

PICKFORD PUBLIC SCHOOLS

PICKFORD, MICHIGAN

JUNE 30, 2024

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Pickford Public Schools
Pickford, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pickford Public Schools, Pickford, Michigan 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 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 Pickford Public Schools, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pickford Public Schools 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 these 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 Pickford Public Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

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

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

- Exercise professional judgement 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 Pickford Public Schools' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pickford Public Schools' 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 required supplementary information, as identified in the table of contents, on pages 4-11 and 49-54 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the bond repayment schedules but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2024, on our consideration of Pickford Public Schools' 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 Pickford Public Schools' 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 Pickford Public Schools' internal control over financial reporting and compliance.

UHY LLP

Cadillac, Michigan
August 31, 2024

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

This section of Pickford Public Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

A. 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 inflows and outflows of resources and liabilities, with the difference 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 the information showing how the District'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 for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, community services, payments to other governmental agencies, facilities acquisition, prior period adjustments, and interest on long-term debt and depreciation.

B. 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. Pickford Public Schools, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions 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 assessing 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 Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

Fiduciary Funds – Fiduciary funds are for assets that belong to others, such as certain student activities and trust agreements where the District is the trustee or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

The District maintains one type of fiduciary fund. The Private Purpose Trust fund reports resources held by the District in a custodial capacity for individuals, private organizations and other governments.

C. Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

D. Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

E. Summary of Net Position

The following schedule summarizes the net position at June 30:

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets	\$ 3,482,989	\$ 6,150,483
Non Current Assets		
Capital Assets, Net of Depreciation	13,553,439	11,830,795
Net Other Postemployment Benefits Asset	142,494	0
Total Non Current Assets	<u>13,695,933</u>	<u>11,830,795</u>
Total Assets	<u>17,178,922</u>	<u>17,981,278</u>
Deferred Outflows of Resources	<u>3,517,108</u>	<u>4,013,127</u>
Liabilities		
Current Liabilities	1,591,694	2,379,195
Non Current Liabilities	19,306,632	21,003,932
Total Liabilities	<u>20,898,326</u>	<u>23,383,127</u>
Deferred Inflows of Resources	<u>2,456,992</u>	<u>1,860,397</u>
Net Position		
Net Investment in Capital Assets	2,713,766	2,618,153
Restricted for Specific Purposes	344,782	150,184
Unrestricted (Deficit)	<u>(5,717,836)</u>	<u>(6,017,456)</u>
Total Net Position (Deficit)	<u>\$ (2,659,288)</u>	<u>\$ (3,249,119)</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

F. Analysis of Financial Position

During the fiscal year ended June 30, 2024, the District's net position increased by \$589,831. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

Districts are required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2024, \$202,658 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2024, \$1,925,302 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above. The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$1,722,644 for the fiscal year ended June 30, 2024. The expenditures capitalized were related a baseball scoreboard and building improvements.

3. Pension and Other Postemployment Benefits Expense

GASB 68 and GASB 75 require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability and other postemployment benefits liability/asset increase or decrease in any given year. For the year ended June 30, 2024, the District reported an increase in net position related to GASB 68 and GASB 75.

G. Results of Operations

The following summarizes the results of operations on a district-wide basis for the years ended June 30:

	<u>2024</u>	<u>2023</u>
General Revenues		
Property Taxes	\$ 1,336,253	\$ 1,140,586
Investment Earnings	38,820	35,220
State Sources	3,667,036	3,539,451
Other	19,812	29,936
Total General Revenues	<u>5,061,921</u>	<u>4,745,193</u>

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FOR FISCAL YEAR ENDED JUNE 30, 2024

	2024	2023
Program Revenues		
Charges for Services	117,921	166,791
Operating Grants	2,650,923	2,088,493
Capital Grants	5,871	170,025
Total Program Revenues	2,774,715	2,425,309
Total Revenues	7,836,636	7,170,502
Expenses		
Instruction	3,830,158	3,745,963
Supporting Services	2,860,152	2,524,986
Community Services	29,065	0
Payments to Other Governmental Agencies, Facilities Acquisition, and Prior Period Adjustments	22,337	87,600
Interest on Long-Term Debt	302,435	271,179
Unallocated Depreciation	202,658	169,956
Total Expenses	7,246,805	6,799,684
Change in Net Position	\$ 589,831	\$ 370,818

H. Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2024	2023	Increase (Decrease)
Major Funds			
General Fund	\$ 832,803	\$ 887,014	\$ (54,211)
Debt Retirement Fund	256,242	203,066	53,176
2020 Capital Projects Fund	925,311	2,815,341	(1,890,030)
Food Service Fund	130,323	84,140	46,183
Nonmajor Funds			
Student Activities Fund	80,570	69,609	10,961
Total Governmental Funds	\$ 2,225,249	\$ 4,059,170	\$ (1,833,921)

General Fund – In 2023-2024, the General Fund's fund balance decreased by \$54,211. Federal funding from the ESSERS program has diminished, but some of the programs and staff that were originally funded by that revenue remain, causing the decrease in fund balance.

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FOR FISCAL YEAR ENDED JUNE 30, 2024

Debt Retirement Fund – In 2023-2024, the Debt Retirement Fund’s fund balance increased as a result of a property taxes being collected in excess of debt service obligations.

2020 Capital Projects Fund – In 2023-2024, the 2020 Capital Projects Fund decreased its fund balance as the District continues to spend down the bond proceeds on improvements throughout the District.

Food Service Fund – In 2023-2024, the Food Service Fund’s fund balance increased by \$46,183. The District felt the positive financial impact of the universal free lunch and breakfast programs instituted by the State of Michigan.

Student Activities Fund –The Student Activities Fund increased its fund balance during the year as various activities are accumulating resources for larger expenditures in future years.

I. General Fund Budgetary Highlights

The Uniform Accounting and Budgeting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2023-2024 fiscal year, the District amended the General Fund at various times throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>	\$ 6,064,937	\$ 6,531,716	\$ 6,500,386
<u>EXPENDITURES</u>			
Instruction	\$ 4,237,414	\$ 4,099,308	\$ 4,027,184
Supporting Services	2,447,506	2,439,794	2,458,548
Community Services	0	35,089	29,065
Payments to Other Governmental Agencies, Facilities Acquisition, and Prior Period Adjustments	10,825	29,069	38,337
Total Expenditures	\$ 6,695,745	\$ 6,603,260	\$ 6,553,134

The changes from original budget and final budget resulted from funding amounts for various programs and associated expenditures becoming clearer throughout the year. Variances between final budgeted and actual figures were both less than 1%.

J. Capital Asset and Debt Administration

1. Capital Assets

At the end of the 2023-2024 fiscal year, the District had invested \$13,553,439 net of depreciation, in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of

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FOR FISCAL YEAR ENDED JUNE 30, 2024

equipment. This represents a net increase of \$1,722,644 from the prior fiscal year. Depreciation expense for the year amounted to \$202,658 bringing the accumulation to \$3,516,349 as of June 30, 2024. \$1,925,302 of expenditures were capitalized and recorded as assets of the District. The expenditures capitalized were related to a baseball scoreboard and building improvements. The District is committed to spending approximately \$780,000 on various building and site improvements in 2024-2025.

2. Long-Term Obligations

At June 30, 2024, the District had \$11,485,000 in obligations outstanding. This represents a decrease of \$235,000 from the amount outstanding at the close of the prior fiscal year. Additionally, at June 30, 2024, the District reported its net share of the pension liability of \$7,749,262 and compensated absences in the amount of \$72,386.

K. Factors Bearing on the District's Future

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

- The immediate impact of the COVID-19 pandemic has diminished and had little to no effect on the 2023-24 school year. Long-term impacts remain though, as the District has seen an upward trend in the need for intervention services and pupil support programs continuously since the 2019-20 school year. It is expected that these increased intervention costs will remain constant for at least the foreseeable future while students catch up from the impact of various shutdowns and extended periods of online learning that occurred during the pandemic.
- The impact of COVID-19 on the School Aid budget was significant and resulted in a positive impact on our district revenues. The end of this funding has seen our general fund balance return to pre-COVID levels and below. Addition of personnel due to the availability of ESSER funding will now need to be absorbed into the general fund or offset through other grant sources in order to maintain staffing levels into the future.
- Due to the passage of an \$8.5 million bond proposal in November 2019, and a \$3.5 million bond proposal in May 2022, we have been able to make the improvements and expansions that are necessary to carry the District forward into the future. We are nearing the end of the project, with only a few final inspections remaining and anticipate that we will have a balance left in our contingency fund. These project contingency fund dollars will potentially allow the District to offset some general fund dollars with future technology and/or furniture purchases. We are fortunate that the project was able to be completed within budget parameters due to careful planning and ongoing problem solving to deal with unexpected issues that arose during the course of construction.
- The purchase of three new buses in summer 2020 upgraded the District fleet and will continue to allow reliable transportation services for the District's students. The combination of harsh winter conditions, subpar status of secondary and side roads, and extensive miles covered make it difficult to maintain the condition of the District's buses and allow for extended lifetime. This year, the District will need to lay out a plan for transitioning out some of the older buses in our fleet and setting aside funds to use for purchasing new buses by summer 2025.
- Cost increases exceeding the general rate of inflation continue to be expected for the District relative to health care and pension contribution obligations in 2024-2025 and beyond. These costs represent a significant

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

portion of the District's budget and their rate of increase is a concern to management. Surges in prices of energy commodities such as diesel, gasoline, and natural gas will have a continued impact on the budget and may contribute to growth in overall operating costs going forward. A mild winter last year resulted in savings in snow removal and heating costs, but harsh seasonal conditions forecasted for the upcoming winter will likely cause increased expenses for the District in both of these areas. These factors will all continue to add some level of uncertainty to our budgeting.

- The District has a relatively experienced teaching staff, with 68% percent of teachers on staff having more than 10 years of experience. Approximately 35% of those with more than 10 years of experience will be eligible for retirement within the next 10 years. While several teachers are still on the lower end of the salary schedule at this time, the District will need to plan long-term to absorb the costs of both step increases and lane changes as staff increase in educational level and years of experience. It has been observed that, likely due to the educator shortage, more teachers are hired into the district already having years of experience and, sometimes, advanced degrees, versus being new to the profession. This trend will continue to keep salary costs high. Competition between districts to attract and retain staff will also contribute to increasing salary costs.
- The District and bargaining units settled three-year contracts in August 2022. Significant increases in the form of regular step increases and percentage increases were provided under this agreement to professional staff. A new salary schedule, also with significant increases, was provided in the agreement with the support staff bargaining unit. The current contracts continue to provide health insurance utilizing the MESSA ABC High-Deductible Plan as the standard plan, with staff paying costs above the cap. Being in the 3rd year of these three year agreements means that the District will be bargaining again in early spring 2025. Potential costs associated with new association agreements are unknown at this point, but it will be important for the District to consider ways to contain personnel costs while still providing competitive compensation packages to attract new staff.
- The current retirement rate for the next fiscal year is unknown at this time. Although the District should continue to see some cost containment in this area due to enacted reforms, we are concerned about state aid funding stability since the legislature has based per pupil "increases" on reductions in district retirement costs vs. actual dollar amount increases in the foundation allowance. There has been no legislation passed to ensure that these rate reductions will carry forward into the future, which makes long range forecasts difficult.
- The District has benefited greatly from the regional CTE millage which has allowed for full reimbursement of transportation, programs, and tuition. Prior to the availability of this millage, the District was faced with either limiting enrollment in available CTE programs outside of our district or cutting other programs or staffing in our own district. This funding source is expected to positively impact our district and students for several years into the future. The passage of a regional special education millage in May 2022 has also provided some relief for the general fund, as the District has seen continually rising costs for our special education programming and services.
- The District still benefits from a significant number of non-resident, school-of-choice pupils. In 2022-2023, approximately 37 percent of the District's pupils were non-residents, which accounts for over \$1.5 million in revenue.
- In 2023-2024, pupil enrollment for Pickford Public Schools fell to about 440 student students. The exit of a senior class of nearly 50 students and a lower than anticipated kindergarten enrollment of 27 students helped

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FOR FISCAL YEAR ENDED JUNE 30, 2024

to create this condition. The District was projecting our enrollment trend for 2024-25 to remain at least flat, and it appears that will hold true. Pickford Township has seen an increase in population since the 2010 census. Realtors in the area report that home buyers continue to tell them that the school is a major reason for their desire to move into the area. With the reliance on school of choice students to supplement district resident enrollment though, enrollment projections may vary significantly from the final actual enrollment numbers, especially as neighboring schools focus on ways to keep their own students enrolled in their home district.

- As student count will continue to be the driving force behind the District's revenue streams, we continue to be concerned with declining enrollment around the region, and most recently, in our district, as any loss in students will have a direct impact on the District's revenue. Previous increases in enrollment are not without impact either, as an increase in student count also comes with perceived increases in staffing. The District has hired 1 additional teacher for the 2024-2025 school year while combining some positions due to attrition, resulting in no net increase in staffing. With the shortage of teachers across the state, and especially in the EUP region, it may prove challenging to attract applicants and fill positions without offering higher salary rates than other districts. This will prove to be a delicate balance to maintain appropriate staffing levels without overspending and negatively impacting our fund balance.
- At the time of the audit, the 2024-2025 School Aid Budget was passed with no per pupil increase in foundation allowance, but instead a decrease in retirement costs for the District. The District chose to conservatively budget and assume a small increase in per pupil funding from 2023-2024 when we built our preliminary forecasted budget. While the subsequent School Aid Budget is not showing increased revenues, our projected savings due to a decrease in the retirement healthcare rate will help us to come close to balancing our budget this year. The District enrollment is currently stable, but historically that has fluctuated from year to year. Continued conservative spending will be the District strategy in order to maximize our fund equity in uncertain times.
- As the District continues to face the challenges of maintaining a balanced budget for the current and upcoming school years, operating efficiencies will be necessary. The ability to continue to operate an adequate educational system with limited revenue and increasing expenditures is the challenge of the future. The Board of Education has worked with district administration to develop strategic plan goals that include fiscal oversight, fiscal responsibility, and long-term financial planning. Maintenance of a General Fund Balance of 10% or greater is a high priority for the Board and decisions regarding district finances will be made with this fact in mind.

L. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Business Office, Pickford Public Schools, 333 S. Pleasant Street, Pickford, MI 49774.

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STATEMENT OF NET POSITION

JUNE 30, 2024

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 690,238
Restricted Cash and Cash Equivalents	1,190,793
Investments	340,848
Accounts Receivable	239,447
Due from Other Governments	1,018,122
Inventories	3,541
	<hr/>
Total Current Assets	3,482,989
	<hr/>
<u>NON CURRENT ASSETS</u>	
Capital Assets, Net of Depreciation	
Capital Assets Not Being Depreciated	10,549,732
Capital Assets Being Depreciated	3,003,707
Net Other Postemployment Benefits Asset	142,494
	<hr/>
Total Non Current Assets	13,695,933
	<hr/>
TOTAL ASSETS	17,178,922
	<hr/>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources Related to Pensions	2,785,149
Deferred Outflows of Resources Related to Other Postemployment Benefits	731,959
	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,517,108
	<hr/>

The notes to the financial statements are an integral part of this statement.

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STATEMENT OF NET POSITION

JUNE 30, 2024

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	580,525
Accrued Interest Payable	53,954
Salaries and Fringes Payable	463,022
Unearned Revenue	214,193
Current Portion of Non Current Liabilities	<u>280,000</u>
 Total Current Liabilities	 <u>1,591,694</u>
 <u>NON CURRENT LIABILITIES</u>	
Bonds Payable - Net	11,764,984
Compensated Absences	72,386
Net Pension Liability	7,749,262
Less Current Portion of Non Current Liabilities	<u>(280,000)</u>
 Total Non Current Liabilities	 <u>19,306,632</u>
 TOTAL LIABILITIES	 <u>20,898,326</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources Related to Pensions	1,288,481
Deferred Inflows of Resources Related to Other Postemployment Benefits	<u>1,168,511</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>2,456,992</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	2,713,766
Restricted for Debt Service	202,288
Restricted for Net Other Postemployment Benefits	142,494
Unrestricted (Deficit)	<u>(5,717,836)</u>
 TOTAL NET POSITION (Deficit)	 <u>\$ (2,659,288)</u>

The notes to the financial statements are an integral part of this statement.

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	FUNCTIONS/PROGRAMS	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES	
		EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS		CAPITAL GRANTS
<u>GOVERNMENTAL ACTIVITIES</u>						
	Instruction	\$ 3,830,158	\$ 19,114	\$ 1,272,456	\$ 0	\$ (2,538,588)
	Supporting Services	2,860,152	98,807	1,349,402	5,871	(1,406,072)
	Community Services	29,065	0	29,065	0	0
	Payments to Other Governmental Agencies, Facilities Acquisition, and Prior Period Adjustments	22,337	0	0	0	(22,337)
	Interest on Long-Term Debt	302,435	0	0	0	(302,435)
	Unallocated Depreciation	202,658	0	0	0	(202,658)
	TOTAL GOVERNMENTAL ACTIVITIES	\$ 7,246,805	\$ 117,921	\$ 2,650,923	\$ 5,871	(4,472,090)
<u>GENERAL REVENUES</u>						
	Property Taxes - General Purposes					719,535
	Property Taxes - Debt Service					616,718
	Investment Earnings					38,820
	State Sources					3,667,036
	Other					19,812
	Total General Revenues					5,061,921
	Change in Net Position					589,831
	<u>NET POSITION - Beginning of Year (Deficit)</u>					<u>(3,249,119)</u>
	<u>NET POSITION - End of Year (Deficit)</u>					<u>\$ (2,659,288)</u>

The notes to the financial statements are an integral part of this statement.

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2024

	GENERAL FUND	DEBT RETIREMENT FUND	2020 CAPITAL PROJECTS FUND	FOOD SERVICE FUND	NONMAJOR		TOTAL GOVERNMENTAL FUNDS
					STUDENT ACTIVITIES FUND	GOVERNMENTAL FUNDS	
\$	213,869	\$ 256,242	\$ 0	\$ 121,949	\$ 98,178	\$	690,238
	0	0	1,190,793	0	0	0	1,190,793
	340,848	0	0	0	0	0	340,848
	234,323	0	0	198	4,926	0	239,447
	36,718	0	0	24,958	11,346	0	73,022
	1,018,122	0	0	0	0	0	1,018,122
	0	0	0	3,541	0	0	3,541
\$	1,843,880	\$ 256,242	\$ 1,190,793	\$ 150,646	\$ 114,450	\$	3,556,011

ASSETS

Cash and Cash Equivalents
Restricted Cash and Cash Equivalents
Investments
Accounts Receivable
Due from Other Funds
Due from Other Governments
Inventories

TOTAL ASSETS

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable
Due to Other Funds
Salaries and Fringes Payable
Unearned Revenue

Total Liabilities

FUND BALANCES

Nonspendable, Inventory
Restricted for Capital Projects
Restricted for Debt Service
Restricted for Food Service
Assigned for Student Activities
Assigned for Subsequent Year Budget
Unassigned

Total Fund Balances

TOTAL LIABILITIES AND FUND BALANCE

\$	311,597	\$ 0	\$ 265,482	\$ 3,424	\$ 22	\$	580,525
	36,304	0	0	2,860	33,858	0	73,022
	448,983	0	0	14,039	0	0	463,022
	214,193	0	0	0	0	0	214,193
	1,011,077	0	265,482	20,323	33,880	0	1,330,762
	0	0	0	3,541	0	0	3,541
	0	0	925,311	0	0	0	925,311
	0	256,242	0	0	0	0	256,242
	0	0	0	126,782	0	0	126,782
	0	0	0	0	80,570	0	80,570
	257,537	0	0	0	0	0	257,537
	575,266	0	0	0	0	0	575,266
	832,803	256,242	925,311	130,323	80,570	0	2,225,249
\$	1,843,880	\$ 256,242	\$ 1,190,793	\$ 150,646	\$ 114,450	\$	3,556,011

The notes to the financial statements are an integral part of this statement.

PICKFORD PUBLIC SCHOOLS

PICKFORD, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

JUNE 30, 2024

Total Governmental Fund Balances		\$	2,225,249
Amounts reported for governmental activities in the Statement of Net Position are different			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
The cost of the capital assets is		\$	17,069,788
Accumulated depreciation is			<u>(3,516,349)</u>
			13,553,439
Bond discounts (premiums) and deferred charges for bonds issued are expenditures (revenues) at the modified accrual fund level, but are capitalized and written off over the life of the bonds payable at the district-wide full accrual level.			
Bond Discount (Premium)			(279,984)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.			
Bonds Payable			(11,485,000)
Compensated Absences			(72,386)
Net Pension Liability			(7,749,262)
Some assets are not current financial resources and are not reported in the funds.			
Net Other Postemployment Benefits Asset			142,494
Accrued interest is not included as a liability in government funds. It is recorded when paid.			
			(53,954)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.			
Deferred Inflows of Resources Related to Pensions and Other Postemployment Benefits			(2,456,992)
Deferred Outflows of Resources Related to Pensions and Other Postemployment Benefits			<u>3,517,108</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$	<u><u>(2,659,288)</u></u>

The notes to the financial statements are an integral part of this statement.

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2024

	GENERAL FUND	DEBT RETIREMENT FUND	2020 CAPITAL PROJECTS FUND	FOOD SERVICE FUND	NONMAJOR STUDENT ACTIVITIES FUND	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>						
Local Sources	\$ 901,853	\$ 617,538	\$ 10,112	\$ 33,037	\$ 191,952	\$ 1,754,492
Non-Educational Entity or Political Subdivision Sources	8,050	0	0	0	0	8,050
State Sources	5,034,114	0	0	167,789	0	5,201,903
Federal Sources	199,182	0	0	201,027	0	400,209
Other Transactions	357,187	0	0	0	0	357,187
Total Revenues	6,500,386	617,538	10,112	401,853	191,952	7,721,841
<u>EXPENDITURES</u>						
Instruction						
Basic Programs	3,049,780	0	0	0	0	3,049,780
Added Needs	977,404	0	0	0	0	977,404
Supporting Services						
Pupil	305,934	0	0	0	0	305,934
Instructional Staff	39,575	0	0	0	0	39,575
General Administration	263,217	0	0	0	0	263,217
School Administration	410,941	0	0	0	0	410,941
Business	148,342	0	0	0	0	148,342
Operation and Maintenance of Plant	516,424	0	0	0	0	516,424
Pupil Transportation Services	344,895	0	0	0	0	344,895
Support Services - Central	256,615	0	0	0	0	256,615
Support Services - Other	172,605	0	0	357,133	180,991	710,729
Community Services						
Custody and Care of Children	29,065	0	0	0	0	29,065
Payments to Other Governmental Agencies, Facilities Acquisition, and Prior Period Adjustments						
Facilities Acquisition, Construction and Improvements	38,337	0	1,900,142	0	0	1,938,479
Debt Service						
Principal	0	235,000	0	0	0	235,000
Interest and Other	0	329,362	0	0	0	329,362
Total Expenditures	6,553,134	564,362	1,900,142	357,133	180,991	9,555,762
Excess (Deficiency) of Revenues Over Expenditures	(52,748)	53,176	(1,890,030)	44,720	10,961	(1,833,921)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In (Out)	(1,463)	0	0	1,463	0	0
Net Change in Fund Balance	(54,211)	53,176	(1,890,030)	46,183	10,961	(1,833,921)
<u>FUND BALANCE</u> - Beginning of Year	887,014	203,066	2,815,341	84,140	69,609	4,059,170
<u>FUND BALANCE</u> - End of Year	\$ 832,803	\$ 256,242	\$ 925,311	\$ 130,323	\$ 80,570	\$ 2,225,249

The notes to the financial statements are an integral part of this statement.

PICKFORD PUBLIC SCHOOLS

PICKFORD, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances Total Governmental Funds \$ (1,833,921)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(202,658)
Capital Outlay	1,925,302

The issuance of long-term obligations provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when obligations are first issued, whereas these amounts are deferred and amortized in the Statement of Activities over the life of the long-term obligation issue.

Amortization of Bond Premium	27,999
Repayments of Principal on Long-Term Obligations	235,000

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	52,882
Accrued Interest Payable - End of Year	(53,954)

Compensated Absences and Severance Plan are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	58,629
Compensated Absences - End of Year	(72,386)

Governmental funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions is reported as expense.

Change in Pension and Other Postemployment Benefits Related Items	338,143
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Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension contributions subsequent to the measurement date.

Change in State Aid Funding for Pension Benefits	114,795
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 589,831</u>
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The notes to the financial statements are an integral part of this statement.

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2024

	<u>PRIVATE PURPOSE TRUST FUND</u>
<u>ASSETS</u>	
Cash	\$ 102,870
<u>LIABILITIES</u>	
	<u>0</u>
<u>NET POSITION</u>	
Held in Trust for Individuals and Organizations	<u>\$ 102,870</u>

The notes to the financial statements are an integral part of this statement.

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2024

	<u>PRIVATE PURPOSE TRUST FUND</u>
<u>ADDITIONS</u>	
Donations and Earnings on Deposits	\$ 38,681
<u>DEDUCTIONS</u>	
Scholarship Awards	<u>35,824</u>
Change in Net Position	2,857
<u>NET POSITION</u> - Beginning of Year	<u>100,013</u>
<u>NET POSITION</u> - End of Year	<u>\$ 102,870</u>

The notes to the financial statements are an integral part of this statement.

PICKFORD PUBLIC SCHOOLS

PICKFORD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Pickford Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District ("the District") is located in Chippewa and Mackinac Counties with its administrative offices located in Pickford, Michigan. The District operates under an elected board of education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

PICKFORD PUBLIC SCHOOLS

PICKFORD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

The District reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the revenues and expenditures related to various General Obligation Bonds.

The *2020 Capital Projects Fund* accounts for the resources that are restricted for use on capital projects that were approved by the District's voters.

The *Food Service Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for food service.

The District reports the following non-major governmental funds:

The *Student Activities Special Revenue Fund* account for revenue sources that are assigned to expenditures for school/student activities.

Additionally, the District reports Fiduciary Funds. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements

The District reports the following fiduciary funds:

The *Private Purpose Trust Funds* are accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for scholarships available to qualifying students of the District.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

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

PICKFORD PUBLIC SCHOOLS

PICKFORD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term obligations are reported as other financing sources.

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

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District's approved budgets were adopted at the function level for the General and Special Revenue Funds. These are the legal enacted levels under the State Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board (the level at which expenditures may not legally exceed appropriations).

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, value outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

PICKFORD PUBLIC SCHOOLS

PICKFORD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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

- (a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- (b) A public hearing is conducted during June to obtain taxpayer comments.
- (c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- (d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- (e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- (f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- (g) Budgeted amounts are as originally adopted in June 2023, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

Excess of expenditures over appropriations occurred in the following fund:

General Fund – Pupil Supporting Services expenditures of \$305,934 exceeded appropriations of \$304,974, Instructional Staff Supporting Services expenditures of \$39,575 exceeded appropriations of \$22,634, Business Supporting Services expenditures of \$148,342 exceeded appropriations of \$138,710, Supporting Services – Central expenditures of \$256,615 exceeded appropriations of \$242,455, and Facilities Acquisition, Construction and Improvements expenditures of \$38,337 exceeded appropriations of \$29,069.

Student Activities Fund – Expenditures of \$180,991 exceeded appropriations of \$102,000.

The above overages were funded by available fund balance and greater than anticipated revenues.

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

1. *Cash and Cash Equivalents*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

PICKFORD PUBLIC SCHOOLS

PICKFORD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

2. Investments

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

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- (c) Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- (d) The United States government or federal agency obligations repurchase agreements.
- (e) Bankers acceptances of United States banks.
- (f) Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

3. Inventory and Prepaid Items

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities' column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost

PICKFORD PUBLIC SCHOOLS

PICKFORD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date of the donation. Donated capital assets are only reported under the accrual method of accounting.

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. Land and construction in progress, if any, are not depreciated. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Additions	40-50
Furniture and Equipment	3-10
Vehicles	5-10

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District recognizes unearned revenue related to funds received by the District from the State of Michigan and other organizations that have not been spent as of June 30, 2024.

6. *Defined Benefit Plans*

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

7. *Long-Term Obligations*

In the government-wide financial statements, long-term and other obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related obligation.

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

8. *Compensated Absences*

District policy permits certain employees to accumulate earned but unused sick pay and other compensation benefits. The amount allowable to be compensated for depends on position and the longevity of the individual employee. 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.

9. *Deferred Outflows/Inflows 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. Additionally, the District reports deferred outflows of resources related to its pension plan and other postemployment benefits plan, which are discussed in Note 3-H and Note 3-I of this report.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to its pension plan and other postemployment benefits plan, which are discussed in Note 3-H and Note 3-I of this report.

10. *Net Position Flow Assumption*

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

11. *Fund Balance Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. *Fund Balance Policies*

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

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

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

13. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

14. Restricted Assets

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants, and they are maintained in separate bank accounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2024 the foundation allowance was based on pupil membership counts taken in October 2023 and February 2023 and blended with the prior two years. For fiscal year ended June 30, 2024, the per pupil foundation allowance was \$9,608 for Pickford Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2023 to August 2024. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement,

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funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Program Revenues

Amounts reported as program revenue 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. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1, and due July 1. The levy becomes delinquent as of February 14 for all taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2024, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund - Non-Homestead	18.0000
General Fund - Commercial PPT	6.0000
2020 Debt Service Fund - PRE, Non-PRE, Commercial Personal Property	4.5600
2022 Debt Service Fund - PRE, Non-PRE, Commercial Personal Property	1.1700

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2024.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2024 the District had deposits and investments subject to the following risks:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2024, the District’s bank balance was \$2,540,347, of which \$1,540,347 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the fiscal year was \$1,983,801 along with petty cash of \$100.

Interest rate risk – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby

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avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

	Fair Value	Weighted Average Maturity (Years)
MILAF+ Cash Management Class	\$ 53	N/A
MILAF+ MAX Class	340,795	N/A
	<u>\$ 340,848</u>	
Portfolio Weighted Average Maturity		<u>N/A</u>

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

	Fair Value	Standard & Poor's Rating
MILAF+ Cash Management Class	\$ 53	AAAm
MILAF+ MAX Class	340,795	AAAm
	<u>\$ 340,848</u>	

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Fair Market Value Disclosure - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for

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identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

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

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

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

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

	<u>Amortized Cost</u>
MILAF+ Cash Management Class	\$ 53
MILAF+ MAX Class	340,795
	<u>\$ 340,848</u>

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

The following summarizes the categorization of these amounts as of June 30, 2024:

	<u>Primary Government</u>	<u>Fiduciary</u>	<u>Total</u>
Cash and Cash Equivalent	\$ 690,238	\$ 102,870	\$ 793,108
Restricted Cash and Cash Equivalents	1,190,793	0	1,190,793
Investments	340,848	0	340,848
	<u>\$ 2,221,879</u>	<u>\$ 102,870</u>	<u>\$ 2,324,749</u>

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B. Accrued Liabilities

Accrued liabilities reported by governmental funds at June 30, 2024, were as follows:

	General Fund	Food Service Fund	Total
Salaries	\$ 292,239	\$ 9,975	\$ 302,214
Employee Benefits	156,744	4,064	160,808
Total Accrued Liabilities	<u>\$ 448,983</u>	<u>\$ 14,039</u>	<u>\$ 463,022</u>

C. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Food Service Fund	Student Activities Fund	Total
Receivables:				
Accounts	\$ 234,323	\$ 198	\$ 4,926	\$ 239,447
Due from Other Governmental Units	1,018,122	0	0	1,018,122
Total	<u>\$ 1,252,445</u>	<u>\$ 198</u>	<u>\$ 4,926</u>	<u>\$ 1,257,569</u>

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs. The allowance for doubtful accounts is not considered to be material for disclosure.

D. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2024, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
General Fund	Food Service Fund	\$ 2,860
General Fund	Student Activities Fund	33,858
Food Service Fund	General Fund	24,958
Student Activities Fund	General Fund	11,346
		<u>\$ 73,022</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances are expected to be repaid within one year.

Individual fund transfers at June 30, 2024, were:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	Amount
Food Service Fund	General Fund	<u>\$ 1,463</u>

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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.

E. Capital Assets

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

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 8,649,590	\$ 1,900,142	\$ 0	\$ 10,549,732
Capital Assets Being Depreciated				
Buildings and Additions	5,390,898	16,000	0	5,406,898
Furniture and Equipment	462,565	9,160	0	471,725
Buses and Other Vehicles	641,433	0	0	641,433
Subtotal	6,494,896	25,160	0	6,520,056
Less Accumulated Depreciation for:				
Buildings and Additions	2,751,157	127,909	0	2,879,066
Furniture and Equipment	101,507	39,423	0	140,930
Buses and Other Vehicles	461,027	35,326	0	496,353
Accumulated Depreciation	3,313,691	202,658	0	3,516,349
Net Capital Assets Being Depreciated	3,181,205	(177,498)	0	3,003,707
Net Capital Assets	\$ 11,830,795	\$ 1,722,644	\$ 0	\$ 13,553,439

Depreciation for the fiscal year ended June 30, 2024, amounted to \$202,658. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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F. Long-Term Obligations

The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2024:

	GENERAL OBLIGATION BONDS	COMPENSATED ABSENCES	TOTAL
Balance, July 1, 2023	\$ 11,720,000	\$ 58,629	\$ 11,778,629
Additions	0	13,757	13,757
Deletions	(235,000)	0	(235,000)
Balance, June 30, 2024	11,485,000	72,386	11,557,386
Less current portion	(280,000)	Unknown	(280,000)
Total due after one year	\$ 11,205,000	\$ 72,386	\$ 11,277,386

At June 30, 2024, the District's long-term obligations consisted of the following:

General Obligation Bonds

2020 School Building and Site Bonds due in annual installments of \$65,000 to \$105,000 through May 1, 2034, interest at 1.75% to 2.55%. \$ 895,000

2021 School Building and Site Bonds due in annual installments of \$180,000 to \$490,000 through May 1, 2046, interest at 2.00% to 3.00%. 7,090,000

2022 School Building and Site Bonds due in annual installments, starting May 1, 2025, of \$10,000 to \$300,000 through May 1, 2042, interest at 3.80%. 3,000,000

2023 School Building and Site Bonds due in annual installments, starting May 1, 2025, of \$10,000 to \$65,000 through May 1, 2043, interest at 4.20% to 4.75%. 500,000

Other Long-Term Obligations

Compensated Absences 72,386

\$ 11,557,386

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The annual requirements to amortize the General Obligation Bonds outstanding as of June 30, 2024, including interest payments of \$4,256,966 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2025	\$ 280,000	\$ 323,722	\$ 603,722
2026	305,000	317,555	622,555
2027	330,000	310,678	640,678
2028	355,000	302,918	657,918
2029	385,000	294,398	679,398
2030-2034	2,390,000	1,307,200	3,697,200
2035-2039	3,270,000	930,516	4,200,516
2040-2044	3,200,000	426,179	3,626,179
2045-2046	970,000	43,800	1,013,800
	<u>\$ 11,485,000</u>	<u>\$ 4,256,966</u>	<u>\$ 15,741,966</u>

Interest expense for the year ended June 30, 2024 was approximately \$328,000.

The annual requirements to amortize the pension liability, the other postemployment benefits liability, and compensated absences are uncertain because it is unknown when the repayments will be made. These liabilities will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

G. Defined Benefit Plan and Postemployment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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

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

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Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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

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

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

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

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

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

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

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus Plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 Plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future

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unfunded liabilities. The assumed rate of return on the Pension Plus 2 Plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 Plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

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Member Contributions

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

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2023 were determined as of the September 30, 2020 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020 are amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

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

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The District's pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Total pension contributions were approximately \$1,077,800. Of the total pension contributions, approximately \$1,050,800 was contributed to fund the Defined Benefit Plan and approximately \$27,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. Total OPEB contributions were approximately \$213,400. Of the total OPEB contributions, approximately \$197,500 was contributed to fund the Defined Benefit Plan and approximately \$ was contributed to fund the Defined Contribution Plan.

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

PICKFORD PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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

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

MPSERS (Plan) Non-University Employers Net Pension Liability

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Total Pension Liability	\$ 94,947,828,557	\$ 95,876,795,620
Fiduciary Net Position	(62,581,762,238)	(58,268,076,344)
Net Pension Liability	<u>\$ 32,366,066,319</u>	<u>\$ 37,608,719,276</u>
District's Proportionate Share %	0.02394255%	0.02306880%
District's Proportionate Share of Net Pension Liability	\$ 7,749,262	\$ 8,675,880

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

For the year ended June 30, 2024, the District recognized pension expense of \$1,179,541.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 244,621	\$ 11,871
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	495,217
Changes of assumptions	1,050,060	605,441
Net difference between projected and actual earnings on pension plan investments	0	158,575
Changes in proportion and differences between District contributions and proportionate share of contributions	484,407	17,377
District contributions subsequent to the measurement date	<u>1,006,061</u>	<u>0</u>
Total	<u>\$ 2,785,149</u>	<u>\$ 1,288,481</u>

PICKFORD PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

\$1,006,061 reported as deferred outflows of resources and \$495,217 reported as deferred inflows 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 subsequent fiscal year.

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2024	\$ 407,242
2025	258,975
2026	407,144
2027	(87,537)
	<u>\$ 985,824</u>

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

The net OPEB liability (asset) was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers Net OPEB Liability (Asset)

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Total OPEB Liability	\$ 11,223,648,949	\$ 12,522,713,324
Fiduciary Net Position	<u>(11,789,347,341)</u>	<u>(10,404,650,683)</u>
Net OPEB Liability (Asset)	<u>\$ (565,698,392)</u>	<u>\$ 2,118,062,641</u>
District's Proportionate Share %	0.02518911%	0.02249415%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ (142,494)	\$ 476,440

PICKFORD PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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

For the year ended June 30, 2024, the District recognized OPEB benefit of \$269,387.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 1,076,761
Changes of assumptions	317,217	38,199
Net difference between projected and actual earnings on OPEB plan investments	434	0
Changes in proportion and differences between District contributions and proportionate share of contributions	234,139	53,551
District contributions subsequent to the measurement date	<u>180,169</u>	<u>0</u>
Total	<u>\$ 731,959</u>	<u>\$ 1,168,511</u>

\$180,169 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2024	\$ (197,013)
2025	(195,900)
2026	(59,775)
2027	(81,754)
2028	(55,403)
Thereafter	<u>(26,876)</u>
	<u>\$ (616,721)</u>

J. Actuarial Assumptions

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

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

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JUNE 30, 2024

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

Inflation - 3.0%.

Mortality Assumptions -

Retirees: 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 MP-202 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2022. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.50% for year one and graded to 3.5% in year fifteen. Post 65, 6.25% for year one and graded to 3.5% in year fifteen.

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

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverage continuing after the retiree's death.

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

The target asset allocation at September 30, 2023 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.80%
Private Equity Pools	16.00%	9.60%
International Equity Pools	15.00%	6.80%
Fixed Income Pools	13.00%	1.30%
Real Estate & Infrastructure Pools	10.00%	6.40%
Absolute Return Pools	9.00%	4.80%
Real Return/Oppportunistic Pools	10.00%	7.30%
Short-Term Investment Pools	2.00%	0.30%
	<u>100%</u>	

*Long-term rate of return are net of administrative expenses and 2.7% inflation.

Rate of Return - For 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.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability/asset. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability/asset.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Pension</u>				
<u>1% Decrease</u>	<u>Pension Discount Rate</u>	<u>1% Increase</u>		
\$ 10,469,230	\$ 7,749,262	\$ 5,484,790		

PICKFORD PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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

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

OPEB				
1% Decrease	OPEB Discount Rate		1% Increase	
\$	147,724	\$	(142,494)	\$ (391,909)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates -

The following presents the District's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate as well as what the District's proportionate share of the net other postemployment benefit liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

OPEB				
Current Healthcare Cost				
1% Decrease	Trend Rates		1% Increase	
\$	(392,530)	\$	(142,494)	\$ 128,127

K. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2023 Annual Comprehensive Financial Report.

L. Payables to the Pension and OPEB Plan

As of June 30, 2024, the District is current on all required pension and OPEB plan payments. As of June 30, 2024, the District reported payables in the amount of \$176,154 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

M. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$750,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance.

PICKFORD PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

The District continues to carry commercial insurance for other risks of loss, including employee health insurance. No settlements have occurred in excess of coverage for June 30, 2024, or any of the prior three years.

N. Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

O. Commitments

As of the June 30, 2024, the District has committed to the following:

- The District has signed construction contracts totaling \$9,521,521. As of June 30, 2024, the District has \$550,874 remaining on the contract.
- The District has signed construction contracts totaling \$2,179,768. As of June 30, 2024, the District has \$153,610 remaining on the contract.
- The District has signed contract totaling \$85,000 to be paid with grant revenue. As of June 30, 2024, the District has \$85,000 remaining on the contract and this will be paid with grant money received next year.

P. 2020 Capital Projects Fund

The Capital Projects Fund includes capital project activities funded with bonds. For this capital project, the school 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.

Q. Tax Abatements

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by Marquette Township within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, acquisition of personal property or to rehabilitate historical facilities.

The property taxes abated for the year ended June 30, 2024 (tax year 2023) from the township noted above under this program are as follows:

General Fund	\$	8,320
Debt Funds		2,648
		<hr/>
	\$	10,968
		<hr/> <hr/>

The District is considered an “in-formula” District. The taxes abated for the general fund operating millage are considered by the State of Michigan when determining the District’s Section 22 funding of the State School Aid Act. The District received \$8,320 from the State of Michigan’s determination.

PICKFORD PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

There are no significant abatements made by the District itself.

R. Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;

PICKFORD PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

- i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
- ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES

MAJOR FUNDS

YEAR ENDED JUNE 30, 2024

	GENERAL FUND				FOOD SERVICE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES								
Local Sources	\$ 881,317	\$ 975,631	\$ 901,853	\$ (73,778)	\$ 91,882	\$ 37,498	\$ 33,037	\$ (4,461)
Non-Educational Entity or Political Subdivision Sources	0	8,050	8,050	0	0	0	0	0
State Sources	4,641,144	5,038,830	5,034,114	(4,716)	17,578	116,067	167,789	51,722
Federal Sources	196,585	188,218	199,182	10,964	227,696	250,124	201,027	(49,097)
Other Transactions	345,891	320,987	357,187	36,200	0	0	0	0
Total Revenues	6,064,937	6,531,716	6,500,386	(31,330)	337,156	403,689	401,853	(1,836)
EXPENDITURES								
Instruction								
Basic Programs	3,246,649	3,080,774	3,049,780	(30,994)	0	0	0	0
Added Needs	990,765	1,018,534	977,404	(41,130)	0	0	0	0
Supporting Services								
Pupil	316,882	304,974	305,934	960	0	0	0	0
Instructional Staff	73,949	22,634	39,575	16,941	0	0	0	0
General Administration	278,904	265,754	263,217	(2,537)	0	0	0	0
School Administration	395,607	414,948	410,941	(4,007)	0	0	0	0
Business	160,204	138,710	148,342	9,632	0	0	0	0
Operation and Maintenance of Plant	470,103	528,414	516,424	(11,990)	0	0	0	0
Pupil Transportation Services	361,769	348,174	344,895	(3,279)	0	0	0	0
Support Services - Central	221,863	242,455	256,615	14,160	0	0	0	0
Support Services - Other	168,225	173,731	172,605	(1,126)	403,710	360,421	357,133	(3,288)
Community Services								
Custody and Care of Children	0	35,089	29,065	(6,024)	0	0	0	0
Payments to Other Governmental Agencies, Facilities Acquisition, and Prior Period Adjustments								
Facilities Acquisition, Construction and Improvements								
Total Expenditures	10,825	29,069	38,337	9,268	0	0	0	0
	6,695,745	6,603,260	6,553,134	(50,126)	403,710	360,421	357,133	(3,288)
Excess (Deficiency) of Revenues Over Expenditures	(630,808)	(71,544)	(52,748)	18,796	(66,554)	43,268	44,720	1,452
OTHER FINANCING SOURCES (USES)								
Transfers In (Out)	0	(1,463)	(1,463)	0	0	1,463	1,463	0
Net Change in Fund Balance	(630,808)	(73,007)	(54,211)	18,796	(66,554)	44,731	46,183	1,452
FUND BALANCE - Beginning of Year	638,046	887,014	887,014	0	103,616	84,140	84,140	0
FUND BALANCE - End of Year	\$ 7,238	\$ 814,007	\$ 832,803	\$ 18,796	\$ 37,062	\$ 128,871	\$ 130,323	\$ 1,452

PICKFORD PUBLIC SCHOOL
PICKFORD, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2024

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.02394%	0.02307%	0.02262%	0.02084%	0.01982%	0.023216%	0.02862%	0.02997%	0.02974%	0.03031%
District's proportionate share of net pension liability	\$ 7,749,262	\$ 8,675,880	\$ 5,356,171	\$ 7,158,227	\$ 6,562,357	\$ 6,979,215	\$ 7,417,221	\$ 7,477,362	\$ 7,262,889	\$ 6,676,740
District's covered payroll	2,505,213	2,179,767	2,150,647	1,894,080	1,790,947	1,622,148	2,337,633	2,554,106	2,479,233	2,588,267
District's proportionate share of net pension liability as a percentage of its covered payroll	309.33%	398.02%	249.05%	377.93%	366.42%	430.25%	317.30%	292.76%	292.95%	257.96%
Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

PICKFORD PUBLIC SCHOOLS
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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

JUNE 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 1,050,779	\$ 1,094,018	\$ 798,690	\$ 662,420	\$ 568,569	\$ 524,024	\$ 579,748	\$ 798,712	\$ 739,435	\$ 793,407
Contributions in relation to statutorily required contributions *	1,050,779	1,094,018	798,690	662,420	568,569	524,024	579,748	798,712	739,435	793,407
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 2,629,421	\$ 2,497,321	\$ 2,220,382	\$ 2,034,017	\$ 1,859,440	\$ 1,759,253	\$ 1,606,749	\$ 2,566,598	\$ 2,428,998	\$ 2,493,231
Contributions as a percentage of covered payroll	39.96%	43.81%	35.97%	32.57%	30.58%	29.79%	36.08%	31.12%	30.44%	31.82%

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY/ASSET
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2024

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability/asset (%)				0.02519%	0.02249%	0.02379%	0.02135%	0.02049%	0.01908%	0.02878%
District's proportionate share of net OPEB liability/asset		\$ (142,494)	\$ 476,440	\$ 363,116	\$ 1,143,678	\$ 1,470,822	\$ 1,516,905	\$ 2,548,309		
District's covered payroll		2,505,213	2,179,767	2,150,647	1,894,080	1,790,947	1,622,148	2,337,633		
District's proportionate share of net OPEB liability/asset as a percentage of its covered payroll		-5.69%	21.86%	16.88%	60.38%	82.13%	93.51%	109.01%		
Plan fiduciary net position as a percentage of total OPEB liability/asset		105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%		

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2024

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Statutorily required contributions											
Contributions in relation to statutorily required contributions *	\$ 197,518	\$ 188,850	\$ 169,695	\$ 159,397	\$ 141,851	\$ 133,867	\$ 116,374				
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 2,629,421	\$ 2,497,321	\$ 2,220,382	\$ 2,034,017	\$ 1,859,440	\$ 1,759,253	\$ 1,606,749				
Contributions as a percentage of covered payroll	7.51%	7.56%	7.64%	7.84%	7.63%	7.61%	7.24%				

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2024

Pension Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2023.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2023, were:

Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

OPEB Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2023.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2023, were:

Healthcare cost trend rate

- Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
- Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen.

Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

2020 SCHOOL BUILDING AND SITE BONDS PAYABLE, SERIES I

JUNE 30, 2024

<u>TITLE OF ISSUE</u>	2020 School Building and Site Bonds, Series I (General Obligation - Unlimited Tax)		
<u>PURPOSE</u>	The bonds were issued for the purpose of erecting, furnishing, and equipping additions to the school building; remodeling, improving, equipping and re-equipping, and furnishing and refurbishing the school building; acquiring, installing, equipping or re-equipping the school building for instructional technology; purchasing school buses; and acquiring, preparing, developing, and improving the site.		
<u>DATE OF ISSUE</u>	February 11, 2020		
<u>AMOUNT OF ISSUE</u>		\$	995,000
<u>AMOUNT REDEEMED</u>			
Prior Years	\$	45,000	
Current Year		55,000	100,000
<u>BALANCE OUTSTANDING - June 30, 2024</u>		\$	<u>895,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
November 1, 2024			\$ 9,571	\$ 9,571
May 1, 2025	1.750%	\$ 65,000	9,571	74,571
November 1, 2025			9,003	9,003
May 1, 2026	1.750%	65,000	9,002	74,002
November 1, 2026			8,434	8,434
May 1, 2027	1.900%	70,000	8,434	78,434
November 1, 2027			7,769	7,769
May 1, 2028	1.900%	80,000	7,769	87,769
November 1, 2028			7,009	7,009
May 1, 2029	2.000%	100,000	7,009	107,009
November 1, 2029			6,009	6,009
May 1, 2030	2.100%	100,000	6,009	106,009
November 1, 2030			4,958	4,958
May 1, 2031	2.200%	100,000	4,958	104,958
November 1, 2031			3,859	3,859
May 1, 2032	2.350%	105,000	3,859	108,859
November 1, 2032			2,625	2,625
May 1, 2033	2.450%	105,000	2,625	107,625
November 1, 2033			1,339	1,339
May 1, 2034	2.550%	105,000	1,339	106,339
		<u>\$ 895,000</u>	<u>\$ 121,151</u>	<u>\$ 1,016,151</u>

PICKFORD PUBLIC SCHOOLS

PICKFORD, MICHIGAN

2021 SCHOOL BUILDING AND SITE BONDS PAYABLE, SERIES II

JUNE 30, 2024

<u>TITLE OF ISSUE</u>	2021 School Building and Site Bonds, Series II (General Obligation - Unlimited Tax)		
<u>PURPOSE</u>	The bonds were issued for the purpose of erecting, furnishing, and equipping additions to the school building; remodeling, improving, equipping and re-equipping, and furnishing and refurbishing the school building; acquiring, installing, equipping or re-equipping the school building for instructional technology; purchasing school buses; and acquiring, preparing, developing, and improving the site.		
<u>DATE OF ISSUE</u>	May 4, 2021		
<u>AMOUNT OF ISSUE</u>		\$	7,455,000
<u>AMOUNT REDEEMED</u>			
Prior Years		\$	185,000
Current Year			365,000
			<hr/>
<u>BALANCE OUTSTANDING - June 30, 2024</u>		\$	<u>7,090,000</u>

<u>DUE DATES</u>	INTEREST RATES	REQUIREMENTS		
		PRINCIPAL	INTEREST	TOTAL
November 1, 2024			\$ 84,113	\$ 84,113
May 1, 2025	2.000%	\$ 180,000	84,112	264,112
November 1, 2025			82,313	82,313
May 1, 2026	2.000%	190,000	82,312	272,312
November 1, 2026			80,413	80,413
May 1, 2027	2.000%	195,000	80,412	275,412
November 1, 2027			78,463	78,463
May 1, 2028	2.000%	195,000	78,462	273,462
November 1, 2028			76,513	76,513
May 1, 2029	2.000%	185,000	76,512	261,512
November 1, 2029			74,662	74,662
May 1, 2030	2.000%	195,000	74,663	269,663
November 1, 2030			72,712	72,712
May 1, 2031	2.000%	210,000	72,713	282,713
November 1, 2031			70,612	70,612
May 1, 2032	2.000%	215,000	70,613	285,613
November 1, 2032			68,462	68,462
May 1, 2033	2.000%	225,000	68,463	293,463
November 1, 2033			66,212	66,212
May 1, 2034	2.000%	240,000	66,213	306,213
November 1, 2034			63,812	63,812

PICKFORD PUBLIC SCHOOLS

PICKFORD, MICHIGAN

2021 SCHOOL BUILDING AND SITE BONDS PAYABLE, SERIES II

JUNE 30, 2024

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2035	2.000%	355,000	63,813	418,813
November 1, 2035			60,262	60,262
May 1, 2036	2.000%	365,000	60,263	425,263
November 1, 2036			56,612	56,612
May 1, 2037	2.000%	375,000	56,613	431,613
November 1, 2037			52,862	52,862
May 1, 2038	2.000%	390,000	52,863	442,863
November 1, 2038			48,962	48,962
May 1, 2039	2.000%	405,000	48,963	453,963
November 1, 2039			44,912	44,912
May 1, 2040	2.250%	420,000	44,913	464,913
November 1, 2040			40,187	40,187
May 1, 2041	2.500%	425,000	40,188	465,188
November 1, 2041			34,875	34,875
May 1, 2042	3.000%	440,000	34,875	474,875
November 1, 2042			28,275	28,275
May 1, 2043	3.000%	450,000	28,275	478,275
November 1, 2043			21,525	21,525
May 1, 2044	3.000%	465,000	21,525	486,525
November 1, 2044			14,550	14,550
May 1, 2045	3.000%	480,000	14,550	494,550
November 1, 2045			7,350	7,350
May 1, 2046	3.000%	490,000	7,350	497,350
		\$ 7,090,000	\$ 2,457,325	\$ 9,547,325

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

2022 SCHOOL BUILDING AND SITE BONDS PAYABLE, SERIES I

JUNE 30, 2024

<u>TITLE OF ISSUE</u>	2022 School Building and Site Bonds, Series I (General Obligation - Unlimited Tax)		
<u>PURPOSE</u>	The bonds were issued for the purpose of erecting, furnishing, and equipping additions to the school building; remodeling, improving, equipping and re-equipping, and furnishing and refurbishing the school building; acquiring, installing, equipping or re-equipping the school building for instructional technology; purchasing school buses; and acquiring, preparing, developing, and improving the site.		
<u>DATE OF ISSUE</u>	July 18, 2022		
<u>AMOUNT OF ISSUE</u>		\$	3,000,000
<u>AMOUNT REDEEMED</u>			
Prior Years	\$	0	
Current Year		0	0
			0
<u>BALANCE OUTSTANDING - June 30, 2024</u>		\$	3,000,000

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
November 1, 2024			\$ 57,000	\$ 57,000
May 1, 2025	3.800%	\$ 10,000	57,000	67,000
November 1, 2025			56,810	56,810
May 1, 2026	3.800%	40,000	56,810	96,810
November 1, 2026			56,050	56,050
May 1, 2027	3.800%	50,000	56,050	106,050
November 1, 2027			55,100	55,100
May 1, 2028	3.800%	65,000	55,100	120,100
November 1, 2028			53,865	53,865
May 1, 2029	3.800%	80,000	53,865	133,865
November 1, 2029			52,345	52,345
May 1, 2030	3.800%	100,000	52,345	152,345
November 1, 2030			50,445	50,445
May 1, 2031	3.800%	115,000	50,445	165,445
November 1, 2031			48,260	48,260
May 1, 2032	3.800%	135,000	48,260	183,260
November 1, 2032			45,695	45,695
May 1, 2033	3.800%	160,000	45,695	205,695
November 1, 2033			42,655	42,655
May 1, 2034	3.800%	180,000	42,655	222,655
November 1, 2034			39,235	39,235
May 1, 2035	3.800%	205,000	39,235	244,235
November 1, 2035			35,340	35,340

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

2022 SCHOOL BUILDING AND SITE BONDS PAYABLE, SERIES I

JUNE 30, 2024

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2036	3.800%	235,000	35,340	270,340
November 1, 2036			30,875	30,875
May 1, 2037	3.800%	265,000	30,875	295,875
November 1, 2037			25,840	25,840
May 1, 2038	3.800%	265,000	25,840	290,840
November 1, 2038			20,805	20,805
May 1, 2039	3.800%	265,000	20,805	285,805
November 1, 2039			15,770	15,770
May 1, 2040	3.800%	265,000	15,770	280,770
November 1, 2040			10,735	10,735
May 1, 2041	3.800%	265,000	10,735	275,735
November 1, 2041			5,700	5,700
May 1, 2042	3.800%	300,000	5,700	305,700
		\$ 3,000,000	\$ 1,405,050	\$ 4,405,050

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

2023 SCHOOL BUILDING AND SITE BONDS PAYABLE, SERIES II

JUNE 30, 2024

<u>TITLE OF ISSUE</u>	2023 School Building and Site Bonds, Series I (General Obligation - Unlimited Tax)		
<u>PURPOSE</u>	The bonds were issued for the purpose of erecting, furnishing, and equipping additions to the school building; remodeling, improving, equipping and re-equipping, and furnishing and refurnishing the school building; acquiring, installing, equipping or re-equipping the school building for instructional technology; purchasing school buses; and acquiring, preparing, developing, and improving the site.		
<u>DATE OF ISSUE</u>	May 24, 2023		
<u>AMOUNT OF ISSUE</u>		\$	500,000
<u>AMOUNT REDEEMED</u>			
Prior Years	\$	0	
Current Year		0	0
			0
<u>BALANCE OUTSTANDING - June 30, 2024</u>		\$	500,000

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
November 1, 2024			\$ 11,178	\$ 11,178
May 1, 2025	4.200%	\$ 25,000	11,177	36,177
November 1, 2025			10,653	10,653
May 1, 2026	4.200%	10,000	10,652	20,652
November 1, 2026			10,443	10,443
May 1, 2027	4.200%	15,000	10,442	25,442
November 1, 2027			10,128	10,128
May 1, 2028	4.200%	15,000	10,127	25,127
November 1, 2028			9,813	9,813
May 1, 2029	4.200%	20,000	9,812	29,812
November 1, 2029			9,393	9,393
May 1, 2030	4.200%	20,000	9,392	29,392
November 1, 2030			8,973	8,973
May 1, 2031	4.200%	20,000	8,972	28,972
November 1, 2031			8,553	8,553
May 1, 2032	4.250%	20,000	8,552	28,552
November 1, 2032			8,128	8,128
May 1, 2033	4.250%	20,000	8,127	28,127
November 1, 2033			7,703	7,703
May 1, 2034	4.250%	20,000	7,702	27,702
November 1, 2034			7,278	7,278
May 1, 2035	4.350%	25,000	7,277	32,277
November 1, 2035			6,734	6,734

PICKFORD PUBLIC SCHOOLS
PICKFORD, MICHIGAN

2023 SCHOOL BUILDING AND SITE BONDS PAYABLE, SERIES II

JUNE 30, 2024

<u>DUE DATES</u>	INTEREST	REQUIREMENTS		
	RATES	PRINCIPAL	INTEREST	TOTAL
May 1, 2036	4.400%	25,000	6,734	31,734
November 1, 2036			6,184	6,184
May 1, 2037	4.500%	25,000	6,184	31,184
November 1, 2037			5,621	5,621
May 1, 2038	4.500%	35,000	5,621	40,621
November 1, 2038			4,834	4,834
May 1, 2039	4.700%	35,000	4,834	39,834
November 1, 2039			4,011	4,011
May 1, 2040	4.700%	35,000	4,011	39,011
November 1, 2040			3,189	3,189
May 1, 2041	4.700%	35,000	3,188	38,188
November 1, 2041			2,366	2,366
May 1, 2042	4.700%	35,000	2,366	37,366
November 1, 2042			1,544	1,544
May 1, 2043	4.750%	65,000	1,544	66,544
		\$ 500,000	\$ 273,440	\$ 773,440

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

To the Board of Education
Pickford Public Schools
Pickford, 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 Pickford Public Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Pickford Area Schools’ basic financial statements, and have issued our report thereon dated August 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pickford Public Schools’ 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 Pickford Public Schools’ internal control. Accordingly, we do not express an opinion on the effectiveness of Pickford Public Schools’ internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pickford Public Schools’ financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

2024-001 – Unfavorable Budget Variance – Material Noncompliance

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Condition: The District adopted budget items that were exceeded by actual expenditures by a material amount.

Cause: The condition was caused by the District officials not monitoring the adopted budget against actual expenditures.

Effect: The District was not in compliance with the budgeting act.

Recommendation: The District should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed.

View of Responsible Officials: The District will monitor expenditures against adopted budgets to make appropriate amendments as needed.

Pickford Public Schools' Response to Findings

Pickford Public Schools' response to the findings identified in our audit is described in the accompanying corrective action plan. Pickford Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Cadillac, Michigan
August 31, 2024

Pickford Public Schools

*P.O. Box 278
333 S. Pleasant Street
Pickford, MI 49774*

Phone: 906-647-6285
Fax: 906-647-3706

Angela Nettleton, Superintendent/ K-5 Principal
Kyle Rairigh, 6-12 Principal

CORRECTIVE ACTION PLAN

JUNE 30, 2024

Finding 2024-001: Material Noncompliance Finding

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Condition: The District adopted budget items that were exceeded by actual expenditures by a material amount.

Cause: The condition was caused by the District officials not monitoring the adopted budget against actual expenditures.

Effect: The District was not in compliance with the budgeting act.

Recommendation: The District should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed.

View of Responsible Officials: The District will monitor expenditures against adopted budgets to make appropriate amendments as needed.

Name of Responsible Person for Further Information: Cheri Bush, Business Manager and the Board of Education.

