

PINCKNEY
COMMUNITY
SCHOOLS



Education. Innovation. Possibilities.

Year Ended
June 30, 2024

Financial
Statements and
Single Audit Act
Compliance

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PINCKNEY COMMUNITY SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 25, 2024

Board of Education
Pinckney Community Schools
Pinckney, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Pinckney Community Schools** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 the District, as of June 30, 2024, and the respective changes in financial position thereof, and the budgetary comparison for the general fund 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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 the District'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.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 the District'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 the schedules for the pension and other postemployment benefit plans, as listed 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 the Districts' basic financial statements. The combining fund financial statements 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements 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 25, 2024, on our consideration of the District'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 the District'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 the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

As management of Pinckney Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024.

Financial Highlights

· Total net position	\$ (49,591,289)
· Change in total net position	10,193,106
· Fund balances, governmental funds	36,625,269
· Change in fund balances, governmental funds	(1,755,636)
· Unassigned fund balance, general fund	6,752,399
· Change in fund balance, general fund	1,343,974
· General obligation bonds outstanding	104,800,000
· Change in general obligation bonds	(4,315,000)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, support services, food service, athletics, and community service. The District has no business-type activities as of and for the year ending June 30, 2024.

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are considered to be governmental funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and 2020 capital projects fund, which are major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general fund herein to demonstrate compliance with that budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPERS pension and other postemployment benefit plans immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$49,591,289 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investments in capital assets net of related debt (e.g., land, buildings, vehicles, and equipment, less any related debt used to acquire those assets that is still outstanding). Net position invested in capital assets, net of related debt used to acquire those assets that are still outstanding, resulted in a deficit of \$9,453,030 at June 30, 2024. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	Governmental Activities	
	2024	2023
Current and other assets	\$ 43,940,743	\$ 47,942,872
Capital assets, net	83,001,079	79,164,265
Total assets	<u>126,941,822</u>	<u>127,107,137</u>
Deferred outflows of resources	<u>13,214,175</u>	<u>17,098,913</u>
Long-term liabilities	166,900,618	180,558,178
Other liabilities	7,046,287	9,836,406
Total liabilities	<u>173,946,905</u>	<u>190,394,584</u>
Deferred inflows of resources	<u>15,800,381</u>	<u>13,595,861</u>
Net position:		
Net investment in capital assets	(9,453,030)	(8,730,039)
Restricted	13,195,442	7,139,566
Unrestricted (deficit)	(53,333,701)	(58,193,922)
Total net position	<u>\$ (49,591,289)</u>	<u>\$ (59,784,395)</u>

Restricted net position represents amounts subject to external restrictions such as amounts restricted for debt service and food service. The remaining balance is unrestricted net position, which has a negative balance due to the recording of the District's portion of the Michigan Public School Employees Retirement System (MPERS) net pension liability in accordance with GASB 68. Another factor is the District's School Bond Loan Fund debt. Additional information regarding the District's long-term debt and net pension liability can be found in the notes to the financial statements.

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

The District's net position increased by \$10,193,106 during the current fiscal year, which approximated the District's change in net position from the previous year. Overall, the District saw similar increases in revenues and expenses that ranged between \$1.2 and \$1.5 million.

	Changes in Net Position	
	Governmental Activities	
	2024	2023
Program revenues:		
Charges for services	\$ 2,133,469	\$ 2,201,448
Operating grants	6,824,597	7,067,708
General revenues:		
Property taxes	16,523,640	15,393,358
Unrestricted state aid	19,830,458	20,230,601
Other	1,525,241	704,937
Total revenues	<u>46,837,405</u>	<u>45,598,052</u>
Expenses:		
Instruction	12,795,861	13,464,025
Support services	10,693,483	9,190,678
Food service	1,447,754	1,075,380
Athletics	468,470	447,158
Community service	1,152,677	1,117,802
Interest on long-term liabilities	4,324,468	4,373,877
Unallocated depreciation/amortization	5,761,586	5,440,866
Total expenses	<u>36,644,299</u>	<u>35,109,786</u>
Change in net position	10,193,106	10,488,266
Net position, beginning of year	<u>(59,784,395)</u>	<u>(70,272,661)</u>
Net position, end of year	<u>\$ (49,591,289)</u>	<u>\$ (59,784,395)</u>

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$36,625,269, a decrease of \$1,755,636, in comparison with the prior year. The District had unassigned fund balance of \$6,752,399. A portion of the fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending because the underlying assets are included in inventory and prepaid items, are restricted for externally imposed constraints, or committed by board action, and are not available for current expenditure.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the fund reported unassigned fund balance of \$6,752,399, while the total fund balance was \$7,230,958. The net change in fund balance was an approximate \$1.3 million increase in the current year versus an approximate \$2.4 million increase the prior year. Both years were buoyed by the use of federal grants to offset ongoing expenditures of about \$1.0 million. Revenues held basically steady due to the increase of local and state sources to offset the tapering of federal covid dollars. Expenditures continue to rise due to high inflationary pressures.

The debt service fund reported an ending fund balance of \$12,760,416, \$8,360 which is nonspendable and \$12,752,056 which is restricted.

The 2020 capital projects fund, created in November 2020 as a result of the successful voter passage of the \$59 million bond initiative, at the end of the current fiscal year, reported a restricted fund balance of \$14,485,315. Proceeds from the Series I bond amounted to \$44,290,000 which continues to provide the funding for several large projects which are highlighted in the capital asset section below.

General Fund Budgetary Highlights

The net change in fund balance for the original budget was in line with that of the final amended budget. Revenues and expenditures were amended upward to account for increased state categorical funding and related spending, as well as additional preschool programming, which brought in more grant funding and offsetting operational costs. Final results varied from final budgeted revenues due to unexpected funds from the local ISD, new summer programming, and better than planned interest revenue. Expenditures fell below projections mostly due to unplanned state transportation offsets flowing through the local ISD, which resulted in a credit instead of the regular June payment.

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2024 amounted to \$83,001,079 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, site improvements, equipment and vehicles.

Depreciation/amortization expense was \$5,761,586 for the year ended June 30, 2024.

The major capital asset purchases during the current fiscal year included the following:

- . Approximately \$2.5 million worth of chiller and boiler upgrades at the High School.
- . Eleven new busses were added to the fleet costing around \$1,500,000.
- . Equipment to enhance our Career and Technical Education courses totaling roughly \$110,000.
- . Classroom furniture improvements of \$600,000.
- . Half million dollars of network cabling and security camera upgrades.

A summary of the District's capital assets (net of accumulated depreciation/amortization) as of June 30, 2024 follows:

	2024	2023
Capital assets not being depreciated/amortized:		
Land	\$ 1,371,339	\$ 1,371,339
Construction in progress	14,315,311	10,055,828
Capital assets being depreciated/amortized:		
Buildings and improvements	52,928,992	54,048,263
Site improvements	9,634,004	10,549,477
Equipment	3,174,351	2,759,336
Vehicles	1,577,082	236,166
Lease vehicles	-	143,856
Total capital assets, net	\$ 83,001,079	\$ 79,164,265

Additional information on the District's capital assets can be found in the notes to the financial statements section of this report.

Long-term Debt. At the end of the current fiscal year, the District had total debt outstanding of \$128,372,920.

The District's total debt principal payments were \$4,315,000 during the current fiscal year.

Additional information on the District's long-term debt can be found in the notes to the financial statements section of this report.

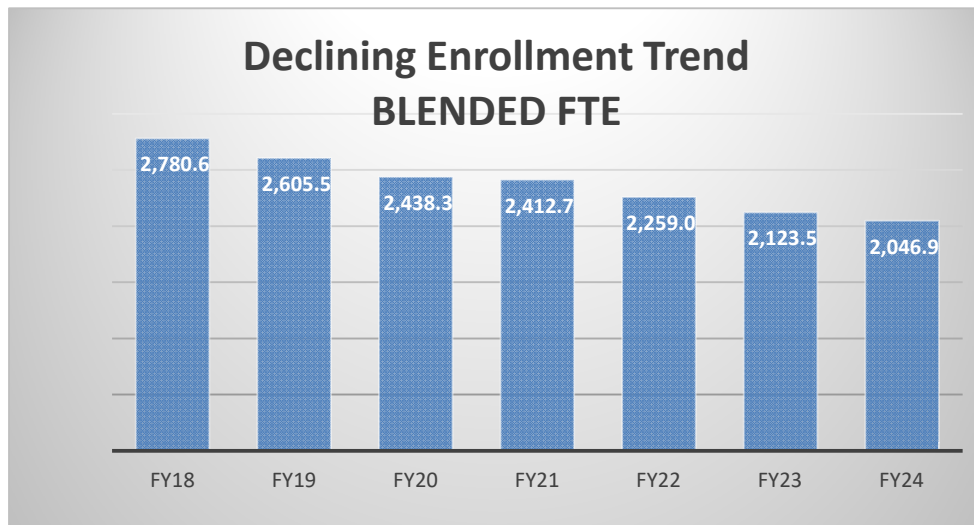
PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

Factors Bearing on the District's Future

The following factors were also considered in preparing the District's budget for the 2024-25 fiscal year:

- Since the "Schools of Choice" legislation was enacted, the District's enrollment has decreased and now hovers around the 2,000 student level. The District had an approved Deficit Elimination Plan that projected reaching a positive fund balance in FY30, but continued effort to align resources to declining enrollment and the impact of the much needed COVID-19 federal and state grants being utilized allowed the District to be out of deficit ahead of schedule in FY21. The net increase in the foundation allowance over the past few years was beneficial to offsetting the revenue loss due to the continued student decline and aid in addressing the District's increased expenses related to salaries, insurance and retirement benefits, utility, and diesel fuel costs. The District continues an ongoing effort to right-size and become structurally balanced. For the 2024-25 budget, the District eliminated several positions to account for continued loss of federal funding. The District also estimated an increase of \$250 for the foundation allowance and planned for a decrease in the blended pupil count of 40 students. The state subsequent to original budget adoption decided to forego an increase in the foundation allowance and instead offset retirement costs. The District expects the impact of this change to be minimal.



Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Finance & Operations, 2130 East M-36, Pinckney, Michigan 48169.

BASIC FINANCIAL STATEMENTS

PINCKNEY COMMUNITY SCHOOLS

Statement of Net Position

June 30, 2024

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 818,981
Investments	35,841,464
Receivables	5,724,593
Inventory and prepaid items	896,719
Net other postemployment benefit asset	658,986
Capital assets not being depreciated/amortized	15,686,650
Capital assets being depreciated/amortized, net	<u>67,314,429</u>
Total assets	<u>126,941,822</u>
Deferred outflows of resources	
Deferred pension amounts	10,914,770
Deferred other postemployment benefit amounts	<u>2,299,405</u>
Total deferred outflows of resources	<u>13,214,175</u>
Liabilities	
Accounts payable and accrued liabilities	4,362,967
State aid note payable	1,250,793
Unearned revenue	1,432,527
Bonds and other long-term liabilities:	
Due within one year	5,827,698
Due in more than one year	122,545,222
Net pension liability (due in more than one year)	<u>38,527,698</u>
Total liabilities	<u>173,946,905</u>
Deferred inflows of resources	
Deferred gain on refunding	175,875
Deferred lease amounts	261,929
Deferred pension amounts	8,692,727
Deferred other postemployment benefit amounts	<u>6,669,850</u>
Total deferred inflows of resources	<u>15,800,381</u>
Net position	
Net investment in capital assets	(9,453,030)
Restricted for debt service	12,108,688
Restricted for food service	427,768
Restricted for other postemployment benefits	658,986
Unrestricted (deficit)	<u>(53,333,701)</u>
Total net position	<u>\$ (49,591,289)</u>

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

PINCKNEY COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2024

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 12,795,861	\$ 159,803	\$ 2,872,496	\$ (9,763,562)
Support services	10,693,483	622,293	2,676,469	(7,394,721)
Food service	1,447,754	132,319	1,275,632	(39,803)
Athletics	468,470	160,297	-	(308,173)
Community service	1,152,677	1,058,757	-	(93,920)
Interest on long-term liabilities	4,324,468	-	-	(4,324,468)
Unallocated depreciation/amortization	5,761,586	-	-	(5,761,586)
Total governmental activities	<u>\$ 36,644,299</u>	<u>\$ 2,133,469</u>	<u>\$ 6,824,597</u>	<u>(27,686,233)</u>
General revenues				
Property taxes				16,523,640
Unrestricted state aid				19,830,458
Grants and contributions not restricted to specific programs				1,195,086
Unrestricted investment earnings				<u>330,155</u>
Total general revenues				<u>37,879,339</u>
Change in net position				
Net position, beginning of year				<u>(59,784,395)</u>
Net position, end of year				<u>\$ (49,591,289)</u>

The accompanying notes are an integral part of these basic financial statements.

PINCKNEY COMMUNITY SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2024

	General Fund	Debt Service Fund	2020 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 818,981	\$ 818,981
Investments	8,641,307	12,742,269	14,457,888	-	35,841,464
Accounts receivable	22,640	-	-	-	22,640
Leases receivable	281,498	-	-	-	281,498
Due from other governments	5,313,263	-	-	107,192	5,420,455
Due from other funds	-	9,787	540,134	122,573	672,494
Interfund receivable	-	-	-	1,094,145	1,094,145
Inventory	48,896	-	-	10,579	59,475
Prepaid items	429,663	8,360	395,726	3,495	837,244
Total assets	\$ 14,737,267	\$ 12,760,416	\$ 15,393,748	\$ 2,156,965	\$ 45,048,396
Liabilities					
Accounts payable	\$ 327,350	\$ -	\$ 512,707	\$ 382,746	\$ 1,222,803
Due to other governments	411,771	-	-	-	411,771
Accrued payroll	2,047,673	-	-	-	2,047,673
Accrued liabilities	28,992	-	-	-	28,992
Due to other funds	672,494	-	-	-	672,494
Interfund payable	1,094,145	-	-	-	1,094,145
State aid note payable	1,250,793	-	-	-	1,250,793
Unearned revenue	1,411,162	-	-	21,365	1,432,527
Total liabilities	7,244,380	-	512,707	404,111	8,161,198
Deferred inflows of resources					
Deferred lease amounts	261,929	-	-	-	261,929
Fund balances					
Nonspendable - inventory and prepaids items	478,559	8,360	395,726	14,074	896,719
Restricted - food service	-	-	-	417,189	417,189
Restricted - debt service	-	12,752,056	-	-	12,752,056
Restricted - capital projects	-	-	14,485,315	-	14,485,315
Committed - student/school activity	-	-	-	444,187	444,187
Committed - capital projects	-	-	-	877,404	877,404
Unassigned	6,752,399	-	-	-	6,752,399
Total fund balances	7,230,958	12,760,416	14,881,041	1,752,854	36,625,269
Total liabilities, deferred inflows of resources and fund balances	\$ 14,737,267	\$ 12,760,416	\$ 15,393,748	\$ 2,156,965	\$ 45,048,396

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

PINCKNEY COMMUNITY SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2024

Fund balances - total governmental funds	\$ 36,625,269
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated/amortized	15,686,650
Capital assets being depreciated/amortized, net	67,314,429
Gains on debt refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position.	
	(175,875)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and other long-term liabilities	(118,342,345)
Accrued interest on bonds payable	(651,728)
Unamortized premium related to bond issuance	(9,347,207)
Compensated absences	(683,368)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net other postemployment benefit asset and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(38,527,698)
Deferred outflows related to the net pension liability	10,914,770
Deferred inflows related to the net pension liability	(8,692,727)
Net other postemployment benefit asset	658,986
Deferred outflows related to the net other postemployment benefit asset	2,299,405
Deferred inflows related to the net other postemployment benefit asset	<u>(6,669,850)</u>
Net position of governmental activities	<u>\$ (49,591,289)</u>

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

PINCKNEY COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2024

	General Fund	Debt Service Fund	2020 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources:					
Property taxes	\$ 4,857,806	\$ 11,660,834	\$ -	\$ 5,000	\$ 16,523,640
Other local sources	1,656,582	587,595	1,079,795	754,612	4,078,584
State sources	20,967,733	44,199	-	719,287	21,731,219
Federal sources	1,009,079	809,089	-	556,345	2,374,513
Interdistrict sources	2,063,407	-	-	-	2,063,407
Other sources	66,042	-	-	-	66,042
Total revenues	30,620,649	13,101,717	1,079,795	2,035,244	46,837,405
Expenditures					
Instruction:					
Basic programs	12,066,205	-	-	-	12,066,205
Added needs:					
Special education	3,149,750	-	-	-	3,149,750
Other added needs	1,341,972	-	-	-	1,341,972
Total instruction	16,557,927	-	-	-	16,557,927
Support services:					
Pupil	1,140,907	-	-	635,548	1,776,455
Instructional services	1,020,171	-	-	-	1,020,171
General administration	408,622	-	-	-	408,622
School administration	1,568,643	-	-	-	1,568,643
Business	682,477	-	-	-	682,477
Operation and maintenance	3,835,320	-	-	-	3,835,320
Pupil transportation services	1,002,231	-	-	-	1,002,231
Technology	478,344	-	-	-	478,344
Central	261,549	-	-	-	261,549
Total support services	10,398,264	-	-	635,548	11,033,812
Food service	-	-	-	1,447,754	1,447,754
Athletics	517,094	-	-	-	517,094
Community service	1,195,096	-	-	-	1,195,096
Debt service:					
Principal	146,696	4,315,000	-	-	4,461,696
Interest and fiscal charges	2,899	4,989,271	769	-	4,992,939
Capital outlay	208,699	-	10,328,717	364,664	10,902,080
Total expenditures	29,026,675	9,304,271	10,329,486	2,447,966	51,108,398
Revenues over (under) expenditures	1,593,974	3,797,446	(9,249,691)	(412,722)	(4,270,993)

continued...

PINCKNEY COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2024

	General Fund	Debt Service Fund	2020 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)					
Issuance of long-term liabilities	\$ -	\$ 1,603,289	\$ -	\$ 912,068	\$ 2,515,357
Transfers in	-	-	-	250,000	250,000
Transfers out	(250,000)	-	-	-	(250,000)
Total other financing sources (uses)	(250,000)	1,603,289	-	1,162,068	2,515,357
Net change in fund balances	1,343,974	5,400,735	(9,249,691)	749,346	(1,755,636)
Fund balances, beginning of year	5,886,984	7,359,681	24,130,732	1,003,508	38,380,905
Fund balances, end of year	\$ 7,230,958	\$ 12,760,416	\$ 14,881,041	\$ 1,752,854	\$ 36,625,269

concluded

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

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PINCKNEY COMMUNITY SCHOOLS

Reconciliation

Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds \$ (1,755,636)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital assets purchased	10,892,166
Depreciation/amortization expense	(5,761,586)
Loss on disposal of capital assets	(1,293,766)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on bonds and other long-term liabilities	4,461,696
Issuance of long-term liabilities	(2,515,357)

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 funds.

Change in net pension liability and related deferred amounts	2,702,958
Change in net other postemployment benefit asset/liability and related deferred amounts	2,681,100
Amortization of bond premium	1,081,634
Amortization of deferred gain on refunding	58,624
Change in the accrual for compensated absences	118,989
Change in accrued interest payable on bonds	(477,716)

Change in net position of governmental activities \$ 10,193,106

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

PINCKNEY COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 4,667,543	\$ 4,824,281	\$ 4,857,806	\$ 33,525
Other local sources	1,125,405	1,408,263	1,656,582	248,319
State sources	19,837,551	20,957,638	20,967,733	10,095
Federal sources	796,872	1,022,635	1,009,079	(13,556)
Interdistrict sources	1,845,289	1,867,082	2,063,407	196,325
Other sources	53,350	39,000	66,042	27,042
Total revenues	28,326,010	30,118,900	30,620,649	501,749
Expenditures				
Instruction:				
Basic programs	12,348,076	12,511,105	12,066,205	(444,900)
Added needs:				
Special education	2,949,106	2,842,885	3,149,750	306,865
Other added needs	1,316,717	1,377,425	1,341,972	(35,453)
Total instruction	16,613,899	16,731,416	16,557,927	(173,489)
Support services:				
Pupil	1,069,659	1,223,788	1,140,907	(82,881)
Instructional services	716,004	1,060,676	1,020,171	(40,505)
General administration	427,147	423,697	408,622	(15,075)
School administration	1,654,335	1,738,750	1,568,643	(170,107)
Business	656,048	709,090	682,477	(26,613)
Operation and maintenance	3,253,948	3,928,182	3,835,320	(92,862)
Pupil transportation services	1,438,673	1,497,800	1,002,231	(495,569)
Technology	553,307	487,099	478,344	(8,755)
Central	317,122	327,862	261,549	(66,313)
Total support services	10,086,243	11,396,944	10,398,264	(998,680)
Athletics	490,358	503,062	517,094	14,032
Community services	642,312	1,125,793	1,195,096	69,303
Debt service:				
Principal	198,492	146,700	146,696	(4)
Interest and fiscal charges	5,748	2,900	2,899	(1)
Total debt service	204,240	149,600	149,595	(5)
Capital outlay	-	266,568	208,699	(57,869)
Total expenditures	28,037,052	30,173,383	29,026,675	(1,146,708)
Revenues over (under) expenditures	288,958	(54,482)	1,593,974	1,648,456

continued...

PINCKNEY COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Other financing sources (uses)				
Transfers in	\$ 145,541	\$ -	\$ -	\$ -
Transfers out	(792,445)	(250,000)	(250,000)	-
Total other financing sources (uses)	<u>(646,904)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Net change in fund balance	(357,946)	(304,482)	1,343,974	1,648,456
Fund balance, beginning of year	<u>5,886,984</u>	<u>5,886,984</u>	<u>5,886,984</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5,529,038</u></u>	<u><u>\$ 5,582,502</u></u>	<u><u>\$ 7,230,958</u></u>	<u><u>\$ 1,648,456</u></u>

concluded

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

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NOTES TO FINANCIAL STATEMENTS

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pinckney Community Schools (the "District") has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund 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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the current fiscal year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

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 government considers revenues to be available, if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *debt service fund* accounts for financial resources restricted, committed or assigned to expenditure for principal and interest.

The *2020 capital projects fund* accounts for financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets for the bond issue.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The *capital projects funds* account for financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

Cash and Cash Equivalents and Investments

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.

The District's investments are stated at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). There were no interfund advance loans outstanding at the end of the current fiscal year.

Inventory and Prepaid Items

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the general and food service funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net position.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	8-40
Site improvements	5-40
Equipment and furniture	5-20
Vehicles	8-10

Leases

Lessor. The District is a lessor for noncancellable leases of land and buildings. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Deferred Outflows of Resources

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to pension and other postemployment benefit costs. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

The District records a liability at fiscal year end for vacation pay earned but not taken as of that date. Employees are also compensated for unused sick days; accordingly, a liability is recorded at fiscal year end for such unused time. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows for the gain on refunding. This amount represents 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. The District also reports deferred inflows of resources related to pension and other postemployment costs. Finally, the statement of net position and the governmental funds balance sheet report deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. As applicable, the District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund, as well as for any deficits reported in other governmental funds.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability and net other postemployment benefits asset, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. All budgets are adopted on a functional basis.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

3. EXCESS OF EXPENDITURES OVER BUDGET

Expenditures in excess of budgeted amounts at the legal level of control for the general fund were as follows:

	Final Budget	Actual Expenditures	Over Budget
Instruction -			
Added needs -			
Special education	\$ 2,842,885	\$ 3,149,750	\$ 306,865
Athletics	503,062	517,094	14,032
Community services	1,125,793	1,195,096	69,303

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Statement of Net Position -	
Cash and cash equivalents	\$ 818,981
Investments	35,841,464
	<u>\$ 36,660,445</u>
Deposits and Investments:	
Bank deposits (checking accounts, and savings accounts)	\$ 816,999
Investments	35,841,007
Cash on hand	2,439
	<u>2,439</u>
Total	<u>\$ 36,660,445</u>

Statutory Authority

State statutes authorize the District to invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District’s investment policy allows all of these types of investments.

Deposit and Investment Risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$617,577 of the District’s bank balance of \$867,577 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The District chooses to disclose its investments by specific identification. As of year end, the District had the following investments:

Investment	Maturity	Fair Value	Rating
U.S. treasuries	1-5 years	\$ 2,636,251	S&P AA+
Michigan CLASS government investment pool	n/a	<u>33,204,756</u>	S&P AAAm
		<u>\$ 35,841,007</u>	

For an investment, custodial credit risk 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. State law does not require a policy for investment custodial credit risk. The District’s policy regarding custodial credit risk states that investment institutions to be authorized must be capitalized at no less than \$10,000,000.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on investment credit risk. The credit ratings of the District’s investments at year end are noted in the schedule above.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. At June 30, 2024, the District’s investment portfolio was not concentrated.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturities of the District’s investments at year end are noted in the schedule above.

Fair Value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's recurring fair value measurements as of June 30, 2024 were related to its investments in U.S. treasuries. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

Investments in Entities that Calculate Net Asset Value per Share. The District holds shares in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the District's investment in Michigan CLASS was \$33,204,756. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated ‘A-1’ or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

5. RECEIVABLES

Receivables as of year end for the District’s individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Nonmajor Governmental Funds	Total
Accounts receivable	\$ 22,640	\$ -	\$ 22,640
Leases receivable	281,498	-	281,498
Due from other governments	5,313,263	107,192	5,420,455
	<u>\$ 5,617,401</u>	<u>\$ 107,192</u>	<u>\$ 5,724,593</u>
Amounts not expected to be collected within one year	<u>\$ 259,300</u>	<u>\$ -</u>	<u>\$ 259,300</u>

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated/amortized:					
Land	\$ 1,371,339	\$ -	\$ -	\$ -	\$ 1,371,339
Construction in progress	10,055,828	7,846,801	1	(3,587,317)	14,315,311
	<u>11,427,167</u>	<u>7,846,801</u>	<u>1</u>	<u>(3,587,317)</u>	<u>15,686,650</u>
Capital assets being depreciated/amortized:					
Buildings and improvements	136,507,984	137,325	3,202,490	3,476,522	136,919,341
Site improvements	20,776,737	243,916	1,503,634	-	19,517,019
Equipment and furniture	12,844,905	1,178,995	2,945,026	110,795	11,189,669
Vehicles	520,913	1,485,129	70,728	-	1,935,314
Lease vehicles	540,868	-	540,868	-	-
	<u>171,191,407</u>	<u>3,045,365</u>	<u>8,262,746</u>	<u>3,587,317</u>	<u>169,561,343</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	82,459,721	3,906,205	2,375,577	-	83,990,349
Site improvements	10,227,260	736,964	1,081,209	-	9,883,015
Equipment and furniture	10,085,569	830,348	2,900,599	-	8,015,318
Vehicles	284,747	144,213	70,728	-	358,232
Lease vehicles	397,012	143,856	540,868	-	-
	<u>103,454,309</u>	<u>5,761,586</u>	<u>6,968,981</u>	<u>-</u>	<u>102,246,914</u>
Total capital assets being depreciated/amortized, net	<u>67,737,098</u>	<u>(2,716,221)</u>	<u>1,293,765</u>	<u>3,587,317</u>	<u>67,314,429</u>
Governmental activities capital assets, net	<u>\$ 79,164,265</u>	<u>\$ 5,130,580</u>	<u>\$ 1,293,766</u>	<u>\$ -</u>	<u>\$ 83,001,079</u>

Depreciation/amortization expense of \$5,761,586 was reported as unallocated depreciation/amortization and not charged to specific functions.

At June 30, 2024, the District had estimated commitments for projects of approximately \$1.5 million.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	2020 Capital Projects	Nonmajor Governmental Funds	Total
Accounts payable	\$ 327,350	\$ 512,707	\$ 382,746	\$ 1,222,803
Due to other governments	411,771	-	-	411,771
Accrued payroll	2,047,673	-	-	2,047,673
Accrued liabilities	28,992	-	-	28,992
	<u>\$ 2,815,786</u>	<u>\$ 512,707</u>	<u>\$ 382,746</u>	3,711,239
Government-wide financial statements -				
Accrued interest on long-term debt				<u>651,728</u>
				<u>\$ 4,362,967</u>

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2024, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 672,494
Debt service fund	9,787	-
2020 capital projects	540,134	-
Nonmajor governmental funds	122,573	-
	<u>\$ 672,494</u>	<u>\$ 672,494</u>

The District often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Nonmajor governmental funds has an interfund receivable, payable from the general fund, in the amount of \$1,094,145. Interfund receivables/payables represent short-term working capital loans for funds with negative cash balances in the District's cash pool as of year end.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2024, interfund transfers consisted of the following:

	Transfers in	Transfers out
General fund	\$ -	\$ 250,000
Nonmajor governmental funds	250,000	-
	<u>\$ 250,000</u>	<u>\$ 250,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2024, interfund transfers out consisted of \$250,000 from the general fund to the public improvement fund for capital projects.

9. BONDS AND OTHER LONG-TERM LIABILITIES

Bonds and other long-term liabilities of the District consist of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 109,115,000	\$ -	\$ (4,315,000)	\$ 104,800,000	\$ 4,410,000
Premium on bonds	10,428,841	-	(1,081,634)	9,347,207	1,081,634
Direct borrowing - Installment purchase agreement	-	912,068	-	912,068	62,717
School loan revolving fund	10,513,314	2,116,963	-	12,630,277	-
Leases liability	146,696	-	(146,696)	-	-
Compensated absences	802,357	839,400	(958,389)	683,368	273,347
Totals	<u>\$ 131,006,208</u>	<u>\$ 3,868,431</u>	<u>\$ (6,501,719)</u>	<u>\$ 128,372,920</u>	<u>\$ 5,827,698</u>

Compensated absences are generally liquidated by the general fund.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Bonds payable at June 30, 2024 are as follows:

\$15,000,000 2010 School Building and Site Bonds, Series B due in annual installments ranging from \$5,000,000 to \$10,000,000 through May 2027; interest from 6.50% to 6.60%.	\$ 15,000,000
\$35,430,000 2014 Refunding Bonds due in annual installments ranging from \$2,930,000 to \$3,010,000 through May 2027; interest from 4.00% to 5.00%.	8,850,000
\$30,085,000 2016 Refunding Bonds (Series A) due in annual installments ranging from \$3,275,000 to \$4,295,000 through May 2035; interest from 4.00% to 5.00%.	30,085,000
\$44,290,000 2020 School Building and Site Bonds, Series 1 due in annual installments ranging from \$1,325,000 to \$7,145,000 through May 2035; interest from 4.00% to 5.00%.	42,965,000
\$7,900,000 2020 Refunding Bonds (Federally Taxable) due in annual installments ranging from \$100,000 to \$1,750,000 through May 2030; interest from 1.038% to 2.091%.	<u>7,900,000</u>
Total bonded debt	<u><u>\$ 104,800,000</u></u>

Bond Debt Service Requirements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ 4,410,000	\$ 3,910,361	\$ 8,320,361
2026	10,475,000	3,693,822	14,168,822
2027	16,650,000	3,417,983	20,067,983
2028	7,050,000	3,054,259	10,104,259
2029	7,220,000	2,787,738	10,007,738
2030-2034	47,555,000	8,980,642	56,535,642
2035	<u>11,440,000</u>	<u>500,550</u>	<u>11,940,550</u>
Totals	<u><u>\$ 104,800,000</u></u>	<u><u>\$ 26,345,355</u></u>	<u><u>\$ 131,145,355</u></u>

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

The District has entered into an installment purchase agreement for the financing of LED lighting. The original amount of the installment purchase agreement was \$912,068 with interest at 4.36%, due in monthly installments of \$13,745 through June 2031.

Annual debt service requirements to maturity for the installment purchase agreement are as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ 62,717	\$ 39,822	\$ 102,539
2026	129,605	35,341	164,946
2027	135,370	29,575	164,945
2028	141,393	23,553	164,946
2029	147,683	17,263	164,946
2030-2031	295,300	34,591	329,891
Totals	<u>\$ 912,068</u>	<u>\$ 180,145</u>	<u>\$ 1,092,213</u>

The School Loan Revolving Funds balance represents \$12,630,277 in amounts borrowed from the State of Michigan School Bond Loan program to supplement property tax revenue to make payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the School Loan Revolving Funds for the year ended June 30, 2024, are as follows:

	School Loan Revolving Fund		
	Principal	Interest	Total
Beginning balance	\$ 10,129,980	\$ 383,334	\$ 10,513,314
Additions	1,603,289	513,674	2,116,963
Ending balance	<u>\$ 11,733,269</u>	<u>\$ 897,008</u>	<u>\$ 12,630,277</u>

10. LEASES

Lessor - The District is involved in two agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the District will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended June 30, 2024 was \$155,383.

Asset Type	Remaining Term of Agreements
Land	16 years
Buildings	1 years

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

11. SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	\$ 2,569,212	\$ 2,082,847	\$ 3,401,266	\$ 1,250,793

The District has two short-term state aid notes, Series 2023A-1 totaling \$201,600, plus interest of \$6,413 and 2023A-2 totaling \$1,008,000 plus interest of \$34,780 that are included as a liability in the general fund at June 30, 2024. These notes carry an interest rates of 3.46% and are due July and August 2024, respectively.

12. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2024, was as follows:

Capital assets, net	\$ 83,001,079
Total bonds payable	(104,800,000)
Less: Bonds payable SBLF refunding	7,900,000
Premium on bonds payable	(9,347,207)
Installment purchase agreements	(912,068)
Unamortized gain on bond refunding	(175,875)
Unexpended bond proceeds	<u>14,881,041</u>
Net investment in capital assets	<u>\$ (9,453,030)</u>

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

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Notes to Financial Statements

14. PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on December 1 by the municipalities within the District, and are due on February 14. Delinquent real taxes are advanced to the District by the revolving tax fund of the applicable County.

15. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at the ORS website at www.michigan.gov/orsschools.

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

PINCKNEY COMMUNITY SCHOOLS

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Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	20.16% - 23.03%
Member Investment Plan (MIP)	3.00% - 7.00%	20.16% - 23.03%
Pension Plus	3.00% - 6.40%	17.24% - 19.17%
Pension Plus 2	6.20%	19.95% - 20.10%
Defined Contribution	0.00%	13.75% - 13.90%

For the year ended June 30, 2024, required and actual contributions from the District to the pension plan were \$4,795,524, which included \$2,263,720, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.07% - 8.31%
Personal Healthcare Fund (PHF)	0.00%	7.06% - 7.21%

For the year ended June 30, 2024, required and actual contributions from the District to the OPEB plan were \$936,147.

The table below summarizes defined contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

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Notes to Financial Statements

For the year ended June 30, 2024, required and actual contributions from the District for those members with a defined contribution benefit were \$204,171.

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

At June 30, 2024, the District reported a liability of \$38,527,698 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was 0.11904%, which was a decrease of 0.00589% from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the District recognized pension expense of \$1,985,534. At June 30, 2024, the District 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	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 1,216,202	\$ 59,018	\$ 1,157,184
Changes in assumptions	5,220,678	3,010,125	2,210,553
Net difference between projected and actual earnings on pension plan investments	-	788,401	(788,401)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,835,183	(4,835,183)
	<u>6,436,880</u>	<u>8,692,727</u>	<u>(2,255,847)</u>
District contributions subsequent to the measurement date	4,477,890	-	4,477,890
	<u>4,477,890</u>	<u>-</u>	<u>4,477,890</u>
Total	<u>\$ 10,914,770</u>	<u>\$ 8,692,727</u>	<u>\$ 2,222,043</u>

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The amount reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2025	\$ (1,513,058)
2026	(964,402)
2027	971,802
2028	<u>(750,189)</u>
Total	<u>\$ (2,255,847)</u>

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

At June 30, 2024, the District reported an asset of \$658,986 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was 0.11649% which was a decrease of 0.00468% from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the District recognized OPEB benefit of \$1,771,582. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 4,979,633	\$ (4,979,633)
Changes in assumptions	1,467,017	176,657	1,290,360
Net difference between projected and actual earnings on OPEB plan investments	2,009	-	2,009
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>8,580</u>	<u>1,513,560</u>	<u>(1,504,980)</u>
	1,477,606	6,669,850	(5,192,244)
District contributions subsequent to the measurement date	<u>821,799</u>	-	<u>821,799</u>
Total	<u>\$ 2,299,405</u>	<u>\$ 6,669,850</u>	<u>\$ (4,370,445)</u>

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Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an adjustment to the net OPEB asset/liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2025	\$ (1,745,898)
2026	(1,568,309)
2027	(761,863)
2028	(550,765)
2029	(378,956)
Thereafter	<u>(186,453)</u>
Total	<u>\$ (5,192,244)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2022 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality	Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

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Other OPEB assumptions:

Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 and 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 and September 30, 2023 valuations, respectively. The total pension and OPEB liabilities as of September 30, 2023, are based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4406 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.5099 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions. The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.

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Notes to Financial Statements

Long-term Expected Return on Pension and OPEB Plan Assets

The long-term expected rate of return on pension and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension and OPEB plans' target asset allocation as of September 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.43%	1.36%
Private equity pools	16.00%	8.99%	1.44%
International equity pools	15.00%	6.37%	0.95%
Fixed income pools	13.00%	1.22%	0.16%
Real estate and infrastructure pools	10.00%	5.99%	0.60%
Absolute return pools	9.00%	4.49%	0.40%
Real return/opportunistic pools	10.00%	6.83%	0.68%
Short-term investment pools	2.00%	0.28%	0.01%
	<u>100.00%</u>		5.60%
Inflation			2.70%
Risk adjustment			<u>-2.30%</u>
Investment rate of return			<u><u>6.00%</u></u>

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Discount Rate

A discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.00%, as well as what the District'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:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net pension liability	\$ 52,050,807	\$ 38,527,698	\$ 27,269,221

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB (asset) liability calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB (asset) liability	\$ 683,170	\$ (658,986)	\$ (1,812,437)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Healthcare Cost Trend Rate

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB (asset) liability	\$ (1,815,313)	\$ (658,986)	\$ 592,539

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2024, the District reported a payable of \$693,936 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2024.

Payable to the OPEB Plan

At June 30, 2024, the District reported a payable of \$101,814 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2024.

16. BONDED CONSTRUCTION COSTS

The 2020 Capital Projects Fund includes capital project activities funded with bonds. For this capital project, the District has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete and a subsequent year audit is expected.



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REQUIRED SUPPLEMENTARY INFORMATION

PINCKNEY COMMUNITY SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,		
	2024	2023	2022
District's proportionate share of the net pension liability	\$ 38,527,698	\$ 46,985,619	\$ 32,012,602
District's proportion of the net pension liability	0.11904%	0.12493%	0.13521%
District's covered payroll	\$ 11,588,425	\$ 11,702,596	\$ 11,402,498
District's proportionate share of the net pension liability as a percentage of its covered payroll	332.47%	401.50%	280.75%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	72.60%

See notes to required supplementary information.



Year Ended June 30,						
2021	2020	2019	2018	2017	2016	2015
\$ 51,296,479	\$ 52,299,967	\$ 49,569,368	\$ 43,245,028	\$ 42,106,986	\$ 42,846,042	\$ 41,952,722
0.14933%	0.15793%	0.16489%	0.16688%	0.16877%	0.17542%	0.19405%
\$ 12,817,668	\$ 13,433,590	\$ 13,838,734	\$ 14,011,703	\$ 14,036,929	\$ 14,753,169	\$ 16,360,439
400.20%	389.32%	358.19%	308.64%	299.97%	290.42%	256.43%
59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

PINCKNEY COMMUNITY SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan
Schedule of the District's Pension Contributions

	Year Ended June 30,		
	2024	2023	2022
Statutorily required contributions	\$ 4,795,524	\$ 4,271,500	\$ 4,167,456
Contributions in relation to the statutorily required contributions	<u>(4,795,524)</u>	<u>(4,271,500)</u>	<u>(4,167,456)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,028,433	\$ 11,504,038	\$ 11,312,932
Contributions as a percentage of covered payroll	39.87%	37.13%	36.84%

See notes to required supplementary information.



Year Ended June 30,						
2021	2020	2019	2018	2017	2016	2015
\$ 4,025,170	\$ 4,138,972	\$ 4,186,279	\$ 4,801,385	\$ 3,920,962	\$ 3,860,499	\$ 3,427,283
<u>(4,025,170)</u>	<u>(4,138,972)</u>	<u>(4,186,279)</u>	<u>(4,801,385)</u>	<u>(3,920,962)</u>	<u>(3,860,499)</u>	<u>(3,427,283)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,358,441	\$ 13,052,309	\$ 13,421,704	\$ 13,881,236	\$ 14,060,987	\$ 14,049,628	\$ 13,052,309
35.44%	31.71%	31.19%	34.59%	27.89%	27.48%	22.26%

PINCKNEY COMMUNITY SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (Asset) Liability

	Year Ended June 30,		
	2024	2023	2022
District's proportionate share of the net OPEB (asset) liability	\$ (658,986)	\$ 2,566,351	\$ 1,937,594
District's proportion of the net OPEB (asset) liability	0.11649%	0.12117%	0.12694%
District's covered payroll	\$ 11,588,425	\$ 11,702,596	\$ 11,402,498
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-5.69%	21.93%	16.99%
Plan fiduciary net position as a percentage of the total OPEB liability	105.04%	83.09%	87.33%

See notes to required supplementary information.



Year Ended June 30,			
2021	2020	2019	2018
\$ 7,770,003	\$ 11,048,952	\$ 12,936,413	\$ 14,791,114
0.14504%	0.15393%	0.16274%	0.16703%
\$ 12,817,668	\$ 13,433,590	\$ 13,838,734	\$ 14,011,703
60.62%	82.25%	93.48%	105.56%
59.44%	48.46%	4.95%	36.39%

PINCKNEY COMMUNITY SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,		
	2024	2023	2022
Statutorily required contributions	\$ 936,147	\$ 882,894	\$ 836,023
Contributions in relation to the statutorily required contributions	<u>(936,147)</u>	<u>(882,894)</u>	<u>(836,023)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,028,433	\$ 11,504,038	\$ 11,312,932
Contributions as a percentage of covered payroll	7.78%	7.67%	7.39%

See notes to required supplementary information.



Year Ended June 30,			
2021	2020	2019	2018
\$ 917,975	\$ 1,039,676	\$ 1,050,901	\$ 1,033,281
<u>(917,975)</u>	<u>(1,039,676)</u>	<u>(1,050,901)</u>	<u>(1,033,281)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,358,441	\$ 13,052,309	\$ 13,421,704	\$ 13,881,236
8.08%	7.97%	7.83%	7.44%

PINCKNEY COMMUNITY SCHOOLS

Notes to Required Supplementary Information

Pension Information

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

PINCKNEY COMMUNITY SCHOOLS

Notes to Required Supplementary Information

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB (Asset) Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

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**COMBINING FUND
FINANCIAL STATEMENTS**

PINCKNEY COMMUNITY SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2024

	Special Revenue		Capital Projects		Nonmajor Governmental Funds
	Food Service	Student/School Activity Fund	Public Improvement	Prevailing Wage	
Assets					
Cash and cash equivalents	\$ 575,329	\$ 243,652	\$ -	\$ -	\$ 818,981
Due from other governments	107,192	-	-	-	107,192
Due from other funds	-	117,573	-	5,000	122,573
Interfund receivable	-	107,356	986,789	-	1,094,145
Inventory	10,579	-	-	-	10,579
Prepaid items	-	3,495	-	-	3,495
Total assets	<u>\$ 693,100</u>	<u>\$ 472,076</u>	<u>\$ 986,789</u>	<u>\$ 5,000</u>	<u>\$ 2,156,965</u>
Liabilities					
Accounts payable	\$ 243,967	\$ 24,394	\$ 114,385	\$ -	\$ 382,746
Unearned revenue	21,365	-	-	-	21,365
Total liabilities	<u>265,332</u>	<u>24,394</u>	<u>114,385</u>	<u>-</u>	<u>404,111</u>
Fund balances					
Nonspendable	10,579	3,495	-	-	14,074
Restricted	417,189	-	-	-	417,189
Committed	-	444,187	872,404	5,000	1,321,591
Total fund balances	<u>427,768</u>	<u>447,682</u>	<u>872,404</u>	<u>5,000</u>	<u>1,752,854</u>
Total liabilities and fund balances	<u>\$ 693,100</u>	<u>\$ 472,076</u>	<u>\$ 986,789</u>	<u>\$ 5,000</u>	<u>\$ 2,156,965</u>

PINCKNEY COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2024

	Special Revenue		Capital Projects		Total
	Food Service	Student/School Activity Fund	Public Improvement	Prevailing Wage	
Revenues					
Local sources:					
Property taxes	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Other local sources	132,319	622,293	-	-	754,612
State sources	719,287	-	-	-	719,287
Federal sources	556,345	-	-	-	556,345
Total revenues	1,407,951	622,293	-	5,000	2,035,244
Expenditures					
Support services - pupil	-	635,548	-	-	635,548
Food service	1,447,754	-	-	-	1,447,754
Capital outlay	-	-	364,664	-	364,664
Total expenditures	1,447,754	635,548	364,664	-	2,447,966
Revenues over (under) expenditures	(39,803)	(13,255)	(364,664)	5,000	(412,722)
Other financing sources					
Issuance of long-term liabilities	-	-	912,068	-	912,068
Transfers in	-	-	250,000	-	250,000
Total other financing sources	-	-	1,162,068	-	1,162,068
Net change in fund balances	(39,803)	(13,255)	797,404	5,000	749,346
Fund balances, beginning of year	467,571	460,937	75,000	-	1,003,508
Fund balances, end of year	\$ 427,768	\$ 447,682	\$ 872,404	\$ 5,000	1,752,854

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SINGLE AUDIT ACT COMPLIANCE

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**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

October 25, 2024

Board of Education
Pinckney Community Schools
Pinckney, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Pinckney Community Schools** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 25, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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PINCKNEY COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Award Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
School Breakfast Program	10.553	MDE	231970	\$ 137,042
School Breakfast Program	10.553	MDE	241970	129,429
Non-Cash Assistance - Entitlement Commodities	10.555	MDE	n/a	51,506
National School Lunch Program	10.555	MDE	231960	293,762
National School Lunch Program	10.555	MDE	241960	263,216
Supply Chain Assistance	10.555	MDE	240910	55,863
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I - Project - Regular	84.010	MDE	231530-2223	113,512
Title I - Project - Regular	84.010	MDE	241530-2324	106,022
Tech Prep	84.048	LESA	163540-2223	10,537
Tech Prep	84.048	LESA	163540-2324	24,000
Title II - Part A - Regular	84.367	MDE	230520-2223	114,259
Title II - Part A - Regular	84.367	MDE	240520-2324	108,227
Title IV - Part A - Student Support	84.424	MDE	230750-2223	12,036
Title IV - Part A - Student Support	84.424	MDE	240750-2324	10,000
COVID-19 - Education Stabilization Fund - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP-ESSER):				
ESSER III - American Rescue Plan	84.425U	MDE	213713-2122	838,721
ESSER III - Section 11t	84.425U	MDE	213723-2122	1,798,360
Total Department of Education				
Michigan Department of Health and Human Services				
Medicaid Cluster - Medicaid Outreach	93.778	LESA	n/a	3,403
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue at July 1, 2023	(Memo Only) Prior Year(s) Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2024
\$ 21,226	\$ 119,756	\$ 38,512	\$ 17,286	\$ -
-	-	129,429	129,429	-
<u>21,226</u>	<u>119,756</u>	<u>167,941</u>	<u>146,715</u>	<u>-</u>
-	-	51,506	51,506	-
44,878	254,717	83,923	39,045	-
-	-	263,216	263,216	-
-	-	55,863	55,863	-
<u>44,878</u>	<u>254,717</u>	<u>454,508</u>	<u>409,630</u>	<u>-</u>
66,104	374,473	622,449	556,345	-
89,958	102,008	101,462	11,504	-
-	-	-	75,563	75,563
<u>89,958</u>	<u>102,008</u>	<u>101,462</u>	<u>87,067</u>	<u>75,563</u>
10,537	10,537	10,537	-	-
-	-	24,000	24,000	-
<u>10,537</u>	<u>10,537</u>	<u>34,537</u>	<u>24,000</u>	<u>-</u>
28,515	43,453	36,899	8,384	-
-	-	-	31,526	31,526
<u>28,515</u>	<u>43,453</u>	<u>36,899</u>	<u>39,910</u>	<u>31,526</u>
11,258	12,036	11,258	-	-
-	-	-	2,048	2,048
<u>11,258</u>	<u>12,036</u>	<u>11,258</u>	<u>2,048</u>	<u>2,048</u>
354,376	784,344	354,376	54,377	54,377
828,683	993,663	1,368,509	798,274	258,448
<u>1,183,059</u>	<u>1,778,007</u>	<u>1,722,885</u>	<u>852,651</u>	<u>312,825</u>
<u>1,323,327</u>	<u>1,946,041</u>	<u>1,907,041</u>	<u>1,005,676</u>	<u>421,962</u>
-	-	3,403	3,403	-
<u>\$ 1,389,431</u>	<u>\$ 2,320,514</u>	<u>\$ 2,532,893</u>	<u>\$ 1,565,424</u>	<u>\$ 421,962</u>

PINCKNEY COMMUNITY SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Pinckney Community Schools (the "District") under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts 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.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

A reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit act compliance schedule of expenditures of federal awards is as follows:

Federal revenues as reported in the financial statements	\$ 2,374,513
Less -	
Revenue from federal government paid directly for interest on long-term debt not considered to be federal expenditures	<u>(809,089)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 1,565,424</u></u>

PINCKNEY COMMUNITY SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

The District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
LESA	Livingston Educational Service Agency



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

October 25, 2024

Board of Education
Pinckney Community Schools
Pinckney, Michigan

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 ***Pinckney Community Schools*** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 the District'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 District'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.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

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

October 25, 2024

Board of Education
Pinckney Community Schools
Pinckney, Michigan

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the compliance of ***Pinckney Community Schools*** (the "District") 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 the District's major federal program for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District 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 the major federal program. Our audit does not provide a legal determination of the District'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 the District's federal programs.

Independent Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District'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 GAAS, *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 the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the District'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 the District'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 the District'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 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 Independent Auditors' 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.

Purpose of this Report

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.

Rehmann Lobson LLC

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PINCKNEY COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditor's report issued on compliance for each major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.425	Education Stabilization Fund	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

PINCKNEY COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



PINCKNEY COMMUNITY SCHOOLS

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2024

None reported.



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