
Total Executive Administration	<u>342,233</u>	<u>315,998</u>
 Total General Administration	 394,883	 375,308
 Supporting Services - School Administration		
Office of the Principal		
Administration Salaries	439,570	414,884
Benefits	368,807	304,981
Conferences & Travel	2,572	798
Supplies	8,995	5,396
Dues & Fees	1,158	3,660
Total Office of the Principal	<u>821,102</u>	<u>729,719</u>
 Total School Administration	 821,102	 729,719
 Supporting Services - Business Services		
Fiscal Services		
Salaries	110,487	102,701
Benefits	96,371	77,586
Purchases Services	27,616	22,890
Conferences & Travel	3,438	3,228
Repairs & Maintenance	1,176	1,123
Supplies	1,597	2,144
Other Costs	-	319
Dues & Fees	320	183
Total Fiscal Services	<u>241,005</u>	<u>210,174</u>

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

Other Business Services		
Insurance	\$ 5,821	\$ 6,669
Interest	-	14,110
Other Costs	53	171
Total Other Business Services	<u>5,874</u>	<u>20,950</u>
Total Business Services	246,879	231,124
Supporting Services - Operation & Maintenance		
Operations		
Salaries	345,305	348,584
Benefits	333,889	296,598
Equipment	23,743	-
Telephone	51,412	46,315
Utilities	357,261	333,939
Insurance	53,937	48,698
Maintenance	132,428	100,778
Supplies	135,454	139,904
Other Costs	505	4,667
Capital Outlay	66,219	-
Total Operations	<u>1,500,153</u>	<u>1,319,483</u>
Security Services		
Purchases Services	23,334	4,803
Capital Outlay	-	-
Total Security Services	<u>23,334</u>	<u>4,803</u>
Total Operation & Maintenance	1,523,487	1,324,286

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

Supporting Services - Transportation

Pupil Transportation

Salaries	\$ 387,747	\$ 375,151
Benefits	368,542	315,709
Purchased Services	4,871	11,647
Other Costs	1,044	1,631
Communications	2,916	2,916
Insurance	17,543	17,904
Maintenance & Repairs	92,483	67,935
Fuel & Oil	109,543	110,139
Capital Outlay	80,999	72,000
Total Pupil Transportation	<u>1,065,688</u>	<u>975,032</u>

Supporting Services - Other Support Services

Communication Services	<u>336</u>	<u>273</u>
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Staff Personnel Services	<u>5,220</u>	<u>5,649</u>
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Central Support Services

Salaries	81,922	78,402
Benefits	61,874	50,307
Purchased Services	69,440	41,589
Other Costs	280	150
Software	70,626	69,652
Equipment	34,437	23,036
Capital Outlay	17,749	8,078
Total Central Support Services	<u>336,328</u>	<u>271,214</u>

Pupil Accounting

Salaries	22,665	21,579
Benefits	34,864	30,432
Total Pupil Accounting	<u>57,529</u>	<u>52,011</u>

Total Other Support Services	399,413	329,147
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**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

Supporting Services - Athletics

Athletics

Salaries	\$ 53,768	\$ 51,354
Benefits	27,895	21,501
Workers	27,429	24,068
Contracted Coaches	80,811	50,683
Athletic Trainer	1,610	-
Transportation	17,536	15,875
Repairs & Maintenance	3,905	11,073
Tournament Fees	9,170	9,315
Equipment	19,016	13,332
Capital Outlay	-	-
Total Athletics	<u>241,140</u>	<u>197,201</u>

Total Supporting Services	5,562,918	5,003,191
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Community Services

Direction	<u>1,020</u>	<u>127</u>
Community	<u>188</u>	<u>1,032</u>

Non-Public School Pupils

Salaries	73,294	58,984
Benefits	41,671	30,203
Contracted Services	3,552	6,674
Conferences & Travel	1,200	-
Software	-	-
Teaching Supplies	931	1,513
Total Non-Public School Pupils	<u>120,648</u>	<u>97,374</u>

Other Community	<u>2,910</u>	<u>-</u>
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Total Community Services	<u>124,766</u>	<u>98,533</u>
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**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

Payments to Other Agencies	\$ -	\$ -
Capital Outlay		
Land Improvements	240,758	4,095
Buildings & Improvements	307,077	453,809
Total Capital Outlay	<u>547,835</u>	<u>457,904</u>
Other Financing Sources/(Uses)		
Sale of Fixed Assets	-	-
Operating Transfers Out	(500,000)	(300,000)
Total Other Financing Sources/(Uses)	<u>(500,000)</u>	<u>(300,000)</u>
Total Expenditures and Other Financing Uses	15,500,445	13,815,144
Excess of Revenues over (Under) Expenditures	415,205	609,817
Fund Balance - Beginning of Year	<u>3,334,422</u>	<u>2,724,605</u>
Committed by Board	1,248,162	1,248,162
Unassigned	<u>2,501,465</u>	<u>2,086,260</u>
Fund Balance - End of Year	<u>\$ 3,749,627</u>	<u>\$ 3,334,422</u>

**PINCONNING AREA SCHOOLS
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
REVENUES:		
Local Sources -		
Food Service - Cafeteria Sales	\$ 20,052	\$ 20,281
Earnings on Investments	-	-
Headstart Sales	20,782	23,821
Other	7,609	4,617
	<u>48,443</u>	<u>48,719</u>
State Sources -		
At Risk	662	727
Section 31d School Lunch	33,370	46,895
	<u>34,032</u>	<u>47,622</u>
Federal Sources -		
National School Lunch Program	406,679	536,496
Summer Program	10,363	32,576
National School Breakfast Program	258,355	247,463
Child and Adult Care Program	45,154	47,284
EBT Admin Cost	3,135	3,063
School Snack	-	1,585
Supply Chain Assist	43,359	27,196
Donated Commodities	60,788	45,414
Donated Commodities - Bonus	1,264	-
	<u>829,097</u>	<u>941,077</u>
Total Revenues	911,572	1,037,418

**PINCONNING AREA SCHOOLS
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPEDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022**

	2023	2022
EXPENDITURES:		
Building Services -		
Salaries and Wages	\$ -	\$ -
Employee Benefits	-	-
Purchased Services	11,177	7,070
Food Service -		
Salaries and Wages	148,205	159,734
Employee Benefits	89,618	95,695
Purchased Services	15,300	16,275
Contracted Management	141,793	131,272
Food and Milk	426,414	417,292
Sales Tax	-	-
Supplies and Other Costs	26,613	15,902
Capital Outlay	21,452	2,500
Total Expenditures	880,572	845,740
Other Financing Sources and Uses		
Transfer from General	-	-
Net Change in Fund Balance	31,000	191,678
Fund Balance - Beginning of Year	343,994	152,316
Fund Balance - End of Year	\$ 374,994	\$ 343,994

PINCONNING AREA SCHOOLS
2016 REFUNDING BOND FUND
SCHEDULE OF REVENUES AND EXPENDITURES
Year Ended June 30, 2023 and 2022

	2023	2022
REVENUES:		
Local Sources -		
Current Tax Levy	\$ 987,602	\$ 990,658
Interest	975	7
Total Local Sources	988,577	990,665
State Sources -		
State PILT	2,388	10,255
Total Revenues	990,965	1,000,920
EXPENDITURES:		
Debt Service -		
Bond Principal	650,000	625,000
Bond Interest	350,600	375,600
Bond Issuance Costs	-	-
Other Fees	-	-
Taxes Abated	-	-
Total Expenditures	1,000,600	1,000,600
Other Financing Sources (Uses)		
Proceeds on Refunding Bonds	-	-
Proceeds on Refunding Applied to Debt	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balance	(9,635)	320
Fund Balance - Beginning of Year	339,542	339,222
Fund Balance - End of Year	\$ 329,907	\$ 339,542

**PINCONNING AREA SCHOOLS
 DETAIL OF BONDED DEBT
 2016 REFUNDING BONDS
 June 30, 2023**

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	
2023	\$ -	\$ -	\$ 162,300	\$ 162,300
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>\$ 8,115,000</u>	<u>\$ 945,700</u>	<u>\$ 945,700</u>	<u>\$ 10,006,400</u>

PINCONNING AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

	Assistance Listing Number	Pass Through Grantor's #	Approved Award	(Memo Only) Prior Year Expenditure	Accrued Revenue July 1, 2022	Adjustments	Current Year's Receipts	Current Year's Expenditures	Accrued Revenue June 30, 2023	Current Year Cash Transferred To Sub recipient
U.S. DEPARTMENT OF AGRICULTURE: Passed Through M.D.E. - Child Nutrition Cluster:										
Bonus Commodities	10.555		\$ 1,264	\$ -	\$ -	\$ -	\$ 1,264	\$ 1,264	\$ -	\$ -
Non-Cash Assistance (Commodities):	10.555		60,788	-	-	-	60,788	60,788	-	-
National School Lunch - Entitlement	10.555		62,052	-	-	-	62,052	62,052	-	-
Cash Assistance:										
School Breakfast Program:										
Seamless Summer Option (SSO)	10.553	221971	2,195	2,195	2,195	-	2,195	-	-	-
National School Breakfast Program 2021-22	10.553	221970	26,226	-	-	-	26,226	26,226	-	-
National School Breakfast Program 2022-23	10.553	231970	232,129	-	-	-	179,455	179,455	-	-
			260,550	2,195	2,195	-	207,876	205,681	-	-
National School Lunch Program:										
Seamless Summer Option (SSO)	10.555	221960	61,818	3,073	3,073	-	61,817	58,744	-	-
National School Lunch Program 2022-23	10.555	231960	397,921	-	-	-	397,921	397,921	-	-
Supply Chain Assistance 2021-22	10.555	220910	27,620	-	-	-	27,620	27,620	-	-
Supply Chain Assistance 2022-23	10.555	230910	15,740	-	-	-	15,740	15,740	-	-
			503,099	3,073	3,073	-	503,098	500,025	-	-
Summer Food Service Program for Children										
Extended SFSP	10.559	210904	3,874	3,874	3,874	-	3,874	-	-	-
Summer Food Service Program 2021-22	10.559	220900	3,520	-	-	-	3,520	3,520	-	-
Summer Food Service Program 2022-23	10.559	230900	9,531	-	-	-	2,688	9,531	6,843	-
			16,925	3,874	3,874	-	10,082	13,051	6,843	-
Total U.S. Department of Agriculture - Child Nutrition Cluster			842,626	9,142	9,142	-	783,108	780,809	6,843	-
Child and Adult Care Food Program										
CACFP Meals 2021-22	10.558	221920	5,286	-	-	-	5,286	5,286	-	-
CACFP Meals 2021-22 - CIL	10.558	222010	354	-	-	-	354	354	-	-
CACFP Meals 2022-23	10.558	231920	36,939	-	-	-	36,939	36,939	-	-
CACFP Meals 2022-23 - CIL	10.558	232010	2,575	-	-	-	2,575	2,575	-	-
			45,154	-	-	-	45,154	45,154	-	-
State Pandemic Electronic Benefit Transfer										
Administrative Costs Grant 2022-23	10.649	230980	3,135	-	-	-	3,135	3,135	-	-
Total U.S. Department of Agriculture			890,915	9,142	9,142	-	831,397	829,098	6,843	-

PINCONNING AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

	Assistance Listing Number	Pass Through Grantor's #	Approved Award	(Memo Only) Prior Year Expenditure	Accrued Revenue July 1, 2022	Adjustments	Current Year's Receipts	Current Year's Expenditures	Accrued Revenue June 30, 2023	Current Year Cash Transferred To Sub recipient
Federal Communications Commission										
Universal Service Administrative Company										
Non-Cash Assistance:										
	32.009		\$ 204,869	\$ -	\$ -	\$ -	\$ 204,869	\$ 204,869	\$ -	\$ -
U.S. DEPARTMENT OF EDUCATION:										
Passed Through M.D.E. -										
Title 1 Part A										
	84.010	231530-2223	352,153	-	-	-	312,284	312,284	-	-
2022/2023 Regular										
Title II Part A										
	84.367	230520-2223	67,822	-	-	-	38,814	38,814	-	-
2022/2023 Regular										
Title IV Part A										
	84.424	230750-2223	22,603	-	-	-	22,165	22,165	-	-
2022/2023 Regular										
Education Stabilization Fund										
ESSER II - Before & After School										
	84.425D	213752-2122	25,000	-	-	-	16,771	16,771	-	-
	84.425D	213782-2223	60,303	-	-	-	60,303	60,303	-	-
ESSER II - 98c Learning Loss										
	84.425D	213712-2122	1,136,823	633,914	435,042	-	435,042	502,909	502,909	-
Elementary and Secondary School Emergency Relief (ESSR) Fund II										
	84.425D	213752-2122	2,554,959	17,600	17,600	-	17,600	-	-	-
Elementary and Secondary School Emergency Relief (ESSR) Fund III										
			3,777,085	651,514	452,642	-	529,716	579,983	502,909	-
Total U.S. Department of Education			4,219,663	651,514	452,642	-	902,979	953,246	502,909	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Passed Through Bay-Arenac ISD										
	93.323		41,205	-	-	-	41,204	41,204	-	-
Health Resources Advocates Grant 2022-23										
Total Federal Awards			\$ 5,356,652	\$ 660,656	\$ 461,784	\$ -	\$ 1,980,449	\$ 2,028,417	\$ 509,752	\$ -

PINCONNING AREA SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

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, 2023. 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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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, 2023, and the related notes to the financial statements, which collectively comprise Pinconning Area Schools' basic financial statements and have issued our report thereon dated October 23, 2023.

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 23, 2023



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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, 2023. 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, 2023.

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 23, 2023

PINCONNING AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

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
10.555	<u>Child Nutrition Cluster</u>
10.553	National School Lunch Program
10.559	National School Breakfast Program
	Summer Food Service Program

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, 2023

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, 2023.

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, 2023.

**PINCONNING AREA SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2023**

Federal Award Findings and Questioned Costs

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.



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The Board of Education
Pinconning Area Schools

We have audited the financial statements of the Pinconning Area Schools (the "District") as of and for the year ended June 30, 2023 and have issued our report thereon dated October 23, 2023. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We would like to take this opportunity to thank the District's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board of directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Quast, Janke and Company

A handwritten signature in cursive script that reads 'Quast, Janke and Company'.

Bay City, Michigan

Appendix I

Required Communications with Those Charged with Governance

We have audited the financial statements of Pinconning Area Schools for the year ended June 30, 2023, and we will issue our report thereon dated October 23, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and if applicable, Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 31, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pinconning Area Schools are described in Note 2 to the financial statements. As described in Note 1, the District changed accounting policies related to Subscription Based Technology Agreements by adopting GASB Accounting Standards Update 96, in 2023. We noted no transactions entered into by Pinconning Area Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

In addition, the financial statements include net pension and other postemployment benefit liabilities and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards but are not within the control of management.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, the Budgetary Comparison Schedules and the Reporting Unit's Schedules of Contributions and Proportionate Share of Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on each of the Schedules of Revenues and Expenditures, the Non major Governmental Fund Balance Sheet and the Indebtedness Schedule, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements.

We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II
Matters for Management's Consideration

In planning and performing our audit of the financial statements of the District as of and for the year ended June 30, 2023, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of the following matters for management's consideration that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated October 23, 2023, on the financial statements of the District. Our comments and recommendations are:

USDA Net Cash Resources

At June 30, 2023 year end, the ending fund balance in the Food Service fund exceeded three-months average expenditures. Per 7 CFR § 210.14(b) of federal regulations a school district must limit the net cash resources not to exceed three months' average expenditures. In response to the COVID-19 pandemic and statewide school closures, the district saw a significant increase in meals served during the last three years. The District has already compiled a Excess Fund Balance Plan of Action and will submit to MDE around January when requested by MDE. As of June 30, 2023 the District's remaining excess fund balance is approximately \$89,000.

PINCONNING AREA SCHOOL DISTRICT

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Andrew J. Kowalczyk
Superintendent of Schools

October 23, 2023

Quast, Janke & Company
1010 N. Johnson St.
Bay City, MI 48708

This representation letter is provided in connection with your audit of the financial statements of Pinconning Area Schools, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows for the fiscal year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 23, 2023, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 31, 2021, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit.
- 9) The effects of all known actual or possible litigation, claims and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which Pinconning Area Schools is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within Pinconning Area Schools from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects Pinconning Area Schools and involves:
 - Management,
 - Employees who have significant roles in internal control, or

- Others where the fraud could have a material effect on the financial statements.

- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting Pinconning Area Schools' financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the names of Pinconning Area Schools' related parties and all the related party relationships and transactions, including any side agreements.

Government – specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) Pinconning Area Schools has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or equity.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have appropriately disclosed all information for conduit debt obligations in accordance with GASBS No. 91.
- 25) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- 27) As part of your audit, you assisted with preparation of the financial statements and disclosures and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures and schedule of expenditures of federal awards.
- 28) Pinconning Area Schools has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) Pinconning Area Schools has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements include all fiduciary activities required by GASBS No. 84, as amended.
- 32) The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.
- 33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statements users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) We have appropriately disclosed Pinconning Area Schools' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both

restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

44) With respect to the Schedules of Revenues and Expenditures and the Indebtedness Schedules:

a) We acknowledge our responsibility for the presentation of the Schedules of Revenues and Expenditures and the Indebtedness Schedules in accordance with accounting principles generally accepted in the United States of America, and believe the Schedules of Revenues and Expenditures and the Indebtedness Schedules, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Schedules of Revenues and Expenditures and the Indebtedness Schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

b) If the Schedules of Revenues and Expenditures and the Indebtedness Schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

45) With respect to federal award programs:

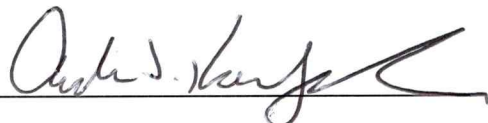
a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.

b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement* relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal awards in accordance with applicable cost principles.
- u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- x) We are responsible for taking corrective action on each audit finding on the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Signature: 

Title: Superintendent of Schools