



**PINCONNING AREA SCHOOLS
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
June 30, 2025**

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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, 2025, 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, 2025 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 46–52 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 schedules of revenues, expenditures and changes in fund balances, and indebtedness schedule, 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 schedules of revenues, expenditures and changes in fund balances and indebtedness schedules 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, 2024. 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 27, 2025 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 27, 2025

PINCONNING AREA SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2025

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, 2025. 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, 2025

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, 2025

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, 2025 and 2024:

Table 1	Governmental Activities	
	2025	2024
Assets:		
Current and other assets	\$ 10,275,959	\$ 10,629,212
Capital assets - net of accumulated depreciation	19,127,151	16,473,047
 Total Assets	 29,403,110	 27,102,259
 Deferred outflows of resources	 6,089,537	 7,716,279
Liabilities:		
Current liabilities	3,256,208	2,705,484
Long-term liabilities	23,171,251	28,830,903
 Total liabilities	 26,427,459	 31,536,387
 Deferred inflows of resources	 9,734,218	 7,531,781
Net Position:		
Net investment in capital assets	8,890,904	8,044,558
Restricted - Debt service	453,135	379,091
Restricted - Food service	355,360	404,431
Restricted - Capital Projects	1,597,522	1,613,421
Unrestricted	(11,965,951)	(14,691,131)
 Net Position	 <u>\$ (669,030)</u>	 <u>\$ (4,249,630)</u>

The above analysis focuses on the net position (see Table 1). The School District's net position was \$(669,030) at June 30, 2025. Net investment in capital assets totaling \$8,890,904 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, 2025**

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 2025 and 2024.

Table 2

	Governmental Activities	
	Year Ended June 30,	
	2025	2024
Revenue:		
Program revenue:		
Charges for services	\$ 129,231	\$ 156,265
Grants and categorical	6,300,304	8,223,101
General revenue:		
Property taxes	2,906,093	2,736,497
State unrestricted	8,708,151	9,350,302
Other	286,757	222,046
Total Revenue	18,330,536	20,688,211
Function/Program Expenses:		
Instruction	7,257,356	7,154,500
Support services	5,369,195	5,075,781
Community services	137,262	123,545
Food services	950,950	976,322
Interest on long-term debt	248,224	264,695
Depreciation (unallocated)	786,949	803,223
Total Expenses	14,749,936	14,398,066
Increase (Decrease) in Net Position	\$ 3,580,600	\$ 6,290,145

As reported in the statement of activities, the cost of all of our governmental activities this year was \$14,810,441. 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 \$6,360,809. We paid for the remaining "public benefit" portion of our governmental activities with \$2,906,0093 in taxes, \$8,708,151 in state foundation allowance, and with our other revenues, such as interest and rentals.

The School District experienced an increase in net position of \$3,580,600. A key reason for this change in net position was a positive net change in the pension and OPEB balances and related deferred inflows and outflows. 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, 2025

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.

As the School District completed this year, the governmental funds reported a combined fund balance of \$7,943,490, which is a decrease of \$847,610 from last year. The primary reason for this decrease was the decrease in federal funding, primarily related to the ESSER federal grants being spent up as of the end of the fiscal year last year. Additionally there was a significant increase in capital projects that occurred during the year. For example roof replacements at multiple buildings, a bus purchase to improve our fleet, etc.

In the General Fund, our principal operating fund, the fund balance decreased by \$828,481, a smaller decrease than originally projected in the final budget. There were less capital outlay expenditures during the year than anticipated. Additionally the yearend transfer of funds in the amount of \$100,000 did not occur before yearend.

The Food Service Fund reported a net decrease in fund balance of \$49,071. This is due to additional purchases being made to improve our equipment within our kitchens. The District has been working on spending down our fund balance to be compliant with MDE.

The Debt Service Fund showed an increase in fund balance of \$74,044. This was due to greater collection of tax revenues related to the bond which is based on property tax values.

PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

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 decreased from the original budget by \$25,500. This was mainly due to slightly less Title funding than had originally been planned for.

Budgeted expenditures increased from the original budget by \$645,811. This change was mainly due to the additional capital outlay expenditures that were required for the District as well as an increase in both operation and transportation costs.

Actual revenues were \$70,677 less than the final budget. This difference is mainly due to the District receiving less local and interdistrict revenues than originally expected.

Actual expenditures were \$215,785 less than the final budget. This was mainly due to slightly less capital outlay expenditures occurring than was originally anticipated as well as a concerted effort to stay under budget.

**PINCONNING AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

Capital Assets

At June 30, 2025, the School District had \$40,263,513 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 \$898,568.

	2025	2024
Land and improvements	\$ 3,104,106	\$ 2,935,385
Buildings and improvements	34,027,714	33,717,963
Buses and other vehicles	1,245,731	1,147,458
Equipment	1,383,130	1,373,806
Lease	71,492	-
Construction in progress	431,340	190,333
Total Capital Assets	40,263,513	39,364,945
Less Accumulated Depreciation	24,024,761	23,261,902
Net Capital Assets	\$ 16,238,752	\$ 16,103,043

This year's additions of \$950,122 consisted of the following:

Buses and other vehicles	\$ 122,363
Building improvements	578,222
Land improvements	168,721
Other equipment	9,324
Lease copiers	71,492
	\$ 950,122

Debt

At the end of this year, the School District had \$6,740,000 in long-term outstanding debt versus \$7,440,000 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 \$6,740,000 is below the statutorily imposed limit.

PINCONNING AREA SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2026 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 2026 fiscal year is 90 percent and 10 percent of the October 2025 and February 2025 student counts, respectively. The 2026 fiscal year budget was adopted in June 2025, based on an estimate of students that will be enrolled in October of 2025. Approximately 57 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 2025-2026 school year, we anticipate that the fall student count will be comparable or favorable to the estimates used in creating the 2025 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 for the 2025-2026 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, 2025 and 2024

	June 30,	
	2025	2024
ASSETS:		
Cash & equivalents	\$ 7,606,661	\$ 7,681,832
Property taxes receivable	3,698	20,275
Due from State of Michigan	2,252,035	2,462,241
Grants receivable	323,479	384,054
Prepays	78,000	68,000
Inventories	12,086	12,810
Capital assets not being depreciated	628,340	387,333
Capital assets being depreciated, net	15,610,412	15,715,710
Net OPEB asset	2,888,399	370,004
Total Assets	29,403,110	27,102,259
DEFERRED OUTFLOWS OF RESOURCES:		
Related to refunding bonds	143,859	161,842
Related to pensions	5,142,813	6,189,369
Related to OPEB	802,865	1,365,068
Total Deferred Outflows of Resources	6,089,537	7,716,279
LIABILITIES:		
Accounts payable	332,986	6,024
Accrued payroll and other related liabilities	1,548,890	1,317,867
Accrued interest long term debt	44,933	44,933
Unearned revenue	450,593	514,221
Net pension liability	16,287,565	21,150,227
Current portion of long term liabilities	878,806	822,439
Non current portion of long term liabilities	6,883,686	7,680,676
Total Liabilities	26,427,459	31,536,387
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	5,863,291	4,327,162
Related to OPEB	3,870,927	3,204,619
Total Deferred Inflows of Resources	9,734,218	7,531,781
NET POSITION:		
Investment in capital assets - net of related debt	8,890,904	8,044,558
Restricted - Debt Service	453,135	379,091
Restricted - Food Service	355,360	404,431
Restricted - Capital Projects	1,597,522	1,613,421
Unrestricted	(11,965,951)	(14,691,131)
Total Net Position	\$ (669,030)	\$ (4,249,630)

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

PINCONNING AREA SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2025 With Comparative Totals for 2024

	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,	
					2025	2024
GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 7,257,356	\$ -	\$ 2,452,734	\$ -	\$ (4,804,622)	\$ (2,035,880)
Supporting Services	5,369,195	99,499	2,761,030	117,325	(2,391,341)	(2,916,439)
Community Services	137,262	-	9,410	-	(127,852)	(107,808)
Food Services	950,950	29,732	959,805	-	38,587	109,345
Interest on long-term debt	248,224	-	-	-	(248,224)	(264,695)
Depreciation (Unallocated)	786,949	-	-	-	(786,949)	(803,223)
Total Governmental Activities	<u>\$ 14,749,936</u>	<u>\$ 129,231</u>	<u>\$ 6,182,979</u>	<u>\$ 117,325</u>	(8,320,401)	(6,018,700)
GENERAL PURPOSE REVENUES:						
Property taxes - Operating					1,838,147	1,706,792
Property taxes - Debt Retirement					1,067,946	1,029,705
State school aid - unrestricted					8,708,151	9,350,302
State PILT					-	15,309
Investment earnings					155,633	96,491
Rental					51,625	61,100
Other					79,499	49,146
Total General Purpose Revenues					<u>11,901,001</u>	<u>12,308,845</u>
Change in Net Position					3,580,600	6,290,145
Net Position - Beginning of Year, restated					(4,249,630)	(10,539,775)
Net Position - End of Year					<u>\$ (669,030)</u>	<u>\$ (4,249,630)</u>

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

PINCONNING AREA SCHOOLS
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2025

<u>ASSETS</u>	GENERAL	FOOD SERVICE	2016 REFUNDING BOND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL STUDENT ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
Cash	\$ 5,181,809	\$ 161,849	\$ 375,554	\$ 1,594,322	\$ 293,127	\$ 7,606,661
Taxes receivable	-	-	3,698	-	-	3,698
Due from State of Michigan	2,247,426	4,609	-	-	-	2,252,035
Due from other funds	-	115,307	73,883	3,200	1,086	193,476
Grants receivable fed	311,970	11,509	-	-	-	323,479
Prepays	28,000	50,000	-	-	-	78,000
Inventory	-	12,086	-	-	-	12,086
Total Assets	\$ 7,769,205	\$ 355,360	\$ 453,135	\$ 1,597,522	\$ 294,213	\$ 10,469,435
<u>LIABILITIES AND FUND BALANCE</u>						
LIABILITIES:						
Accounts payable	\$ 332,986	\$ -	\$ -	\$ -	\$ -	\$ 332,986
Salaries payable	632,881	-	-	-	-	632,881
Retirement	588,347	-	-	-	-	588,347
Payroll taxes	48,415	-	-	-	-	48,415
Employee benefits	279,247	-	-	-	-	279,247
Due to other funds	193,476	-	-	-	-	193,476
Unearned revenue	450,593	-	-	-	-	450,593
Total Liabilities	2,525,945	-	-	-	-	2,525,945
FUND BALANCES:						
Nonspendable	28,000	62,086	-	-	-	90,086
Restricted	-	293,274	453,135	1,597,522	-	2,343,931
Committed	1,621,248	-	-	-	294,213	1,915,461
Unassigned	3,594,012	-	-	-	-	3,594,012
Total Fund Balance	5,243,260	355,360	453,135	1,597,522	294,213	7,943,490
Total Liabilities and Fund Balances	\$ 7,769,205	\$ 355,360	\$ 453,135	\$ 1,597,522	\$ 294,213	\$ 10,469,435

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, 2025**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	7,943,490
<p>Amounts reported for governmental activities in the statement of net position are different because -</p> <p>Capital assets used in governmental activities are not financial resources and are not reported in the funds:</p>		
Capital assets at cost, net		16,238,752
OPEB liability		2,888,399
<p>Deferred outflows of resources for pension are not reported in the governmental funds-</p>		
Related to refunding bonds		143,859
Related to pensions		5,142,813
Related to OPEB		802,865
<p>Long-term liabilities not due and payable in the current period and therefore not reported in the funds -</p>		
Bonds payable		(6,740,000)
Bond premium		(549,764)
Lease liability		(58,084)
Compensated balances		(414,644)
Pension liability		(16,287,565)
Accrued interest payable not included as a liability in governmental activities		(44,933)
<p>Deferred inflows of resources for pension are not reported in the governmental funds</p>		
Related to pensions		(5,863,291)
Related to OPEB		(3,870,927)
		(3,870,927)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	(669,030)

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, 2025**

	GENERAL	FOOD SERVICE	2016 REFUNDING BOND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL STUDENT ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Local Sources	\$ 2,306,054	\$ 29,732	\$ 1,071,644	\$ 36,301	\$ 317,231	\$ 3,760,962
State Sources	12,700,413	202,752	-	-	-	12,903,165
Federal Sources	275,485	757,053	-	-	-	1,032,538
Interdistrict and other sources	633,871	-	-	-	-	633,871
Total Revenues	15,915,823	989,537	1,071,644	36,301	317,231	18,330,536
EXPENDITURES:						
Instruction	9,559,718	-	-	-	-	9,559,718
Supporting Services	6,193,388	-	-	-	345,434	6,538,822
Community Service	137,262	-	-	-	-	137,262
Food Service	-	1,022,348	-	-	-	1,022,348
Debt Service -						
Principal repayment	-	-	700,000	-	-	700,000
Interest and fiscal charges	-	-	297,600	-	-	297,600
Capital Outlay	910,658	16,260	-	52,200	-	979,118
Total Expenditures	16,801,026	1,038,608	997,600	52,200	345,434	19,234,868
OTHER FINANCING SOURCES (USES):						
Lease proceeds	71,492	-	-	-	-	71,492
Principal - lease	(13,408)	-	-	-	-	(13,408)
Interest - lease	(1,362)	-	-	-	-	(1,362)
Operating transfers out	-	-	-	-	-	-
Net Other Financing Sources (Uses)	56,722	-	-	-	-	56,722
Net Change in Fund Balances	(828,481)	(49,071)	74,044	(15,899)	(28,203)	(847,610)
Fund Balance - Beginning of Year	6,071,741	404,431	379,091	1,613,421	322,416	8,791,100
Fund Balance - End of Year	\$ 5,243,260	\$ 355,360	\$ 453,135	\$ 1,597,522	\$ 294,213	\$ 7,943,490

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, 2025**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (847,610)

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	\$ (786,949)	
Capital outlay	922,658	
Loss on asset disposal	-	
	-	

Net		135,709
-----	--	---------

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

Proceeds from lease agreement		(71,492)
Principal payments on lease		13,408
Payments on bonded debt		700,000
Amortization of bond premium		68,721
Amortization of deferred outflows on refunding		(17,983)

Change in net pension liability and related deferred amounts		2,279,977
--	--	-----------

Change in net OPEB liability and related deferred amounts		1,289,884
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Change in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB 101		29,986
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Rounding		-
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 3,580,600
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The accompanying notes are an integral part of the financial statements.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2025

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 be available only when cash is received by the government.

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.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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.

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.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Capital Assets

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Postemployment Benefits Other Than Pensions

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

Deferred Outflows and Inflows of Resources

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

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

Property Taxes

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

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Net Position/Fund Balance

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

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

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

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

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

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

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

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

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

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

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

Net Position Flow Assumption

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

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 2025, the School District implemented GASB Statement No. 101, Compensated Absences, which became effective for fiscal years beginning after December 15, 2023. It requires that liabilities for compensated absences be recognized for (1.) leave that has not been used and (2.) leave that has been used but not yet paid. Liabilities for certain types of compensated absences - including parental leave, military leave, and jury duty leave will not be recognized until the leave commences. Generally, the liability will be measured using an employee's pay rate as of the date of the financial statements.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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

During the year, the School District incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Instruction-			
Added Needs	\$ 1,837,000	\$ 1,866,330	\$ 29,330
Supporting Services-			
Pupil	531,000	628,284	97,284
Business Services	250,000	298,505	48,505
Other Support Services	384,000	397,641	13,641
Athletics	294,385	321,992	27,607
Food Service			
Operation of Plant	14,000	18,356	4,356
Capital Outlay	10,000	16,260	6,260

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

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

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

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 7,606,661	\$ 7,606,661

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, 2025, the book value of the District's demand deposits, consisting of deposits and their cash equivalents, was \$7,606,661 with a corresponding bank balance of \$7,897,576. As of June 30, 2025, \$7,647,576 of the District's \$7,897,576 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, 2025

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, 2025

Note 4. Lease Liability

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Annual Payment Amount	Interest Rate	Total Lease Liability	Current Year Additional Outflows	Balance June 30, 2025
Copiers	12/13/2024	3 years	\$ 25,320	4.21%	\$ 71,492	\$ -	\$ 58,084

The equipment lease is for a term of three years with no stated interest rate. The District used the risk free interest rate on a three year term at the time of the leases. The lease has an option to renew or purchase the equipment at fair market value at the end of the term but, the District does not anticipate renewing or purchasing.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year ending June 30,	Principal	Interest
2026	\$ 23,321	\$ 1,999
2027	24,323	998
2028	10,440	110
	<u>\$ 58,084</u>	<u>\$ 3,107</u>

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 5. Capital Assets

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

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated				
Construction in Progress	\$ 190,333	\$ 268,471	\$ (27,464)	\$ 431,340
Land	<u>197,000</u>	<u>-</u>	<u>-</u>	<u>197,000</u>
Total capital assets not being depreciated	<u>387,333</u>	<u>268,471</u>	<u>(27,464)</u>	<u>628,340</u>
Capital assets being depreciated				
Land improvements	2,738,385	168,721	-	2,907,106
Buildings and improvements	33,717,963	309,751	-	34,027,714
Buses and other vehicles	1,147,458	122,363	(24,090)	1,245,731
Furniture and equipment	1,373,806	9,324	-	1,383,130
Intangible Right-to-Use equipment leases	<u>-</u>	<u>71,492</u>	<u>-</u>	<u>71,492</u>
Total capital assets being depreciated	38,977,612	681,651	(24,090)	39,635,173
Accumulated depreciation:				
Land improvements	1,619,523	118,910	-	1,738,433
Buildings and improvements	19,869,558	480,904	-	20,350,462
Buses and other vehicles	795,933	114,539	(24,090)	886,382
Furniture and equipment	976,888	58,695	-	1,035,583
Intangible Right-to-Use equipment leases	<u>-</u>	<u>13,901</u>	<u>-</u>	<u>13,901</u>
Total accumulated depreciation	<u>23,261,902</u>	<u>786,949</u>	<u>(24,090)</u>	<u>24,024,761</u>
Net capital assets being depreciated	<u>15,715,710</u>	<u>(105,298)</u>	<u>-</u>	<u>15,610,412</u>
Total net capital assets	<u>\$ 16,103,043</u>	<u>\$ 163,173</u>	<u>\$ (27,464)</u>	<u>\$ 16,238,752</u>

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

Government Activities:	
Unallocated	<u>\$ 786,949</u>

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 6. 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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 115,307
Debt Service Fund	General Fund	\$ 73,883
Capital Projects Fund	General Fund	\$ 3,200
Student Activity Fund	General Fund	\$ 1,086

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.

There were no interfund transfers during the year ended June 30, 2025.

Note 7. 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.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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.

The following is a summary of the long-term debt transactions of the School District for the year ended June 30, 2025:

	Beginning Balance	Change	Ending Balance	Current Portion
Bonds Payable:				
2016 Refunding bonds	\$ 7,440,000	\$ (700,000)	\$ 6,740,000	\$ 730,000
2016 Bond premium	618,485	(68,721)	549,764	-
Total bonds payable	<u>8,058,485</u>	<u>(768,721)</u>	<u>7,289,764</u>	<u>730,000</u>
Other Obligations:				
Compensated absences	<u>444,630</u>	<u>(29,986)</u>	<u>414,644</u>	<u>125,485</u>
Total long-term obligations excluding lease liability	<u>\$ 8,503,115</u>	<u>\$ (798,707)</u>	<u>\$ 7,704,408</u>	<u>855,485</u>
Lease liability			<u>58,084</u>	<u>23,321</u>
Total long-term obligations as reported in the statement of activities			<u>\$ 7,762,492</u>	<u>\$ 878,806</u>

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

	Principal	Interest	Total
2026	\$ 730,000	\$ 269,600	\$ 999,600
2027	760,000	240,400	1,000,400
2028	790,000	210,000	1,000,000
2029	825,000	178,400	1,003,400
2030	855,000	145,400	1,000,400
2031-2033	<u>2,780,000</u>	<u>225,400</u>	<u>3,005,400</u>
	<u>\$ 6,740,000</u>	<u>1,269,200</u>	<u>8,009,200</u>

Note 8. 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.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 9. Economic Dependency

Approximately 85% 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 10. 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, 2025, there were no significant tax abatements.

Note 11. 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.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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.

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, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2024.

Benefit Structure	Pension Contribution Rates		
	Member	Employer	
		Universities	Non-Universities
Basic	0.0 - 4.0%	10.94%	23.03%
Member Investment Plan	3.0 - 7.0%	10.94%	23.03%
Pension Plus	3.0 - 6.4%	N/A	19.17%
Pension Plus 2	6.2%	N/A	20.10%
Defined Contribution	0.0%	2.27%	13.90%

Required contributions to the pension plan from Pinconning Area Schools were \$2,355,1760 for the year ended September 30, 2024.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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

At June 30, 2025, the District reported a liability of \$16,287,565 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2023. 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, 2024, District's proportion was 0.066652869 percent, which was an increase of .00118177 percent from its proportion measured as of September 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$2,781,467. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 441,893	\$ 176,967
Changes of Assumptions	1,698,075	1,193,363
Net difference between projected and actual earnings on pension plan investments	-	3,108,358
Changes in proportion and differences between Employer contributions and proportionate share of contributions	278,161	480,612
Employer contributions subsequent to the measurement date	2,724,684	903,991
Total	\$ 5,142,813	\$ 5,863,291

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, 2025. 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)

2025	(719,138)
2026	54,325
2027	(1,103,588)
2028	(772,770)

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date: September 30, 2023

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: PubT-2010 Male and Female Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active Members: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes: Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4612 for non-university employers 1.0000 for university employers]

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2024 MPSERS Comprehensive Annual Financial Report found on the ORS website at michigan.gov/ORSSchools.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
Private Equity Pools	16.0	9.0
International Equity	15.0	6.5
Fixed Income Pools	13.0	2.2
Real Estate and Infrastructure Pools	10.0	7.1
Absolute Return Pools	9.0	5.2
Real Return/Opportunistic Pools	10.0	6.9
Short-Term Investment Pools	2.0	1.4
TOTAL	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 15.47%. 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, 2025

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 6.00% (6.00% 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	1% Increase
5.00%	Assumption	7.00%
6.00%	6.00%	7.00%
\$ 23,877,745	\$ 16,287,565	\$ 9,967,280

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.

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

The District accrued liabilities to the System in the amount of \$341,475 associated with salary and wages recorded as liabilities at year end.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 12. 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.

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.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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.

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, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2024.

Benefit Structure	Member	OPEB Contribution Rates	
		Universities	Non-Universities
Premium Subsidy	3.00%	1.53%	8.31%
Personal Healthcare Fund (PHF)	0.00%	0.00%	7.06%

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Required contributions to the OPEB plan from the District were \$557,768 for the year ended September 30, 2024.

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

At June 30, 2025, District reported an asset of \$2,888,399 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2023. Pinconning Area School's proportion of the net OPEB asset 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, 2024, District's proportion was 0.06710344 percent, which was an increase of .001697 percent from its proportion measured as of September 30, 2023.

For the year ending June 30, 2025, Pinconning Area School recognized OPEB expense of (\$1,147,540). At June 30, 2025, Pinconning Area Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 3,060,821
Changes of Assumptions	630,868	72,513
Net difference between projected and actual earnings on OPEB plan investments	-	546,807
Changes in proportion and differences between employer contributions and proportionate share of contributions	71,517	190,786
Employer contributions subsequent to the measurement date	100,480	-
Total	<u>\$ 802,865</u>	<u>\$ 3,870,927</u>

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2025. 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)	
2025	(1,068,269)
2026	(642,538)
2027	(600,328)
2028	(525,391)
2029	(279,926)
Thereafter	(52,090)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2023
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 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality: Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.2834 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 2024 MPSERS Comprehensive Annual Financial Report found on the ORS website at Michigan.gov/ORSSchools.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
Private Equity Pools	16.0	9.0
International Equity	15.0	6.5
Fixed Income Pools	13.0	2.0
Real Estate and Infrastructure Pools	10.0	7.1
Absolute Return Pools	9.0	5.2
Real Return/Opportunistic Pools	10.0	6.9
Short Term Investment Pools	2.0	1.4
TOTAL	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 15.45%. 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.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$ (2,232,178)	\$ (2,888,399)	\$ (3,445,771)

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
\$ (3,455,777)	\$ (2,888,399)	\$ (2,279,889)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2024 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 \$100,480 associated with salary and wages recorded as liabilities at year end.

PINCONNING AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 13. Restatement of Beginning Balances

Change in Accounting Principle

The beginning net position of the Governmental Activities in the government-wide Statement of Net Position has also been restated to record a prior period adjustment to correct the prior period interest income and to record a change in accounting principle GASB 101 Compensated Absences. A reconciliation of the prior period ending net position to the current year beginning net position for the Governmental Activities is as follows:

	Governmental Activities
July 1, 2024 as previously reported	\$ (4,143,229)
Change in accounting principle	(106,401)
	(4,249,630)
July 1, 2024 restated	\$ (4,249,630)

REQUIRED SUPPLEMENTAL INFORMATION

PINCONNING AREA SCHOOLS
BUDGET COMPARISON SCHEDULE - GENERAL FUND
June 30, 2025

	Original Budget	Final Amended Budget	Actual
REVENUES:			
Local Sources	\$ 1,980,000	\$ 2,200,000	\$ 2,306,054
State Sources	13,050,000	12,445,000	12,700,413
Federal Sources	410,000	387,000	275,485
Interdistrict and Other Sources	572,000	954,500	633,871
Total Revenues	<u>16,012,000</u>	<u>15,986,500</u>	<u>15,915,823</u>
EXPENDITURES:			
Instruction-			
Basic Programs	7,550,000	7,766,000	7,693,388
Added Needs	1,950,000	1,837,000	1,866,330
Supporting Services -			
Pupil	510,000	531,000	628,284
Instructional Staff	490,000	325,745	312,668
General Administration	410,000	420,048	387,032
School Administration	1,090,000	1,092,874	1,022,210
Business Services	250,000	250,000	298,505
Operation & Maintenance	1,650,000	1,786,000	1,758,382
Transportation	1,050,000	1,185,125	1,066,674
Other Support Services	430,000	384,000	397,641
Athletics	260,000	294,385	321,992
Community Services	131,000	144,634	137,262
Capital Outlay	600,000	1,000,000	910,658
Total Expenditures	<u>16,371,000</u>	<u>17,016,811</u>	<u>16,801,026</u>
OTHER FINANCING SOURCES (USES)			
Lease Proceeds	-	-	71,492
Principal - Lease	-	-	(13,408)
Interest - Lease	-	-	(1,362)
Operating Transfers Out	(100,000)	(100,000)	-
Net Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>56,722</u>
Net Change in Fund Balance	(459,000)	(1,130,311)	(828,481)
Fund Balance - Beginning of Year	3,749,627	6,071,741	6,071,741
Fund Balance - End of Year	<u>\$ 3,290,627</u>	<u>\$ 4,941,430</u>	<u>\$ 5,243,260</u>

PINCONNING AREA SCHOOLS
BUDGET COMPARISON SCHEDULE - FOOD SERVICE FUND
June 30, 2025

	Original Budget	Final Amended Budget	Actual
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Local Sources	\$ 40,000	\$ 40,000	\$ 29,732
State Sources	200,000	200,000	202,752
Federal Sources	800,000	800,000	757,053
Total Revenues	<u>1,040,000</u>	<u>1,040,000</u>	<u>989,537</u>
EXPENDITURES:			
Supporting Services - Operation of Plant	<u>14,000</u>	<u>14,000</u>	<u>18,356</u>
Food Service	1,050,000	1,050,000	1,003,992
Capital Outlay	10,000	10,000	16,260
	<u>1,060,000</u>	<u>1,060,000</u>	<u>1,020,252</u>
Total Expenditures	<u>1,074,000</u>	<u>1,074,000</u>	<u>1,038,608</u>
Net Change in Fund Balance	(34,000)	(34,000)	(49,071)
Fund Balance - Beginning of Year	342,933	404,431	404,431
Fund Balance - End of Year	<u>\$ 308,933</u>	<u>\$ 370,431</u>	<u>\$ 355,360</u>

**PINCONNING AREA SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2025**

**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)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. Employer's proportion of net pension liability (%)	0.06653%	0.06535%	0.06616%	0.06828%	0.07097%	0.07317%	0.07336%	0.07197%	0.07147%	0.07042%
B. Employer's proportionate share of net pension liability	16,287,565	21,150,227	24,881,237	16,166,253	24,379,025	24,230,007	22,053,428	18,649,631	17,831,979	17,200,092
C. Employer's covered-employee payroll	7,071,706	6,505,182	6,320,683	6,008,039	6,177,249	6,295,435	6,338,300	6,045,030	6,076,123	5,900,833
D. Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	230.32%	325.13%	393.65%	269.08%	394.66%	384.88%	347.94%	308.51%	293.48%	291.49%
E. Plan fiduciary net position as a percentage of total pension liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.74%	63.27%	63.17%

*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.

**PINCONNING AREA SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2025**

**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)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. Statutorily required contributions	\$ 2,781,467	\$ 2,355,176	\$ 2,251,750	\$ 2,050,277	\$ 1,950,353	\$ 1,942,178	\$ 1,997,778	\$ 1,843,595	\$ 1,632,512	\$ 1,572,415
B. Contributions in relation to statutorily required contributions*	<u>2,781,467</u>	<u>2,355,176</u>	<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>
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. Employer's covered-employee payroll**	\$ 7,592,165	\$ 6,866,694	\$ 6,547,400	\$ 6,223,267	\$ 5,987,407	\$ 6,238,548	\$ 6,306,632	\$ 6,257,979	\$ 5,998,286	\$ 5,830,579
E. Contributions as a percentage of covered-employee payroll	36.64%	34.30%	34.39%	32.95%	32.57%	31.13%	31.68%	29.46%	27.22%	26.97%

*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.

**PINCONNING AREA SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2025**

**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 (%)			0.000671034	0.06541%	0.06490%	0.06696%	0.06995%	0.72270%	0.07456%	0.07220%
B. Employer's proportionate share of net OPEB liability			\$ (2,888,399)	\$ (370,004)	\$ 1,374,728	\$ 1,022,063	\$ 3,747,605	\$ 5,187,335	\$ 5,927,095	\$ 6,394,077
C. Employer's covered payroll (OPEB)*			\$ 7,071,706	\$ 6,505,182	\$ 6,320,683	\$ 6,320,683	\$ 6,008,039	\$ 6,177,249	\$ 6,338,300	\$ 6,045,030
D. Employer's proportionate share of net OPEB liability as a percentage of its covered payroll (%)			-40.84%	-5.69%	21.75%	16.17%	62.38%	83.97%	93.51%	105.77%
E. Plan fiduciary net position as a percentage of total OPEB liability			143.08%	105.04%	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, 2025**

**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			\$ 557,768	\$ 509,514	\$ 494,403	\$ 497,074	\$ 494,240	\$ 501,413	\$ 535,462	\$ 477,225
B. OPEB contributions in relation to statutorily required contributions*			557,768	509,514	494,403	497,074	494,240	501,413	535,462	477,225
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Employer's covered payroll (OPEB)**			\$ 7,592,165	\$ 6,866,694	\$ 6,547,400	\$ 6,547,400	\$ 6,223,267	\$ 5,987,407	\$ 6,306,632	\$ 6,257,979
E. OPEB contributions as a percentage of covered payroll			7.35%	7.42%	7.55%	7.59%	7.94%	8.37%	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, 2025

Changes of Benefit Terms

There were no changes of benefit terms in fiscal year 2024.

Changes of Assumptions

There were no changes of benefit assumptions in fiscal year 2024.

OTHER SUPPLEMENTAL INFORMATION

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

REVENUES:	2025	2024
Local Sources -		
Current Tax Levy	\$ 1,838,147	\$ 1,706,792
Gate Receipts	71,909	69,135
Transportation Fees	27,590	37,890
Interest on Investments	151,935	92,721
Rentals	51,625	61,100
Donations	13,732	5,139
Local Grants	71,617	84,514
Other	79,499	50,980
Total Local Sources	2,306,054	2,108,271
State Sources -		
State Unrestricted Grants	9,002,430	9,424,204
Special Education	342,793	326,858
At Risk - Section 31a	875,990	821,352
State Aid Restricted	2,479,200	2,021,404
Total State Sources	12,700,413	12,593,818
Federal Sources -		
Title I	196,363	282,808
Title IV	21,753	21,351
Title II A	45,600	68,457
ESSER Formula COVID	-	2,537,359
11bb GEER	11,769	-
Total Federal Sources	275,485	2,909,975
Interdistrict and Other Sources		
Transfers From Other Governmental Units:		
Bay Arenac Intermediate School District		
Great Start Readiness Program	581,797	526,937
Other	52,074	54,047
Total Interdistrict and Other Sources	633,871	580,984
Total Revenues	\$ 15,915,823	\$ 18,193,048

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

	2025	2024
EXPENDITURES:		
Instruction - Basic Programs		
Elementary		
Teacher's Salaries	\$ 1,888,480	\$ 1,744,335
Benefits	1,376,517	1,248,200
Purchased Services	107,354	101,799
Teaching Supplies	46,342	49,593
Repairs & Maintenance	11,449	15,235
Textbooks & Software	48,391	27,524
Total Elementary	3,478,533	3,186,686
Middle School		
Teacher's Salaries	805,107	746,927
Benefits	602,610	556,498
Purchased Services	47,304	45,019
Teaching Supplies	22,038	11,447
Repairs & Maintenance	1,402	888
Textbooks & Software	11,624	18,806
Other Costs	958	1,105
Total Middle School	1,491,043	1,380,690
High School		
Teacher's Salaries	1,177,057	1,129,949
Benefits	857,052	801,071
Purchased Services	84,249	53,817
Conferences & Travel	2,490	5,322
Teaching Supplies	105,235	15,491
Tuition	77,454	54,829
Repairs & Maintenance	10,094	15,542
Textbooks & Software	56,161	45,120
Other Costs	6,623	14,613
Total High School	2,376,415	2,135,754

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

Pre School		
Teacher's Salaries	\$ 201,407	\$ 157,428
Benefits	122,367	96,929
Instructional Services	7,691	25,929
Teaching Supplies	15,932	20,353
Total Pre School	<u>347,397</u>	<u>300,639</u>
Summer School		
Teacher's Salaries	-	3,440
Benefits	-	1,344
Total Summer School	<u>-</u>	<u>4,784</u>
Total Basic Programs	7,693,388	7,008,553
Instruction - Added Needs		
Special Education		
Teacher's Salaries	644,389	511,793
Benefits	500,884	375,264
Purchased Services	33,811	82,048
Teaching Supplies	2,483	1,817
Total Special Education	<u>1,181,567</u>	<u>970,922</u>
Compensatory Education		
Teacher's Salaries	372,891	405,030
Benefits	260,519	292,155
Instructional Services	1,549	1,151
Teaching Supplies	49,804	57,068
Total Compensatory Education	<u>684,763</u>	<u>755,404</u>
Total Added Needs	<u>1,866,330</u>	<u>1,726,326</u>
Total Instruction	<u>9,559,718</u>	<u>8,734,879</u>

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

Supporting Services - Pupil

Guidance Services

Counseling Salaries	\$ 191,943	\$ 137,885
Benefits	125,462	90,064
Purchased Services	4,047	-
Supplies	-	495
Total Guidance Services	<u>321,452</u>	<u>228,444</u>

Health Services

Purchased Services	<u>165,294</u>	<u>111,049</u>
Total Pupil/Social Work Services	<u>165,294</u>	<u>111,049</u>

Pupil/Social Work Services

Social Worker Salaries	67,000	63,030
Benefits	52,785	50,875
Total Pupil/Social Work Services	<u>119,785</u>	<u>113,905</u>

Other Pupil Support Services

Purchased Services	<u>21,753</u>	<u>19,106</u>
Total Pupil/Social Work Services	<u>21,753</u>	<u>19,106</u>

Total Pupil	<u>628,284</u>	<u>472,504</u>
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Supporting Services - Instructional Staff

Improvement of Education

Salaries	5,923	67,245
Benefits	1,492	53,919
Instructional Services	62,500	59,900
Conferences & Travel	26,547	19,837
Other Costs	2,207	483
Supplies	29	164
Total Improvement of Education	<u>98,698</u>	<u>201,548</u>

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

Media		
Salaries	\$ 49,295	\$ 39,202
Benefits	41,787	47,120
Supplies	29	577
Total Media	<u>91,111</u>	<u>86,899</u>
Staff Services		
Instructional Services	<u>4,163</u>	<u>9,752</u>
Total Staff Services	4,163	9,752
Staff Supervision		
Salaries	52,040	88,282
Benefits	53,120	66,327
Supplies	308	288
Total Staff Supervision	<u>105,468</u>	<u>154,897</u>
Academic Student Assessment	<u>13,228</u>	<u>11,915</u>
Total Instructional Staff	<u>312,668</u>	<u>465,011</u>
Supporting Services - General Administration		
Board of Education		
Salaries	4,275	8,550
Benefits	336	674
Legal & Audit Fees	17,518	21,548
Conferences & Workshops	8,042	3,048
Dues & Fees	8,212	7,800
Advertising	14,574	1,685
Other Costs	-	130
Total Board of Education	<u>52,957</u>	<u>43,435</u>

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

Executive Administration		
Executive Salaries	\$ 177,518	\$ 176,491
Benefits	141,730	138,406
Dues & Fees	3,340	3,370
Conferences & Travel	8,574	8,679
Supplies	2,913	2,987
Total Executive Administration	<u>334,075</u>	<u>329,933</u>
 Total General Administration	 387,032	 373,368
 Supporting Services - School Administration		
Office of the Principal		
Administration Salaries	581,437	509,273
Benefits	422,695	390,174
Conferences & Travel	4,012	4,083
Supplies	6,584	8,216
Dues & Fees	7,482	9,501
Total Office of the Principal	<u>1,022,210</u>	<u>921,247</u>
 Total School Administration	 1,022,210	 921,247
 Supporting Services - Business Services		
Fiscal Services		
Salaries	113,600	108,461
Benefits	74,276	74,320
Purchases Services	23,961	24,087
Conferences & Travel	3,089	3,535
Repairs & Maintenance	2,470	1,098
Supplies	1,783	1,401
Other Costs	468	-
Dues & Fees	360	345
Capital Outlay	71,492	-
Total Fiscal Services	<u>291,499</u>	<u>213,247</u>

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

Other Business Services		
Insurance	\$ 6,953	\$ 6,332
Other Costs	53	53
Total Other Business Services	<u>7,006</u>	<u>6,385</u>
Total Business Services	298,505	219,632
Supporting Services - Operation & Maintenance		
Operations		
Salaries	531,271	415,117
Benefits	417,732	348,545
Equipment	1,788	6,152
Telephone	50,654	48,665
Utilities	358,208	328,112
Insurance	85,595	60,841
Maintenance	151,294	142,301
Supplies	149,047	108,792
Other Costs	1,024	217
Capital Outlay	32,398	-
Total Operations	<u>1,779,011</u>	<u>1,458,742</u>
Security Services		
Purchases Services	<u>11,769</u>	<u>56,647</u>
Total Security Services	<u>11,769</u>	<u>56,647</u>
Total Operation & Maintenance	1,790,780	1,515,389

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

Supporting Services - Transportation

Pupil Transportation

Salaries	\$ 473,155	\$ 416,466
Benefits	396,427	350,183
Purchased Services	16,297	5,980
Other Costs	1,737	1,384
Communications	2,916	2,916
Insurance	26,490	22,499
Maintenance & Repairs	68,794	90,691
Fuel & Oil	80,858	93,132
Capital Outlay	89,965	85,000
Total Pupil Transportation	<u>1,156,639</u>	<u>1,068,251</u>

Supporting Services - Other Support Services

Communication Services	<u>382</u>	<u>354</u>
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Staff Personnel Services	<u>1,132</u>	<u>7,752</u>
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Central Support Services

Salaries	111,364	100,822
Benefits	69,984	68,150
Purchased Services	40,122	39,158
Other Costs	280	1,078
Software	50,337	48,519
Equipment	56,971	41,060
Total Central Support Services	<u>329,058</u>	<u>298,787</u>

Pupil Accounting

Salaries	51,273	24,114
Benefits	15,796	35,284
Total Pupil Accounting	<u>67,069</u>	<u>59,398</u>

Total Other Support Services	397,641	366,291
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**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

Supporting Services - Athletics

Athletics

Salaries	\$ 63,035	\$ 53,944
Benefits	36,206	27,201
Workers	38,665	39,438
Contracted Coaches	105,608	83,784
Athletic Trainer	22,317	162
Transportation	18,418	20,146
Repairs & Maintenance	6,550	3,848
Tournament Fees	14,343	11,245
Equipment	16,850	14,039
Capital Outlay	-	-
Total Athletics	<u>321,992</u>	<u>253,807</u>

Total Supporting Services	<u>6,315,751</u>	<u>5,655,500</u>
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Community	<u>1,560</u>	<u>1,473</u>
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Non-Public School Pupils

Salaries	93,144	83,265
Benefits	41,479	37,337
Contracted Services	386	200
Conferences & Travel	-	655
Software	-	-
Teaching Supplies	693	615
Total Non-Public School Pupils	<u>135,702</u>	<u>122,072</u>

Total Community Services	<u>137,262</u>	<u>123,545</u>
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Capital Outlay

Land Improvements	137,312	34,544
Buildings & Improvements	650,983	322,466
Total Capital Outlay	<u>788,295</u>	<u>357,010</u>

**PINCONNING AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

Other Financing Sources/(Uses)		
Lease Proceeds	71,492	-
Principal - Lease	(13,408)	-
Interest - Lease	(1,362)	-
Operating Transfers Out	-	(1,000,000)
Total Other Financing Sources/(Uses)	56,722	(1,000,000)
Total Expenditures and Other Financing Uses	16,744,304	15,870,934
Excess of Revenues over (Under) Expenditures	(828,481)	2,322,114
Fund Balance - Beginning of Year	6,071,741	3,749,627
Committed by Board	1,248,162	1,248,162
Unassigned	3,995,098	4,823,579
Fund Balance - End of Year	\$ 5,243,260	\$ 6,071,741

**PINCONNING AREA SCHOOLS
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
REVENUES:		
Local Sources -		
Food Service - Cafeteria Sales	\$ 11,044	\$ 17,136
Earnings on Investments	-	-
Headstart Sales	18,084	32,104
Other	604	-
Total Local Sources	<u>29,732</u>	<u>49,240</u>
State Sources -		
At Risk	-	667
Section 31j Local Produce	5,350	1,791
Section 30d Breakfast	63,835	59,770
Section 30d Lunch	98,463	95,948
Section 31d School Lunch	35,104	33,213
Total State Sources	<u>202,752</u>	<u>191,389</u>
Federal Sources -		
National School Lunch Program	422,780	457,761
Summer Program	18,162	13,872
National School Breakfast Program	218,368	228,324
Child and Adult Care Program	29,872	43,006
Local Food	-	5,594
Equipment Assistance	-	3,706
Supply Chain Assist	-	34,247
Donated Commodities	67,808	58,191
Donated Commodities - Bonus	63	337
Total Federal Sources	<u>757,053</u>	<u>845,038</u>
Total Revenues	<u>989,537</u>	<u>1,085,667</u>

**PINCONNING AREA SCHOOLS
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPEDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
EXPENDITURES:		
Building Services -		
Purchased Services	\$ 18,356	\$ 12,666
Capital Outlay	-	52,892
Food Service -		
Salaries and Wages	209,566	162,795
Employee Benefits	131,528	114,283
Purchased Services	18,292	18,049
Contracted Management	172,186	152,639
Food and Milk	409,917	451,911
Supplies and Other Costs	62,503	59,957
Capital Outlay	16,260	29,204
Total Expenditures	<u>1,038,608</u>	<u>1,054,396</u>
Net Change in Fund Balance	(49,071)	31,271
Fund Balance - Beginning of Year	404,431	373,160
Fund Balance - End of Year	<u>\$ 355,360</u>	<u>\$ 404,431</u>

PINCONNING AREA SCHOOLS
2016 REFUNDING BOND FUND
SCHEDULE OF REVENUES AND EXPENDITURES
Year Ended June 30, 2025 and 2024

	2025	2024
REVENUES:		
Local Sources -		
Current Tax Levy	\$ 1,067,946	\$ 1,029,705
Interest	3,698	3,770
Total Local Sources	<u>1,071,644</u>	<u>1,033,475</u>
State Sources -		
State PILT	-	15,309
Total Revenues	<u>1,071,644</u>	<u>1,048,784</u>
EXPENDITURES:		
Debt Service -		
Bond Principal	700,000	675,000
Bond Interest	297,600	324,600
Total Expenditures	<u>997,600</u>	<u>999,600</u>
Net Change in Fund Balance	74,044	49,184
Fund Balance - Beginning of Year	379,091	329,907
Fund Balance - End of Year	<u><u>\$ 453,135</u></u>	<u><u>\$ 379,091</u></u>

**PINCONNING AREA SCHOOLS
 DETAIL OF BONDED DEBT
 2016 REFUNDING BONDS
 June 30, 2025**

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	
2025	\$ -	\$ -	\$ 134,800	\$ 134,800
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>\$ 6,740,000</u>	<u>\$ 634,600</u>	<u>\$ 634,600</u>	<u>\$ 8,009,200</u>



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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, 2025, 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 27, 2025.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2025-001.

Pinconning Area Schools' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Pinconning Area Schools' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Pinconning Area Schools' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on the response.

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 27, 2025

PINCONNING AREA SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2025

Finding 2025-001 - Material Noncompliance- Expenditures in Excess of Appropriations

Criteria:

Section 17 of the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended; MCL 141.437) states that a local unit of government shall not incur expenditures in excess of the amounts appropriated by the legislative body. The District's Board of Education has established the legal level of budgetary control at the function level within each fund.

Condition:

For the year ended June 30, 2025, actual expenditures exceeded appropriations adopted by the Board of Education in five functions of the General Fund and two functions of the Food Service Fund. The total expenditures for each fund, in their entirety, did not exceed the total amounts appropriated.

Cause:

The District experienced turnover in the Business Office at fiscal year-end. The prior business manager resigned shortly before year-end, the interim replacement served only one week, and the new business manager began several weeks after year-end. As a result, final budget amendments to address late-year expenditure changes were not completed prior to June 30.

Effect:

The District was not in full compliance with the Uniform Budgeting and Accounting Act at the function level. The overages were covered by available fund balance and were not material to the financial statements; however, the condition represents a statutory noncompliance.

Recommendation:

Management should continue to strengthen its budget monitoring procedures to ensure that appropriations are amended on a timely basis when expenditures are projected to exceed authorized amounts at the function level. Cross-training of key business office personnel and timely Board review of budget-to-actual reports would reduce the risk of recurrence.

View of Responsible Officials:

Management concurs with the finding. The District will ensure that multiple individuals are trained in budget preparation and monitoring procedures and that budget amendments are presented to the Board for approval prior to year-end when necessary. Management will continue to monitor budgetary activity on a monthly basis.



**PINCONNING AREA SCHOOLS
SINGLE AUDIT REPORT
June 30, 2025**

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PINCONNING AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2025

	Assistance Listing Number	Pass Through Grantor's #	Approved Award	(Memo Only) Prior Year Expenditure	Accrued Revenue July 1, 2024	Adjustments	Current Year's Receipts	Current Year's Expenditures	Accrued Revenue June 30, 2025	Current Year Cash Transferred To Sub recipient
U.S. DEPARTMENT OF AGRICULTURE:										
Passed Through M.D.E. -										
Child Nutrition Cluster:										
Non-Cash Assistance (Commodities):										
	10.555		\$ 63	\$ -	\$ -	\$ -	\$ 63	\$ 63	\$ -	\$ -
	10.555		67,808	-	-	-	67,808	67,808	-	-
			<u>67,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,871</u>	<u>67,871</u>	<u>-</u>	<u>-</u>
Cash Assistance:										
School Breakfast Program:										
	10.553	241970	33,314	-	2,623	-	33,314	30,691	-	-
	10.553	251970	218,368	-	-	-	185,255	187,677	2,422	-
			<u>251,682</u>	<u>-</u>	<u>2,623</u>	<u>-</u>	<u>218,569</u>	<u>218,368</u>	<u>2,422</u>	<u>-</u>
National School Lunch Program:										
	10.555	241960	62,948	-	3,593	-	62,948	59,355	-	-
	10.555	251960	362,340	-	-	-	359,172	362,340	3,168	-
	10.555	251980	1,085	-	-	-	1,085	1,085	-	-
			<u>426,373</u>	<u>-</u>	<u>3,593</u>	<u>-</u>	<u>423,205</u>	<u>422,780</u>	<u>3,168</u>	<u>-</u>
Summer Food Service Program for Children										
	10.559	240900	17,465	-	5,222	-	17,464	12,242	-	-
	10.559	250900	13,199	-	-	-	-	5,920	5,920	-
			<u>30,664</u>	<u>-</u>	<u>5,222</u>	<u>-</u>	<u>17,464</u>	<u>18,162</u>	<u>5,920</u>	<u>-</u>
	Total U.S. Department of Agriculture - Child Nutrition Cluster		<u>776,590</u>	<u>-</u>	<u>11,438</u>	<u>-</u>	<u>727,109</u>	<u>727,181</u>	<u>11,510</u>	<u>-</u>
Child and Adult Care Food Program										
	10.558	241920	3,852	-	-	-	3,852	3,852	-	-
	10.558	242010	246	-	-	-	246	246	-	-
	10.558	251920	24,323	-	-	-	24,323	24,323	-	-
	10.558	252010	1,451	-	-	-	1,451	1,451	-	-
			<u>29,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,872</u>	<u>29,872</u>	<u>-</u>	<u>-</u>
	Total U.S. Department of Agriculture		<u>806,462</u>	<u>-</u>	<u>11,438</u>	<u>-</u>	<u>756,981</u>	<u>757,053</u>	<u>11,510</u>	<u>-</u>

PINCONNING AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2025

	Assistance Listing Number	Pass Through Grantor's #	Approved Award	(Memo Only) Prior Year Expenditure	Accrued Revenue July 1, 2024	Adjustments	Current Year's Receipts	Current Year's Expenditures	Accrued Revenue June 30, 2025	Current Year Cash Transferred To Sub recipient
U.S. DEPARTMENT OF EDUCATION:										
Passed Through M.D.E. -										
Title 1 Part A										
2023/2024 Regular	84.010	241530-2324	282,808	-	282,808	-	282,808	-	-	-
2024/2025 Regular	84.010	251530-2425	308,020	-	-	-	111,522	196,363	84,841	-
			<u>590,828</u>	<u>-</u>	<u>282,808</u>	<u>-</u>	<u>394,330</u>	<u>196,363</u>	<u>84,841</u>	<u>-</u>
Title II Part A										
2023/2024 Regular	84.367	240520-2324	68,457	-	68,457	-	68,457	-	-	-
2024/2025 Regular	84.367	250520-2425	45,600	-	-	-	9,012	45,600	36,588	-
			<u>114,057</u>	<u>-</u>	<u>68,457</u>	<u>-</u>	<u>77,469</u>	<u>45,600</u>	<u>36,588</u>	<u>-</u>
Title IV Part A										
2023/2024 Regular	84.424	240750-2324	21,351	-	21,351	-	21,351	-	-	-
2024/2025 Regular	84.424	250750-2425	21,753	-	-	-	4,436	21,753	17,317	-
			<u>43,104</u>	<u>-</u>	<u>21,351</u>	<u>-</u>	<u>25,787</u>	<u>21,753</u>	<u>17,317</u>	<u>-</u>
Education Stabilization Fund										
EANS II - Section 11bb	84.425V	221037-2324	15,641	-	-	-	11,769	11,769	-	-
Total U.S. Department of Education			<u>763,630</u>	<u>-</u>	<u>372,616</u>	<u>-</u>	<u>509,355</u>	<u>275,485</u>	<u>138,746</u>	<u>-</u>
Total Federal Awards			<u>\$ 1,570,092</u>	<u>\$ -</u>	<u>\$ 384,054</u>	<u>\$ -</u>	<u>\$ 1,266,336</u>	<u>\$ 1,032,538</u>	<u>\$ 150,256</u>	<u>\$ -</u>

PINCONNING AREA SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2025

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, 2025. 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 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, 2025. 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, 2025.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited 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, 2025, and the related notes to the financial statements, which collectively comprise Pinconning Area Schools' basic financial statements. We issued our report thereon dated October 27, 2025, which contained unmodified opinions on the financial statements that collectively comprise the basic financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Quast, Janke and Company



Bay City, Michigan

December 8, 2025

PINCONNING AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2025

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: X YES _____ NO

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

AL Numbers	Name of Federal Program or Cluster
	<u>Child Nutrition Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program:
10.559	Summer Food Service Program for Children

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, 2025

Section II. Financial Statement Audit Findings

Finding 2025-001 - Material Noncompliance- Expenditures in Excess of Appropriations

Criteria:

Section 17 of the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended; MCL 141.437) states that a local unit of government shall not incur expenditures in excess of the amounts appropriated by the legislative body. The District's Board of Education has established the legal level of budgetary control at the function level within each fund.

Condition:

For the year ended June 30, 2025, actual expenditures exceeded appropriations adopted by the Board of Education in five functions of the General Fund and two functions of the Food Service Fund. The total expenditures for each fund, in their entirety, did not exceed the total amounts appropriated.

Cause:

The District experienced turnover in the Business Office at fiscal year-end. The prior business manager resigned shortly before year-end, the interim replacement served only one week, and the new business manager began several weeks after year-end. As a result, final budget amendments to address late-year expenditure changes were not completed prior to June 30.

Effect:

The District was not in full compliance with the Uniform Budgeting and Accounting Act at the function level. The overages were covered by available fund balance and were not material to the financial statements; however, the condition represents a statutory noncompliance.

Recommendation:

Management should continue to strengthen its budget monitoring procedures to ensure that appropriations are amended on a timely basis when expenditures are projected to exceed authorized amounts at the function level. Cross-training of key business office personnel and timely Board review of budget-to-actual reports would reduce the risk of recurrence.

View of Responsible Officials:

Management concurs with the finding. The District will ensure that multiple individuals are trained in budget preparation and monitoring procedures and that budget amendments are presented to the Board for approval prior to year-end when necessary. Management will continue to monitor budgetary activity on a monthly basis.

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, 2025.

**PINCONNING AREA SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Federal Award Findings and Questioned Costs

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2024.