HASTINGS AREA SCHOOL SYSTEM

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional supplementary information)

YEAR ENDED JUNE 30, 2023

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hastings Area School System

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hastings Area School System, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Hastings Area School System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hastings Area School System, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hastings Area School System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hastings Area School System'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 Hastings Area School System'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 and other required supplementary information, as identified in the table of contents, 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 Hastings Area School System's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023 on our consideration of Hastings Area School System'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 Hastings Area School System'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 Hastings Area School System's internal control over financial reporting and compliance.

Maner Costerisan PC

October 6, 2023

This section of the Hastings Area School System ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the District's financial statements which immediately follow this section.

District-Wide Financial Statements

The first two statements are District-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, both short- and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term obligations of the District resulting in total net position.

Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. To assess the District's overall financial health, one should consider additional factors which may include the State's and/or region's economic condition, changes in the District's property tax base, and age and condition of its capital assets.

Fund Financial Statements

For the most part, the fund financial statements are comparable to financial statements for the previous fiscal year. The fund level statements are reported on a modified accrual basis in that only those assets that are deemed "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with requirements of the Michigan Department of Education's "Accounting Manual". In the state of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds categorized as Special Revenue, Debt Service, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Summary of Net Position

The following schedule summarizes the net position for the fiscal years ended June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Assets		
Current and other assets	$ 12,285,486	$ 12,118,651
Capital assets	62,011,357	63,976,148
Total assets	74,296,843	76,094,799
Deferred outflows	19,753,408	9,720,277
Liabilities		
Long-term debt outstanding	41,422,520	44,058,665
Other liabilities	4,427,525	5,133,200
Net pension liability	50,900,468	31,916,225
Net other postemployment benefits liability	2,866,684	2,038,236
Total liabilities	99,617,197	83,146,326
Deferred inflows	10,418,169	21,457,197
Net position		
Net investment in capital assets	21,225,981	20,630,484
Restricted	1,613,684	1,715,674
Unrestricted	(38,824,780)	(41,134,605)
Total net position	$ (15,985,115)	$ (18,788,447)

Analysis of Financial Position

During the fiscal year ended June 30, 2023, the District's net position increased by $2,803,332. A few of the more significant factors affecting net position during the year are discussed below:

- Cash Equivalents, Deposits and Investments

  At June 30, 2023, the District's cash equivalents, deposits and investments amounted to $6,230,350. This represented a decrease of $1,084,230 from the previous year, primarily as a result of increased spending on capital improvements across the District and timing of federal draw requests.

- Capital Outlay Acquisitions

  For the fiscal year ended June 30, 2023, $1,104,030 in capital outlay was placed into service as capital assets of the District. $490,269 was added to construction in progress. These additions to the District's capital assets will be depreciated over time as explained below.

  The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation expense is a net decrease to capital assets in the amount of $1,964,791 for the fiscal year ended June 30, 2023.

Analysis of Financial Position (continued)

- Depreciation Expense

  GASB 34 requires school districts to maintain records of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in the net position.

- Bonded Debt and Debt from Direct Borrowings

  For the fiscal year ended June 30, 2023, the District's bonded debt and debt from direct borrowings decreased by $2,597,288 as a result of repayment of previously issued debt. At fiscal year-end, approximately $41.0 million was outstanding with $2.6 million due within one year.

- Accumulated Compensated Absences

  At June 30, 2023, the District had an obligation to employees for the portion of unearned compensated absences that they would be entitled to upon separation in the amount of approximately $526,000.

Results of Operations

For the fiscal years ended June 30, 2023 and 2022, the results of operations, on a District-wide basis, were:

	Fiscal Year Ended June 30, 2023		Fiscal Year Ended June 30, 2022	
	Amount	%	Amount	%
General Revenues				
Property taxes	$ 8,406,044	20.84%	$ 7,944,664	21.35%
State sources, unrestricted	19,459,166	48.24%	17,983,606	48.33%
Investment earnings	140,231	0.35%	28,728	0.08%
Other	494,047	1.22%	423,666	1.14%
Total general revenues	28,499,488	70.65%	26,380,664	70.90%
Program Revenues				
Charges for services	1,730,220	4.29%	1,189,030	3.20%
Operating grants	10,032,294	24.87%	9,490,438	25.50%
Capital grants and contributions	79,293	0.19%	152,060	0.40%
Total revenue	40,341,295	100.00%	37,212,192	100.00%
Expenses				
Instruction	21,440,138	57.12%	18,507,370	56.31%
Support services	11,551,231	30.77%	10,113,327	30.77%
Community service	1,043,066	2.78%	651,525	1.98%
Food services	1,306,828	3.48%	1,284,866	3.92%
Student/school activities	425,145	1.13%	431,192	1.31%
Interest on long-term debt	1,771,555	4.72%	1,876,592	5.71%
Total expenses	37,537,963	100.00%	32,864,872	100.00%
Change in net position	$ 2,803,332		$ 4,347,320	

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

- Property Taxes

  The District levied 17.7953 mills of property taxes for operations on non-principal residence exempt property for the 2022 tax year. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time that property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value. At June 30, 2023, there were no unpaid property taxes.

- State Sources

  The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment which is calculated using 90% of the 2022 calendar year's fall count (October) and 10% of the 2022 calendar year's spring count (February). For the 2022-2023 fiscal year, the District received $9,150 per student full time equivalent. The student foundation allowance increased $450 when compared to the 2021-2022 fiscal year.

- Operating Grants

  The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2023, federal, state, and other grants amounted to $10,032,294. This represents a 5.7% increase from the $9,490,438 received for the 2021-2022 fiscal year. The increase in revenue is primarily due to grants related to COVID-19 including the Education Stabilization Fund, an increase in restricted grant funding from the state, and a new Great Start Readiness Program grant.

Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	2022 - 2023	2021 - 2022	Increase (Decrease)
Instruction	$ 20,746,427	$ 18,455,468	$ 2,290,959
Supporting services	12,475,975	10,732,824	1,743,151
Community services	1,160,205	743,636	416,569
Food service activities	1,375,716	1,314,245	61,471
Student/school activities	425,145	431,192	(6,047)
Capital outlay	808,337	1,089,145	(280,808)
Debt service	4,477,933	4,702,024	(224,091)
Total expenditures	$ 41,469,738	$ 37,468,534	$ 4,001,204

General Fund Budgetary Highlights

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the annual operating budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30, 2023.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations for the fiscal year ending June 30, 2023.

	Original Budget	Final Budget	Actual	Final Variance with Budget	% Variance
Total Revenues	$ 29,636,135	$ 33,765,985	$ 34,072,517	$ 306,532	0.91%
Expenditures					
Instruction	$ 18,502,759	$ 20,877,098	$ 20,746,427	$ 130,671	0.63%
Support	10,623,925	12,478,074	12,475,975	2,099	0.02%
Community service	3,501	7,374	4,717	2,657	36.03%
Debt service	140,889	160,375	157,739	2,636	1.64%
Total expenditures	$ 29,271,074	$ 33,522,921	$ 33,384,858	$ 138,063	0.41%
Other Financing Sources (Uses)	$ (5,000)	$ (80,000)	$ (167,188)	$ (87,812)	109.77%

The original budget adopted by the Board in June 2022 was amended three times during the year. The amendments, approved in December 2022, April 2023, and June 2023, reflected necessary changes to both revenues and expenditures based on projections made by the Associate Superintendent of Operations.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2022-2023 fiscal year, the District had invested approximately $106.3 million as the original cost in a broad range of capital assets, including land, construction in progress, school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to $3,090,586, bringing the accumulated depreciation to $44.3, million as of June 30, 2023. For more information related to capital assets, see Note 4.

	Cost	Accumulated Depreciation	2023 Net Book Value	2022 Net Book Value
Land	$ 53,410	$ -	$ 53,410	$ 53,410
Construction in progress	490,269	-	490,269	468,504
Buildings and building improvements	93,010,800	34,000,137	59,010,663	60,777,539
Buses and other vehicles	2,480,641	1,827,979	652,662	356,631
Furniture and equipment	10,289,450	8,485,097	1,804,353	2,320,064
Total	$ 106,324,570	$ 44,313,213	$ 62,011,357	$ 63,976,148

Capital Asset and Debt Administration (continued)

Long-term Obligations

At June 30, 2023, the District had approximately $41.4 million in long-term obligations of which $40.5 million was comprised of outstanding bonded debt and the remainder is installment loans and compensated absences. The long-term obligations decreased during the year with $2,597,288 of previously outstanding bonds being redeemed and payments on the installment loans. In addition to the bonded debt and installment loans, the District has obligations for compensated absences estimated at approximately $526,000. For more information related to long-term obligations see Note 6.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- The District's elected officials and administration considered many factors when setting the District's 2023-2024 fiscal year budgets. One of the most important factors affecting the budget is the student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2024 fiscal year is 90% and 10% of the October 2023 and February 2023 student counts, respectively. The 2023-2024 budget was adopted in June 2023, based on an estimate of students that will be enrolled in September 2023. Approximately 75% of total General Fund revenue is from the foundation allowance. Under State law, the District cannot access additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the District to amend the budget if actual resources are not sufficient to fund original appropriations.

- Since the 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. The current state revenues have held steady, but the national economy is concerning and will need to be watched carefully.

- Another important factor to watch is federal funding for Title I and Title II programs which help the neediest students and provides training for the District staff. The district has also received significant federal revenue due to the COVID 19 pandemic, however these fund will be significantly reduced for the 2023-24 school year. These are one-time funds, so the district will need to be mindful not build in legacy costs that will remain after the revenues are gone.

Contacting the District's Financial Management

This financial report is intended to provide taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Business Office, 232 West Grand Street, Hastings, Michigan 49058.

BASIC FINANCIAL STATEMENTS

HASTINGS AREA SCHOOL SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 3,715,465
Investments	2,514,885
Receivables	
Accounts	877,078
Intergovernmental	5,144,607
Inventories	33,426
Prepaids	25
Capital assets not being depreciated	543,679
Capital assets, net of accumulated depreciation/amortization	61,467,678
TOTAL ASSETS	74,296,843
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of amortization	111,000
Related to pensions	15,645,966
Related to other postemployment benefits	3,996,442
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,753,408
LIABILITIES	
Accounts payable	146,061
Accrued salaries and related items	1,652,891
Accrued retirement	1,320,906
Accrued interest	271,780
Accrued liabilities	20,514
Unearned revenue	15,373
Note payable	1,000,000
Noncurrent liabilities:	
Due within one year	2,893,814
Due in more than one year	38,528,706
Net pension liability	50,900,468
Net other postemployment benefits liability	2,866,684
TOTAL LIABILITIES	99,617,197
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	594,555
Related to other postemployment benefits	6,113,186
Related to state aid funding for pension benefits	3,710,428
TOTAL DEFERRED INFLOWS OF RESOURCES	10,418,169
NET POSITION	
Net investment in capital assets	21,225,981
Restricted for capital projects (sinking funds)	532,237
Restricted for debt service	1,081,447
Unrestricted	(38,824,780)
TOTAL NET POSITION	$ (15,985,115)

See notes to financial statements.

HASTINGS AREA SCHOOL SYSTEM
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants and Contributions	Governmental Activities Net (Expense) Revenue and Changes in Net Position
Governmental activities					
Instruction	$ 21,440,138	$ 5,355	$ 7,004,349	$ -	$ (14,430,434)
Supporting services	11,551,231	299,155	1,609,559	5,334	(9,637,183)
Community service	1,043,066	598,600	291,441	-	(153,025)
Food service	1,306,828	344,620	1,126,945	-	164,737
Student/school activities	425,145	482,490	-	-	57,345
Interest on long-term debt	1,771,555	-	-	73,959	(1,697,596)
Total governmental activities	$ 37,537,963	$ 1,730,220	$ 10,032,294	$ 79,293	(25,696,156)
General revenues					
Property taxes, levied for general purposes					3,509,123
Property taxes, levied for debt service					4,225,699
Property taxes, levied for sinking fund					671,222
Special education county allocation					364,331
State sources - unrestricted					19,459,166
Investment earnings					140,231
Other revenue					129,716
Total general revenues					28,499,488
CHANGE IN NET POSITION					2,803,332
NET POSITION, beginning of year					(18,788,447)
NET POSITION, end of year					$ (15,985,115)

See notes to financial statements.

HASTINGS AREA SCHOOL SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Debt Service	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 363,988	$ 1,353,227	$ 1,998,250	$ 3,715,465
Investments	2,514,885	-	-	2,514,885
Receivables				
Accounts	876,578	-	500	877,078
Intergovernmental	5,135,363	-	9,244	5,144,607
Due from other funds	160	-	-	160
Inventories	26,678	-	6,748	33,426
Prepaids	25	-	-	25
TOTAL ASSETS	$ 8,917,677	$ 1,353,227	$ 2,014,742	$ 12,285,646
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 137,935	$ -	$ 8,126	$ 146,061
Accrued salaries and related items	1,648,991	-	3,900	1,652,891
Accrued retirement	1,320,906	-	-	1,320,906
Accrued liabilities	20,514	-	-	20,514
Unearned revenue	-	-	15,373	15,373
Due to other governments	-	-	160	160
Note payable	1,000,000	-	-	1,000,000
TOTAL LIABILITIES	4,128,346	-	27,559	4,155,905
FUND BALANCES				
Nonspendable				
Inventories	26,678	-	6,748	33,426
Prepaids	25	-	-	25
Restricted for:				
Debt service	-	1,353,227	-	1,353,227
Capital projects	-	-	532,237	532,237
Community Center	-	-	1,700	1,700
Food service	-	-	398,973	398,973
Committed for:				
Student/school activities	-	-	421,653	421,653
Capital projects	525,000	-	-	525,000
Assigned for:				
Capital projects	-	-	625,872	625,872
Unassigned	4,237,628	-	-	4,237,628
TOTAL FUND BALANCES	4,789,331	1,353,227	1,987,183	8,129,741
TOTAL LIABILITIES AND FUND BALANCES	$ 8,917,677	$ 1,353,227	$ 2,014,742	$ 12,285,646

See notes to financial statements.

HASTINGS AREA SCHOOL SYSTEM
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total governmental fund balances		$ 8,129,741
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - deferred charges on refunding, net of amortization		111,000
Deferred outflows of resources - related to pensions		15,645,966
Deferred inflows of resources - related to pensions		(594,555)
Deferred outflows of resources - related to other postemployment benefits		3,996,442
Deferred inflows of resources - related to other postemployment benefits		(6,113,186)
Deferred inflows of resources - related to state funding for pension benefits		(3,710,428)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$106,324,570	
Accumulated depreciation is	(44,313,213)	
		62,011,357
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Long-term debt obligation		(40,896,376)
Compensated absences		(526,144)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid, net of federal subsidies		(271,780)
Net pension liability		(50,900,468)
Net other postemployment benefits liability		(2,866,684)
Net position of governmental activities		$ (15,985,115)

See notes to financial statements.

HASTINGS AREA SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Debt Service	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	$ 3,509,123	$ 4,225,699	$ 671,141	$ 8,405,963
Tuition	5,355	-	507,400	512,755
Investment earnings	103,467	5,306	31,458	140,231
Food sales	-	-	344,620	344,620
Student/school activities	-	-	482,490	482,490
Other	457,992	-	106,200	564,192
Total local sources	4,075,937	4,231,005	2,143,309	10,450,251
State sources	27,831,410	36,786	67,476	27,935,672
Federal sources	1,793,386	73,959	1,309,569	3,176,914
Incoming transfers and other	371,784	-	-	371,784
TOTAL REVENUES	34,072,517	4,341,750	3,520,354	41,934,621
EXPENDITURES				
Current				
Instruction	20,746,427	-	-	20,746,427
Supporting services	12,475,975	-	-	12,475,975
Community service	4,717	-	1,155,488	1,160,205
Food service	-	-	1,375,716	1,375,716
Student/school activities	-	-	425,145	425,145
Capital outlay	-	-	808,337	808,337
Debt service	157,739	4,320,194	-	4,477,933
TOTAL EXPENDITURES	33,384,858	4,320,194	3,764,686	41,469,738
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	687,659	21,556	(244,332)	464,883
OTHER FINANCING SOURCES (USES)				
Proceeds from installment note	395,312	-	-	395,312
Transfers in	-	-	562,500	562,500
Transfers out	(562,500)	-	-	(562,500)
TOTAL OTHER FINANCING SOURCES (USES)	(167,188)	-	562,500	395,312
NET CHANGE IN FUND BALANCES	520,471	21,556	318,168	860,195
FUND BALANCES				
Beginning of year	4,268,860	1,331,671	1,669,015	7,269,546
End of year	$ 4,789,331	$ 1,353,227	$ 1,987,183	$ 8,129,741

See notes to financial statements.

HASTINGS AREA SCHOOL SYSTEM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balances total governmental funds	$ 860,195
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	(3,090,586)
Capital outlay	1,125,795
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.	
Accrued interest payable, beginning of the year	284,095
Accrued interest payable, end of the year	(271,780)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on long-term obligations	2,691,544
Proceeds from installment note	(395,312)
Amortization of bond premiums	301,056
Amortization of deferred charge on refunding	(37,000)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds.	
Accrued compensated absences, beginning of the year	565,001
Accrued compensated absences, end of the year	(526,144)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Pension related items	529,865
Other postemployment benefits related items	2,360,010
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefits contributions subsequent to the measurement period.	
Pension benefit related items, beginning of year	2,117,021
Pension benefit related items, end of year	(3,710,428)
Change in net position of governmental activities	$ 2,803,332

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

The Hastings Area School System (the "District") is governed by the Hastings Area School System Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nonmajor Funds

Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, community center, and student/school activities as special revenue funds.

The *Capital Projects Sinking Fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

The *Capital Projects and Technology Fund* accounts for costs of technology and other capital improvements. The general fund finances this fund and is budgeted annually.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

<u>Measurement Focus and Basis of Accounting</u>

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

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2023. The District does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)</u>

Investments

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services, and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and building improvements	5 - 50 years
Buses and other vehicles	5 - 10 years
Furniture and equipment	3 - 20 years

Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public 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

In addition to assets, the statement of net 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). 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 the resources are considered to be applied. It is the 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.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies (continued)

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Leases

Lessee: The District at times may enter into a lease as a lessee for noncancelable leases of equipment. The District would recognize a lease liability and an intangible right-to-use asset in the government-wide financial statements. The District would recognize lease liabilities with an initial, individual lease value of $5,000 or more.

At the commencement of a lease , the District initially measures the lease liability at the net present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the payments made. The lease asset is initially measured as the initial amount of the lease liability, and adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District used the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term incudes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2023, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	17.7953
Commercial Personal Property	5.7953
Debt Service Fund	
PRE, Non-PRE, Commercial Personal Property	6.0000
Sinking Fund	
PRE, Non-PRE, Commercial Personal Property	0.9531

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee leaves, resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023, the District had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, $3,190,852 of the District's bank balance of $3,712,372 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The above amounts include interest bearing accounts. The carrying value on the books for deposits at the end of the year was $3,715,465.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring 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; and, 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 District's cash requirements.

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment Pool - MAX	$ 2,501,018	N/A
MILAF External Investment Pool - CMC	13,867	N/A
Total fair value	$ 2,514,885	
Portfolio weighted average maturity		N/A

One day maturity equals 0.0027, one year equals 1.00

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment Pool - MAX	$ 2,501,018	AAAm	Standard & Poor's
MILAF External Investment Pool - CMC	13,867	AAAm	Standard & Poor's
Total	$ 2,514,885		

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF Max Class and MILAF Cash Management Class funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. These funds require notification of redemptions prior to 14 days to avoid penalties and are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment Pool - MAX	$ 2,501,018
MILAF External Investment Pool - CMC	13,867
	$ 2,514,885

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the financial statements, based on criteria disclosed in Note 1.

The following summarizes the categorizations of these amounts presented in the financial statements as of June 30, 2023:

Cash and cash equivalents	$ 3,715,465
Investments	2,514,885
	$ 6,230,350

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2023 consist of the following:

Governmental units	
State revenue	$ 4,852,220
Federal revenue	292,387
	$ 5,144,607

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2022	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2023
Capital assets not being depreciated				
Land	$ 53,410	$ -	$ -	$ 53,410
Construction in progress	468,504	490,269	468,504	490,269
Subtotal	521,914	490,269	468,504	543,679
Capital assets being depreciated				
Buildings and building improvements	92,390,551	620,249	-	93,010,800
Buses and other vehicles	2,218,119	445,812	183,290	2,480,641
Furniture and equipment	10,251,481	37,969	-	10,289,450
Subtotal	104,860,151	1,104,030	183,290	105,780,891
Less accumulated depreciation				
Buildings and building improvements	(31,613,012)	(2,387,125)	-	(34,000,137)
Buses and other vehicles	(1,861,488)	(149,781)	(183,290)	(1,827,979)
Furniture and equipment	(7,931,417)	(553,680)	-	(8,485,097)
Subtotal	(41,405,917)	(3,090,586)	(183,290)	(44,313,213)
Total capital assets being depreciated	63,454,234	(1,986,556)	-	61,467,678
Governmental activities capital assets, net	$ 63,976,148	$ (1,496,287)	$ 468,504	$ 62,011,357

Depreciation for the fiscal year ended June 30, 2023 amounted to $3,090,586. The District allocated depreciation to the various activities as follows:

Instruction	$ 2,472,469
Support services	618,117
	$ 3,090,586

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2023, the District has issued a state aid anticipation note payable outstanding of $1,000,000. Proceeds of the note were used to fund school operations. The note is through Highpoint Community Bank and has the following interest rate and maturity:

Note	Amount	Interest Rate	Maturity Date
2022-1	$ 1,000,000	2.39%	August 21, 2023

The state aid anticipation note is secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the note is payable from tax levies within the issuer's constitutional or statutory limitations, or of unencumbered funds of the issuer. Note 2022-1 has no required payments during the year and may be paid in whole or in part, without penalty, prior to maturity. Activity for the year ended June 30, 2023 is as follows:

Balance July 1, 2022	Additions	Payments	Balance June 30, 2023
$ 1,600,000	$ 1,000,000	$ 1,600,000	$ 1,000,000

NOTE 6 - LONG-TERM OBLIGATIONS

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

	General Obligation Bonds	Direct Borrowings and Direct Placements	Accumulated Compensated Absences	Total
Balance, July 1, 2022	$ 43,351,569	$ 142,095	$ 565,001	$ 44,058,665
Additions	-	395,312	201,106	596,418
Deletions	(2,841,056)	(151,544)	(239,963)	(3,232,563)
Balance, June 30, 2023	40,510,513	385,863	526,144	41,422,520
Due within one year	2,600,000	70,354	223,460	2,893,814
Due in more than one year	$ 37,910,513	$ 315,509	$ 302,684	$ 38,528,706

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2023 is comprised of the following issues:

General Obligation Bonds	
2010 School Building and Site Bonds - $3,200,000, due in annual principal installments of $400,000 through May 1, 2026, with interest of 5.00%, payable semi-annually.	$ 1,200,000
2016 Refunding Bonds - $2,820,000, due in annual principal installments, ranging from $690,000 to $715,000 through May 1, 2026, with an interest rate of 4.00%, payable semi-annually.	2,105,000
2016 Building and Site Bonds - $39,710,000, due in annual principal installments, ranging from $1,500,000 to $2,450,000 through May 1, 2040, with interest ranging from 3.25% to 5.00%, payable semi-annually.	32,650,000
Add issuance premiums	4,555,513
Total general obligation bonds	40,510,513
Notes from Direct Borrowings and Direct Placements	
Buses Installment Loan, dated July 23, 2019 - $170,192, due in an annual installment of $35,101 on December 20, 2023, with an interest rate of 2.240%, payable annually.	35,101
Buses Installment Loan, dated Octobrt 20, 2022 - $395,312, due in annual installments of $74,144 to $82,635 through January 20, 2027, with an interest rate of 3.68%, payable annually.	313,354
Copier Installment Loan, dated August 6, 2019 - $164,460, due in quarterly installments of $8,885 to $9,286 through May 8, 2024, with an interest rate of 5.926%, payable quarterly.	36,339
Copier Installment Loan, dated October 28, 2019 - $4,500, due in quarterly installments of $260 to $274 through May 8, 2024, with an interest rate of 5.926%, payable quarterly.	1,069
Total notes from direct borrowings and direct placements	385,863
Total general obligation bonds and notes from director borrowings and direct placements	40,896,376
Accumulated compensated absences	526,144
Total long-term obligations	$ 41,422,520

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $385,863 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The District has previously defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2023, $4,570,000 of bonds outstanding are considered defeased.

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2023, are as follows:

Year Ending	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated	
June 30,	Principal	Interest	Principal	Interest	Absences	Total
2024	$ 2,600,000	$ 1,657,826	$ 146,653	$ 13,725	$ -	$ 4,418,204
2025	2,615,000	1,560,075	76,873	8,803	-	4,260,751
2026	2,665,000	1,458,100	79,702	5,974	-	4,208,776
2027	1,600,000	1,354,250	82,635	3,041	-	3,039,926
2028	1,650,000	1,290,250	-	-	-	2,940,250
2029-2033	9,075,000	5,313,000	-	-	-	14,388,000
2034-2038	10,875,000	2,887,500	-	-	-	13,762,500
2039-2040	4,875,000	366,250	-	-	-	5,241,250
	35,955,000	15,887,251	385,863	31,543	-	52,259,657
Issuance premiums	4,555,513	-	-	-	-	4,555,513
Compensated absences	-	-	-	-	526,144	526,144
	$ 40,510,513	$ 15,887,251	$ 385,863	$ 31,543	$ 526,144	$ 57,341,314

Interest expense (all funds) for the year ended June 30, 2023 was approximately $1,772,000.

The 2010 School Building and Site Bonds gross interest payments due are reflected as part of the above annual requirements for the general obligation bonds. These bonds were issued under the Federal government's "Build America Bonds" program. It is the expectation of the District that through this program they will receive an interest subsidy credit payment from the Federal government each time interest payments are made on these bonds. The above schedule, in relation to the 2010 Series Bonds, include a cumulative gross amount of interest due of $126,000. Of this amount, there is an expected interest subsidy to be received over the life of the bonds in the cumulative amount of $117,360, and net interest owed by the District over the life of the bonds of $9,780.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) 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. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus Plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 Plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 Plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 Plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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 health care 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.

Retiree Healthcare Reform of 2012

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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately $6,608,000. Of the total pension contributions approximately $6,384,000 was contributed to fund the Defined Benefit Plan and approximately $224,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately $1,317,000. Of the total OPEB contributions approximately $1,185,000 was contributed to fund the Defined Benefit Plan and approximately $132,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers	September 30, 2022	September 30, 2021
Total Pension Liability	$ 95,876,795,620	$ 86,392,473,395
Plan Fiduciary Net Position	$ 58,268,076,344	$ 62,717,060,920
Net Pension Liability	$ 37,608,719,276	$ 23,675,412,475
Proportionate Share	0.13534%	0.13481%
Net Pension Liability for the District	$ 50,900,468	$ 31,916,225

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

For the year ended June 30, 2023, the District recognized pension expense of $5,854,403.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 156,490	$ 480,747
Differences between expected and actual experience	509,182	113,808
Changes of assumptions	8,746,524	-
Net differences between projected and actual plan investment earnings	119,362	-
Reporting unit's contributions subsequent to the measurement date	6,114,408	-
	$ 15,645,966	$ 594,555

$6,114,408 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Amount
2023	$ 2,508,082
2024	1,843,444
2025	1,648,061
2026	2,937,416

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers	September 30, 2022	September 30, 2021
Total Other Postemployment Benefit Liability	$ 12,522,713,324	$ 12,046,393,511
Plan Fiduciary Net Position	$ 10,404,650,683	$ 10,520,015,621
Net Other Postemployment Benefit Liability	$ 2,118,062,641	$ 1,526,377,890
Proportionate Share	0.13534%	0.13353%
Net Other Postemployment Benefit Liability for the District	$ 2,866,684	$ 2,038,236

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2023, the District recognized OPEB benefit of $1,175,263.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 144,166	$ 290,393
Differences between expected and actual experience	-	5,614,737
Changes of assumptions	2,555,168	208,056
Net differences between projected and actual plan investment earnings	224,054	-
Reporting unit's contributions subsequent to the measurement date	1,073,054	-
	$ 3,996,442	$ 6,113,186

$1,073,054, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Amount
2023	$ (1,152,601)
2024	(986,848)
2025	(907,699)
2026	(104,900)
2027	(42,107)
2028	4,357

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Annual Comprehensive Financial Report..

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan) and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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 coverage continuing after the retiree's death.

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

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Rate of Return - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

OPEB Discount Rate - A single 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 school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit'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 point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	$ 67,169,708	$ 50,900,468	$ 37,493,881

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit'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 point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net other postemployment benefit liability	$ 4,808,587	$ 2,866,684	$ 1,231,361

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Trend Decrease	Current Healthcare Cost Trend Rates	1% Trend Increase
District's proportionate share of the net other postemployment benefit liability	$ 1,200,430	$ 2,866,684	$ 4,737,088

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2022 Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 8 - RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler and machine, property, fleet, liability, in-land marine, data breach, terrorism and school violent acts, employee dishonesty, crime, and error and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required in any of the past three fiscal years.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required in any of the past three fiscal years.

NOTE 9 - TRANSFERS

During the year the general fund transferred $262,500 to the community center special revenue fund to cover operational costs. The general fund also transferred $300,000 to the Capital Projects and Technology fund for future technology and capital improvement spending.

NOTE 10 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement 77 (*Tax Abatements*).

The District receives reduced property tax revenues as a result of Payments in Lieu of Taxes (PILOT) granted by two townships and one City. PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for the general fund, debt service fund, and sinking fund by municipality under these programs are as follows:

Municipality	Taxes Abated
Hasting Charter Township	$ 31,912
City of Hastings	77,738
	$ 109,650

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's Section 22 funding of the State School Aid Act.

There are no abatements made by the District.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

There was no material impact on the District's financial statement after the adoption of GASB Statement No. 96.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement N*o. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement 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 in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 14 - SUBSEQUENT EVENTS

The District has approved borrowing $900,000 for fiscal year 2023-2024 to replace the note payable as described in Note 5.

The District's constituents voted to approve a bond on August 8, 2023 for $17,470,000. As of June 30, 2023 no funds have been received and no expenses have been incurred.

REQUIRED SUPPLEMENTARY INFORMATION

HASTINGS AREA SCHOOL SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 3,768,190	$ 3,929,517	$ 4,075,937	$ 146,420
State sources	24,332,453	27,617,370	27,831,410	214,040
Federal sources	1,269,492	1,916,786	1,793,386	(123,400)
Incoming transfers and other	266,000	302,312	371,784	69,472
TOTAL REVENUES	29,636,135	33,765,985	34,072,517	306,532
EXPENDITURES				
Current				
Instruction				
Basic programs	14,514,650	16,061,935	16,014,770	47,165
Added needs	3,988,109	4,815,163	4,731,657	83,506
Total instruction	18,502,759	20,877,098	20,746,427	130,671
Supporting services				
Pupil	749,819	941,787	928,874	12,913
Instructional staff	387,030	685,440	681,235	4,205
General administration	404,175	405,451	397,254	8,197
School administration	2,060,586	2,188,416	2,161,856	26,560
Business	708,514	764,643	763,093	1,550
Operation/maintenance	3,423,791	4,038,177	4,104,912	(66,735)
Pupil transportation	1,644,485	1,969,974	1,968,617	1,357
Central services	624,058	666,191	655,045	11,146
Athletics and other	621,467	817,995	815,089	2,906
Total supporting services	10,623,925	12,478,074	12,475,975	2,099
Community services	3,501	7,374	4,717	2,657
Debt service	140,889	160,375	157,739	2,636
TOTAL EXPENDITURES	29,271,074	33,522,921	33,384,858	138,063
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	365,061	243,064	687,659	444,595
OTHER FINANCING SOURCES (USES)				
Proceeds from installment note	395,000	395,000	395,312	(312)
Transfers out	(400,000)	(475,000)	(562,500)	(87,500)
TOTAL OTHER FINANCING SOURCES (USES)	(5,000)	(80,000)	(167,188)	(87,812)
NET CHANGE IN FUND BALANCE	$ 360,061	$ 163,064	520,471	$ 356,783
FUND BALANCE				
Beginning of year			4,268,860	
End of year			$ 4,789,331	

HASTINGS AREA SCHOOL SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.13534%	0.13481%	0.13735%	0.13702%	0.13808%	0.14109%	0.14193%	0.13817%	0.13440%
District's proportionate share of net pension liability	$ 50,900,468	$ 31,916,225	$ 47,180,666	$ 45,375,728	$ 41,510,705	$ 36,563,482	$ 35,410,950	$ 33,747,925	$ 29,603,552
District's covered employee payroll	$ 13,275,830	$ 12,144,449	$ 12,242,861	$ 12,130,901	$ 11,661,401	$ 11,746,588	$ 12,156,137	$ 11,559,272	$ 11,300,874
District's proportionate share of net pension liability as a percentage of its covered employee payroll	383.41%	262.81%	385.37%	374.05%	355.97%	311.27%	291.30%	291.96%	261.96%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

HASTINGS AREA SCHOOL SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 6,384,268	$ 4,517,231	$ 3,908,389	$ 3,721,632	$ 3,583,155	$ 3,825,737	$ 3,562,534	$ 3,074,986	$ 2,512,793
Contributions in relation to statutorily required contributions	6,384,268	4,517,231	3,908,389	3,721,632	3,583,155	3,825,737	3,562,534	3,074,986	2,512,793
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	14,856,614	13,050,465	11,982,504	12,367,231	$ 11,960,154	$ 11,640,817	$ 11,736,465	$ 11,703,848	$ 11,417,916
Contributions as a percentage of covered employee payroll	42.97%	34.61%	32.62%	30.09%	29.96%	32.86%	30.35%	26.27%	22.01%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

HASTINGS AREA SCHOOL SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)	0.13534%	0.13353%	0.13745%	0.13804%	0.13656%	0.14146%
District's proportionate share of net OPEB liability	$ 2,866,684	$ 2,038,236	$ 7,363,325	$ 9,908,138	$ 10,855,403	$ 12,526,666
District's covered employee payroll	$ 13,275,830	$ 12,144,449	$ 12,242,861	$ 12,130,901	$ 11,661,401	$ 11,746,588
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll	21.59%	16.78%	60.14%	81.68%	93.09%	106.64%
Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

HASTINGS AREA SCHOOL SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2023	2022	2021	2020	2019	2018
Statutorily required contributions	$ 1,184,747	$ 1,067,584	$ 1,003,723	$ 1,037,483	$ 988,127	$ 807,204
Contributions in relation to statutorily required contributions	1,184,747	1,067,584	1,003,723	1,037,483	988,127	807,204
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 14,856,614	$ 13,050,465	$ 11,982,504	$ 12,367,231	$ 11,960,154	$ 11,640,817
Contributions as a percentage of covered employee payroll	7.97%	8.18%	8.38%	8.39%	8.26%	6.93%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

ADDITIONAL SUPPLEMENTARY INFORMATION

HASTINGS AREA SCHOOL SYSTEM
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2023

	Special Revenue			Capital Project		
	Food Service	Community Center	Student/ School Activities	Sinking Fund	Capital Projects & Technology	Total
ASSETS						
Cash and cash equivalents	$ 405,128	$ 13,700	$ 421,313	$ 532,237	$ 625,872	$ 1,998,250
Receivables						
Accounts	-	-	500	-	-	500
Intergovernmental	9,244	-	-	-	-	9,244
Inventories	6,748	-	-	-	-	6,748
TOTAL ASSETS	$ 421,120	$ 13,700	$ 421,813	$ 532,237	$ 625,872	$ 2,014,742
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 26	$ 8,100	$ -	$ -	$ -	$ 8,126
Accrued salaries and related items	-	3,900	-	-	-	3,900
Unearned revenue	15,373	-	-	-	-	15,373
Due to other governments	-	-	160	-	-	160
TOTAL LIABILITIES	15,399	12,000	160	-	-	27,559
FUND BALANCES						
Nonspendable						
Inventories	6,748	-	-	-	-	6,748
Restricted for:						
Capital projects	-	-	-	532,237	-	532,237
Community service	-	1,700	-	-	-	1,700
Food service	398,973	-	-	-	-	398,973
Committed						
Student/school activity	-	-	421,653	-	-	421,653
Assigned for:						
Capital projects	-	-	-	-	625,872	625,872
TOTAL FUND BALANCES	405,721	1,700	421,653	532,237	625,872	1,987,183
TOTAL LIABILITIES AND FUND BALANCES	$ 421,120	$ 13,700	$ 421,813	$ 532,237	$ 625,872	$ 2,014,742

HASTINGS AREA SCHOOL SYSTEM
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2023

	Special Revenue			Capital Project		
	Food Service	Community Center	Student/ School Activities	Sinking Fund	Capital Projects & Technology	Total
REVENUES						
Local sources						
Property taxes	$ -	$ -	$ -	$ 671,141	$ -	$ 671,141
Tuition	-	507,400	-	-	-	507,400
Investment earnings	-	29,500	-	1,335	623	31,458
Food sales	344,620	-	-	-	-	344,620
Student/school activities	-	-	482,490	-	-	482,490
Other	-	106,200	-	-	-	106,200
Local sources	344,620	643,100	482,490	672,476	623	2,143,309
State sources	67,476	-	-	-	-	67,476
Federal sources	1,059,469	250,100	-	-	-	1,309,569
TOTAL REVENUES	1,471,565	893,200	482,490	672,476	623	3,520,354
EXPENDITURES						
Current						
Community service	-	1,155,488	-	-	-	1,155,488
Food service	1,375,716	-	-	-	-	1,375,716
Student/school activities	-	-	425,145	-	-	425,145
Capital outlay	-	-	-	808,337	-	808,337
TOTAL EXPENDITURES	1,375,716	1,155,488	425,145	808,337	-	3,764,686
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	95,849	(262,288)	57,345	(135,861)	623	(244,332)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	262,500	-	-	300,000	562,500
NET CHANGE IN FUND BALANCES	95,849	212	57,345	(135,861)	300,623	318,168
FUND BALANCES						
Beginning of year	309,872	1,488	364,308	668,098	325,249	1,669,015
End of year	$ 405,721	$ 1,700	$ 421,653	$ 532,237	$ 625,872	$ 1,987,183

HASTINGS AREA SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal ALN Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2023
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (donated foods)								
National School Lunch Program	10.555	N/A	$ 93,852	$ -	$ -	$ 93,852	$ 93,852	$ -
National School Lunch Program - bonus		N/A	11,079	-	-	11,079	11,079	-
Total non-cash assistance			104,931	-	-	104,931	104,931	-
Cash Assistance								
National School Lunch Program	10.555	231960	610,466	-	-	610,466	610,466	-
National School Lunch Program		221960	100,680	-	-	100,680	100,680	-
National School Lunch Program		220910	48,340	-	-	48,340	48,340	-
Total ALN 10.555 cash assistance			759,486	-	-	759,486	759,486	-
Total ALN 10.555			864,417	-	-	864,417	864,417	-
School Breakfast Program	10.553	231970	164,470	-	-	164,470	164,470	-
School Breakfast Program		221970	27,447	-	-	27,447	27,447	-
Total ALN 10.553			191,917	-	-	191,917	191,917	-
Total cash assistance			951,403	-	-	951,403	951,403	-
Total Child Nutrition Cluster			1,056,334	-	-	1,056,334	1,056,334	-
COVID-19 Pandemic EBT Local Level Costs	10.649	2022	3,135	-	-	3,135	3,135	-
Total U.S. Department of Agriculture			1,059,469	-	-	1,059,469	1,059,469	-
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	231530-2223	410,687	-	-	327,908	231,974	95,934
Title I Grants to Local Educational Agencies		221530-2122	389,698	12,096	332,448	-	12,096	-
Total ALN 84.010			800,385	12,096	332,448	327,908	244,070	95,934
Supporting Effective Instruction State Grants	84.367	230520-2223	78,132	-	-	78,132	71,852	6,280
Supporting Effective Instruction State Grants		220520-2122	152,861	20,346	150,291	-	20,346	-
Total ALN 84.367			230,993	20,346	150,291	78,132	92,198	6,280

The accompanying notes are an integral part of this schedule.

HASTINGS AREA SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal ALN Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2023
U.S. Department of Education (continued)								
Passed through Michigan Department of Education (continued)								
Student Support and Academic Enrichment	84.424	230750-2223	$ 40,037	$ -	$ -	$ 28,662	$ 27,681	$ 981
Student Support and Academic Enrichment		220750-2122	41,711	1,575	25,924	-	1,575	-
Total ALN 84.424			81,748	1,575	25,924	28,662	29,256	981
Education Stabilization Fund								
COVID-19 Elementary and Secondary School Emergency Relief Fund (98c Learning Loss Grant)	84.425D	213782-2223	130,254	-	-	98,007	88,966	9,041
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II) - Formula	84.425D	213712-2021	1,109,411	1,863	1,065,278	44,133	1,863	44,133
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III) - Formula	84.425U	213713-2122	2,493,353	19,139	1,356,066	930,162	856,984	92,317
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III) - 11t	84.425U	213723-2122	297,677	5,250	5,250	186,728	165,528	26,450
COVID-19 Homeless Children and Youth American Rescue Plan Homeless II	84.425W	211012-2122	35,601	-	-	16,528	10,000	6,528
Total ALN 84.425			4,066,296	26,252	2,426,594	1,275,558	1,123,341	178,469
Passed through Barry Intermediate School District								
Career and Technical Education - Basic Grants to States	84.048	N/A	62,663	-	-	62,663	62,663	-
Total U.S. Department of Education			5,242,085	60,269	2,935,257	1,772,923	1,551,528	281,664
U.S. Department of Health and Human Services								
Passed through Barry Intermediate School District								
Medicaid Cluster								
Medical Assistance Program	93.778	N/A	10,723	9,395	-	10,723	9,395	10,723
U.S Federal Communications Commission								
COVID-19 Emergency Connectivity Funding	32.009	N/A	9,740	-	-	9,740	9,740	-
TOTAL FEDERAL AWARDS			$ 6,322,017	$ 69,664	$ 2,935,257	$ 2,852,855	$ 2,630,132	$ 292,387

The accompanying notes are an integral part of this schedule.

HASTINGS AREA SCHOOL SYSTEM
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Hastings Area School System under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hastings Area School System, it is not intended to and does not present the financial position or changes in net position of Hastings Area School System.

Management has utilized the NexSys cash management system (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. The District does not pass through federal funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Hastings Area School System has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENT

Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	$ 1,793,386
Debt service	73,959
Other nonmajor governmental funds	1,309,569
Total federal revenue in the fund financial statements	3,176,914
Less: Federal assistance funding not subject to single audit act	(324,059)
Expenditures per schedule of expenditures of federal awards	$ 2,852,855

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

To the Board of Education
Hastings Area School System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hastings Area School System, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Hastings Area School System's basic financial statements, and have issued our report thereon dated October 6, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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

Maner Costerisan PC

October 6, 2023

Maner Costerisan

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

To the Board of Education
Hastings Area School System

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hastings Area School System's 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 Hastings Area School System's major federal programs for the year ended June 30, 2023. Hastings Area School System's 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, Hastings Area School System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Hastings Area School System 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 Hastings Area School System's 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 Hastings Area School System's federal programs.

Auditor's 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 Hastings Area School System'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 Hastings Area School System's 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 Hastings Area School System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Hastings Area School System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hastings Area School System's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Maner Costerisan PC

October 6, 2023

HASTINGS AREA SCHOOL SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:	*Unmodified*	
Internal control over financial reporting:		
➢ Material weakness(es) identified?	____ Yes	X None
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X None

Federal Awards

Internal control over major programs:		
➢ Material weakness(es) identified?	____ Yes	X None
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*	
Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?	____ Yes	X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program Cluster(s)
84.425	Education Stablization Fund
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Question Costs

None noted.

HASTINGS AREA SCHOOL SYSTEM
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

There were no audit findings in the prior fiscal year.

Maner Costerisan

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October 6, 2023

To the Board of Education
Hastings Area School System

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hastings Area School System for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Hastings Area School System are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96 *Subscription-based IT Arrangements*, during the year ended June 30, 2023. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the Hastings Area School System during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

> Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 6, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the management and members of the Board of Education of Hastings Area Schools System and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC