



Public Schools of Petoskey
Audit Report to the Board of Education
For year-ending June 30, 2023

Independent Auditor's Report

(pg 1)



- Unmodified opinion (highest opinion possible)
- GASB 96 and GASB 101 implemented during the year
 - Capitalization of subscription-based IT arrangements
 - Presentation of compensated absences

Managements Discussion & Analysis



District-wide Financial Statements

- Short-term and long-term information (pension/OPEB, outstanding bonds, capital assets).
- Statement of Net Position (pg. 7), Statement of Activities (pg. 8).

Governmental Fund Statements

- Long-term focus removed –provides information on how basic services (e.g., regular/special education) financed in short-term and what remains for future spending.
- Balance Sheet (pg. 16), Statement of Revenues, Expenditures and Changes in Fund Balances (pg. 18).

What's the difference?? See reconciliations on pg. 17, 19.

Statement of Net Position



	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 21,653,845	\$ 20,122,361
Net capital assets	<u>59,939,926</u>	<u>58,955,120</u>
Total Assets	<u>81,593,771</u>	<u>79,077,481</u>
Deferred Outflows of Resources	<u>20,404,602</u>	<u>12,015,185</u>
Liabilities		
Current liabilities	8,042,678	7,292,039
Long-term liabilities	467,580	2,071,373
Net pension liability	56,952,760	36,514,906
Net OPEB liability	<u>3,151,209</u>	<u>2,340,791</u>
Total Liabilities	<u>68,614,227</u>	<u>48,219,109</u>
Deferred Inflows of Resources	<u>8,095,764</u>	<u>21,777,982</u>
Net Position		
Net investment in capital assets	58,094,920	56,137,414
Restricted	6,167,896	6,154,566
Unrestricted (deficit)	<u>(38,974,434)</u>	<u>(41,196,405)</u>
Total Net Position	<u>\$ 25,288,382</u>	<u>\$ 21,095,575</u>

Statement of Net Position-

Overview of Changes



- Total assets increased by \$2.5M:
 - Cash and federal grant receivables increased
 - Offset by continued depreciation
- Total liabilities increased by \$20.4M:
 - Continued long-term obligation payments - \$1.9M
- Increase noted in net pension and OPEB liabilities
 - Impact of market conditions on actuarial estimates, plan assets.

Statement of Activities



	<u>2023</u>	<u>2022</u>
Program Revenues		
Charges for services	\$ 724,290	\$ 493,518
Operating grants	14,287,364	12,958,256
General Revenues		
Property taxes	22,833,829	21,812,815
State school aid, unrestricted	4,634,272	4,963,431
Interest and investment earnings	437,143	19,233
Other	1,690,708	1,065,771
Total Revenues	<u>44,607,606</u>	<u>41,313,024</u>
Expenses		
Instruction	23,988,132	20,093,598
Supporting services	12,659,108	10,524,548
Community services	13,856	9,826
Food service	1,239,715	1,173,862
Other	-	59,659
Interest on long-term debt	-	(52,191)
Unallocated depreciation	2,513,988	2,482,681
Total Expenses	<u>40,414,799</u>	<u>34,291,983</u>
Increase in net position	4,192,807	7,021,041
Net Position, Beginning of Year	<u>21,095,575</u>	<u>14,074,534</u>
Net Position, End of Year	<u>\$ 25,288,382</u>	<u>\$ 21,095,575</u>

Statement of Activities -

Overview of Changes



- Total revenues increased by \$3.3M
 - Federal grants
 - Property taxes
- Total expenses increased by \$6.1M
 - Year-to-year operational expenditures
- Instruction and supporting services heavily impacted by GASB 34:
 - Assets capitalized
 - Payment of LTD
 - Increases to Pension/OPEB liabilities
- Total Net Position increased by \$4.2M

Governmental Fund Financials



- Major funds – separate columns
 - General fund – primary operating fund
 - Building and Site Sinking Fund
- Nonmajor Funds – consolidated into one column
 - Includes all Special Revenue Funds (2), the 2015 Debt Service Fund, and the Capital Improvement Fund
 - See supplemental information (starting pg. 59)
 - Budget-to-actual statements included for all special revenue funds

General Fund - Budget



	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ 18,309,536	\$ 19,295,092	\$ 19,446,225	\$ 151,133
Non-educational entity sources	634,000	401,950	406,218	4,268
State sources	9,867,524	11,971,618	11,874,954	(96,664)
Federal sources	1,783,901	1,654,936	1,513,572	(141,364)
Interdistrict sources	4,019,182	4,039,731	4,156,881	117,150
Total Revenues	34,614,143	37,363,327	37,397,850	34,523
Expenditures				
Current:				
Instruction:				
Basic programs	18,557,335	18,630,014	18,628,963	1,051
Added needs	5,677,477	5,745,046	5,844,223	(99,177)
Supporting services:				
Pupil services	1,407,459	1,271,002	1,425,142	(154,140)
Instructional staff services	1,551,642	1,329,612	1,348,771	(19,159)
General administrative services	774,355	670,228	702,163	(31,935)
School administrative services	2,141,517	2,132,341	2,168,799	(36,458)
Business services	658,862	540,334	542,272	(1,938)
Operation and maintenance services	2,760,044	2,588,008	3,007,137	(419,129)
Pupil transportation services	1,597,750	1,530,190	1,644,408	(114,218)
Central services	76,478	4,177	-	4,177
Other supporting services	749,898	717,335	722,041	(4,706)
Community services	27,258	22,264	14,110	8,154
Capital outlay	300,000	276,500	-	276,500
Total Expenditures	36,280,075	35,457,051	36,048,029	(590,978)
Net Change in Fund Balances	(1,665,932)	1,906,276	1,349,821	625,501
Fund Balances, Beginning of Year	7,988,456	7,988,456	7,988,456	-
Fund Balances, End of Year	\$ 6,322,524	\$ 9,894,732	\$ 9,338,277	\$ 625,501

Ending fund balance
represents 26% of 2023-24
budgeted expenditures

Notes to the Financial Statements



It's all important of course, but key in on the following:

- *Note B – Cash Equivalents and Deposits*
 - Cash and cash equivalents
- *Note C – State School Aid/Property Taxes*
- *Note E – Capital Assets*
- *Note F – Long-term Obligations*
- *Note G/H – Pension and OPEB Plans*
 - *All you could possibly want to know about determination of liabilities*

Federal Compliance Audit

(Single Audit)



Two Independent Auditor's Reports:

1) Internal Control over Financial Reporting (GAS)

- ****UNMODIFIED**** opinion
- Risk based audit – not all programs audited, dependency on controls over financial reporting.

2) Compliance for Each Major Program and on Internal Control over Compliance (Uniform Guidance)

- ****UNMODIFIED**** opinion
- Schedule of Expenditures of Federal Awards (SEFA) – “In-relation to” opinion.

Summary



	<u>FY23</u>	<u>FY22</u>
Total Federal Expenditures	\$2,350,805	\$2,916,267
"Type A" Programs (>\$750,000)	All Type A programs	All Type A program
Major Program Audited	Child Nutrition Cluster & Education Stabilization Fund	Education Stabilization Fund
Expenditure Coverage	87%	36%
Audit Findings Reported?	NO	NO

Letter to Governance

(SAS 114)



- No issues with management
 - Prepared and responsive during the audit
- No material adjusting journal entries needed
- General Fund ending fund balance
 - 26% of 2023-24 budgeted expenditures
 - Stable base of operating funds
 - Avoids short-term borrowing

Questions

