

**Avondale School District**

**Financial Statements**

**June 30, 2023**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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**Avondale School District**  
**Members of the Board of Education and Administration**  
**June 30, 2023**

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Members of the Board of Education

Chip Tischer	President
Rita Davis	Vice President
Kelly Brault	Secretary
Terry Lang	Treasurer
Tony Harris	Trustee
Crystal Sanford-Brown	Trustee
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Administration

Dr. James V. Schwarz	Superintendent
Dan Trudel	Assistant Superintendent for Financial Services
Melinda Carroll	Executive Director of Student Services
Coleen Bruni	Assistant Superintendent for Curriculum and Instruction



## Independent Auditors' Report

Management and the Board of Education  
Avondale School District  
Auburn Hills, 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 Avondale School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Avondale School District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, 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 Avondale School District, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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

#### Responsibilities of Management of 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; this includes 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 Avondale School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Avondale School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Avondale School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management

and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Avondale School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, other than the prior year information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Prior Year Supplementary Information**

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Avondale School District's basic financial statements as of and for the year ended June 30, 2022, which are not presented with the accompanying basic financial statements. In our report dated October 12, 2022, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Avondale School District's basic financial statements as a whole. The 2022 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2022 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023 on our consideration of Avondale School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Avondale School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Avondale School District's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan  
November 1, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Avondale School District**  
**Management’s Discussion and Analysis**  
**June 30, 2023**

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This section of the Avondale School District’s (the “School District”) annual financial report presents our discussion and analysis of the School District’s financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the School District’s financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Avondale School District financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District’s finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District’s operations in more detail than the government-wide financial statements by providing information about the School District’s most significant funds - the General Fund and the 2020 Capital Projects Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management’s Discussion and Analysis (MD&A)  
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)  
Budgetary Information for General Fund

Other Supplemental Information

**Reporting the School District as a Whole - Government-wide Financial Statements**

One of the most important questions asked about the School District is, “As a whole, what is the School District’s financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenditures are taken into account regardless of when cash is received or paid.

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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These two statements report the School District's net position - the difference between assets, deferred outflows of resources and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenditures is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community education, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

**Reporting the School District's Most Significant Funds - Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Community Services Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The School District uses the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

**The School District as Trustee - Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2023, and 2022.

Table 1	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current and other assets	\$ 29,787,511	\$ 32,477,331
Capital assets	<u>110,297,687</u>	<u>109,929,860</u>
Total Assets	<u>140,085,198</u>	<u>142,407,191</u>
Deferred Outflows of Resources	<u>40,934,107</u>	<u>21,176,432</u>
<b>Liabilities</b>		
Current Liabilities	12,507,147	11,673,860
Long-term liabilities	<u>181,012,531</u>	<u>148,150,481</u>
Total Liabilities	<u>193,519,678</u>	<u>159,824,341</u>
Deferred Inflows of Resources	<u>17,038,407</u>	<u>36,063,826</u>
<b>Net Position</b>		
Net investment in capital assets	34,456,129	29,994,056
Restricted	3,035,388	2,495,649
Unrestricted	<u>(67,030,297)</u>	<u>(64,794,249)</u>
Total net position	<u>\$ (29,538,780)</u>	<u>\$ (32,304,544)</u>

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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The School District's net position was (\$29.54 million) and (\$32.30 million) at June 30, 2023, and 2022, respectively. Net investment in capital assets totaling \$34.46 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Net position restrictions are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use net position for day-to-day operations. The remaining amount of net position is an unrestricted deficit and totals \$67.03 million.

The (\$67.03 million) in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. A positive unrestricted net position balance would enable the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The School District's unrestricted net position balance is currently in deficit position, which, according to these statements, signals we will experience difficulties with cash flow. Taken in total, there are minimal reserves available to handle large, unexpected uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

As discussed below, the majority of the deficit net position is directly related to implementation of GASB 75 which reflects \$94.03 million in net pension liability. The ultimate requirement for the School District to actually pay out this amount is, in my opinion, doubtful. Please refer to Note 11 in the Notes to the Financial Statements for additional information relative to this liability.

During the 2017-18 year the School District implemented GASB 75 which resulted in a restatement of beginning net position. As of June 30, 2023, the estimated net pension liability for the school district is \$94.03 million and the net OPEB liability is \$5.58 million. Deferred inflows relating to net pension liability are \$5.21 million, and deferred outflows relating to the net pension liability are \$30.37 million. Additionally, deferred inflows relating to net OPEB liability are \$11.83 million, and deferred outflows relating to the net OPEB liability are \$9.33 million. These deferrals will be amortized through the plan year 2025.

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2023**

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net position for fiscal years 2023 and 2022 (see Table 2).

Table 2

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 3,159,019	\$ 2,385,057
Operating grants and contributions	20,675,280	17,650,653
Capital grants and contributions	377,530	92,980
General revenues		
Property taxes	21,765,340	20,271,061
State aid-unrestricted	34,662,223	30,311,220
Other	614,487	381,529
<b>Total revenues</b>	<b>81,253,879</b>	<b>71,092,500</b>
<b>Expenditures</b>		
Instruction	49,352,315	36,658,292
Supporting services	23,632,511	19,759,050
Food services	1,882,220	1,533,489
Community services	1,269,548	1,031,440
Interest on long-term debt	2,351,521	2,754,015
<b>Total expenditures</b>	<b>78,488,115</b>	<b>61,736,286</b>
<b>Change in net position</b>	<b>\$ 2,765,764</b>	<b>\$ 9,356,214</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$78.49 million. Certain activities were partially funded from those who benefited from the programs (\$0.38 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$23.83 million). We paid for the remaining "public benefit" portion of our governmental activities with \$21.77 million in taxes, \$34.66 million in state foundation allowance, and \$.61 million with our other revenues, i.e., interest income and general entitlements.

The School District experienced an increase in net position of \$2.76 million, and total net position increased from (\$32.30 million) to (\$29.54 million).

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

**The School District's Funds**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$16.75 million.

Our Special Revenue Funds (Food Services, Student/School Activities and Community Services Funds) had a combined increase in fund equity of approximately \$884,000. Food Services fund equity increased approximately \$139,000, which is mostly due to supply chain assistance grant funds. Student/School Activities fund equity decreased approximately \$6,000. Community Services fund equity increased approximately \$750,000 primarily due to childcare grant funding.

Combined, the Debt Service Funds showed a planned fund balance increase of approximately \$725,000. This increase was planned due to an increase in overall property tax collections during the fiscal year.

The Sinking Fund's fund balance decreased by approximately \$79,000. This decrease was planned to provide financing for future projects, including classroom lighting upgrades, building renovations and other sitework.

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts paid and received is provided in the required supplemental information of these financial statements.

There were revisions made to the original 2022-23 General Fund budget. Total budgeted revenues were increased approximately \$8,267,000 due to instability in the state budget compared with the original adopted budget. An additional increase in federal grants of \$2.0 million, a MPSERS one-time deposit of \$2.7 million and additional state-aid of \$2.9 million was also included versus the original budget. The variance from budget to actual revenues was approximately -2.77% percent.

Budgeted expenditures were increased by approximately \$7,311,000 million. Of this amount, Instructional costs increased approximately \$4.22 million primarily due to expansion of shared time agreements, other personnel expenditures and expanded federal grant funding to aid schools during the

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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post-pandemic era. Pupil support services increased approximately \$.36 million primarily due to added costs associated with additional counseling and social work services provided to students, as well as additional costs budgeted within the added federal grant funding. The remainder of the expenditure variances were for other assorted known changes to expenditures. The variance from budget to actual expenditures was approximately 1.88% percent.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2023, the School District had \$110.30 million invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of \$.37 million.

We present more detailed information about our capital assets in the notes to the financial statements.

**Debt**

At the end of this year, the School District had \$74.16 million in bonds outstanding versus \$81.07 million in the previous year (a decrease of 8.36 percent). The decrease is due to the repayment of bonds (see Note 9 to the financial statements). The outstanding bonds consisted of the following:

2010 Building and Site Series A	\$4,000,000
2017 Refunding Bonds	13,690,000
2018 Building and Site Bonds	10,220,000
2020 Building and Site Bonds	17,535,000
2020 Refunding Series A Bonds	15,410,000
2020 Refunding Series B Bonds	12,270,000
2023 Capital Projects Bond	1,030,000

The School District's general obligation bonds are qualified for participation by the State in the Michigan School Loan Revolving Program. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. All of the School District's outstanding general obligation debt of \$74.16 million is qualified by the State.

Other obligations include accrued vacation pay, sick leave, early separation agreements, and accreted interest on capital appreciation bonds. We present more detailed information about our long-term liabilities in the notes to the financial statements (Note 9).

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**Economic Factors and Next Year's Budgets**

Our elected officials and administration consider many factors when setting the School District's 2023-2024 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2023-2024 school year is the traditional blended count of 90 percent and 10 percent of October 2023 and February 2023 student counts, respectively. The 2023-2024 budget was adopted in June 2023, based on an estimate of students that will be enrolled in October 2023. Approximately 52.33 percent of total General Fund revenue is from the foundation allowance and another 20.50 percent of revenues is derived from other state sources. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. The state's ability to adequately fund public education continues to diminish.

Based on the initial fall student count, the blended count to formulate the 2023-2024 budget is in line with the projected target. Once the final student count and related per pupil funding is validated, the School District will amend the budget to more accurately reflect the resources available and adjust original appropriations to reflect known changes in its operating obligations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. It is anticipated that with the 2024 budget adoption the foundation allowance will be higher as compared against the 2022-2023 foundation. Although the base foundation allowance will be higher, costs for additional staffing, retirement and other benefits will be incurred. During the summer of 2015, the legislature enacted legislation requiring school districts to achieve a minimum 5 percent General Fund fund equity to avoid state oversight. The District's General Fund fund equity at June 30, 2023 is approximately 13.36 percent of revenues down from 19.31 percent at June 30, 2022. Although the District has been able to maintain a healthy fund equity, pressure to increase employee compensation to remain competitive with neighboring districts will provide negative pressure on our ability to maintain this level of fund equity. It should also be noted that approximately \$3.08 million of ESSER III ARP expenditures were incurred during the 2022-2023 fiscal year, but \$3.08 million of ESSER III ARP revenue was deferred to the 2023-2024 fiscal year due to a timing difference in reimbursement from the State of Michigan. If the \$3.08 million of ESSER III ARP revenue were to be included in the 2022-2023 financial statements, the fund equity would have been 17.36 percent.

If the State's revenue budget falls short of projections, the legislature must then revise the appropriation or proration of state aid will occur.

**Shared Time Teaching Agreements**

The State of Michigan allows public school districts to enter into agreements with private not-for-profit schools to provide instruction in non-core subjects direct to the non-public students in return for a prorated share of the pupil foundation. Non-core classes include subjects such as art, music, physical education, kindergarten, foreign language and certain advanced placement courses taught at the secondary level. The courses are taught by District paid teachers at the non-public location during the normal school day. The District has entered into several agreements with parochial schools in southeast Michigan to provide these services. In fiscal year 2022-2023, the District netted approximately \$1.77 million from these services.

During the last three fiscal years, the state legislature has attempted to curtail these types of services by placing limitations on the percentage of full-time equivalent allowed for reimbursement and/or the total dollar amount paid per pupil. For the 2022-2023 fiscal year, the State has placed a cap

**Avondale School District  
Management's Discussion and Analysis  
June 30, 2023**

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on growth of existing programs at 10% of the prior year's participation level. As this service is a substantial portion of net revenues to the District's General Fund, additional attempts to reduce this program by the State could cause budgetary difficulties to the District.

**Contacting the School District's Administration**

This report is designed to give an overview of the financial condition of the Avondale School District. If there are additional questions or information needed, please contact the business office at (248) 537-6000.

## BASIC FINANCIAL STATEMENTS

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**Avondale School District**  
**Statement of Net Position**  
**June 30, 2023**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 10,456,082
Accounts receivable	114,501
Due from other governmental units	12,234,772
Interest receivable	35,870
Inventory	28,880
Investments	6,385,774
Prepaid items	531,632
Capital assets not being depreciated	5,381,927
Capital assets - net of accumulated depreciation	<u>104,915,760</u>
 Total assets	 <u>140,085,198</u>
 <b>Deferred Outflows of Resources</b>	
Deferred amount relating to the net pension liability	30,373,039
Deferred amount relating to the net OPEB liability	9,330,921
Deferred amount on debt refunding	<u>1,230,147</u>
 Total deferred outflows of resources	 <u>40,934,107</u>

See Accompanying Notes to the Financial Statements

**Avondale School District**  
**Statement of Net Position**  
**June 30, 2023**

	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 3,682,783
Due to other governmental units	1,242,594
Payroll deductions and withholdings	552,476
Accrued expenditures	458,952
Accrued salaries payable	5,158,342
Unearned revenue	1,412,000
Noncurrent liabilities	
Net pension liability	94,027,590
Net OPEB liability	5,584,750
Debt due within one year	8,871,000
Debt due in more than one year	<u>72,529,191</u>
Total liabilities	<u>193,519,678</u>
<b>Deferred Inflows of Resources</b>	
Deferred amount relating to the net pension liability	5,208,735
Deferred amount relating to the net OPEB liability	<u>11,829,672</u>
Total deferred inflows of resources	<u>17,038,407</u>
<b>Net Position</b>	
Net investment in capital assets	34,456,129
Restricted for	
Food service	968,640
Capital projects	1,587,032
Debt service	479,716
Unrestricted (deficit)	<u>(67,030,297)</u>
<b>Total net position</b>	<u><u>\$ (29,538,780)</u></u>

See Accompanying Notes to the Financial Statements

**Avondale School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 49,352,315	\$ 287,279	\$ 15,632,457	\$ -	\$ (33,432,579)
Supporting services	23,632,511	557,410	3,679,497	-	(19,395,604)
Food services	1,882,220	404,511	1,363,326	-	(114,383)
Community services	1,269,548	1,909,819	-	-	640,271
Interest and fiscal charges on long-term debt	2,351,521	-	-	377,530	(1,973,991)
<b>Total governmental activities</b>	<b>\$ 78,488,115</b>	<b>\$ 3,159,019</b>	<b>\$ 20,675,280</b>	<b>\$ 377,530</b>	<b>(54,276,286)</b>
General revenues					
Property taxes, levied for general purposes					9,371,771
Property taxes, levied for debt service					2,383,893
Property taxes, levied for sinking fund					10,009,676
State aid - unrestricted					34,662,223
Interest and investment earnings					277,315
Other					337,172
Total general revenues					57,042,050
Change in net position					2,765,764
Net position - beginning					(32,304,544)
Net position - ending					<b>\$ (29,538,780)</b>

See Accompanying Notes to the Financial Statements

**Avondale School District**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2023**

	General Fund	2020 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 2,355,892	\$ 3,045,166	\$ 5,055,024	\$ 10,456,082
Accounts receivable	107,154	-	7,347	114,501
Due from other funds	-	-	2,038	2,038
Due from other governmental units	12,199,105	-	35,667	12,234,772
Inventory	-	-	28,880	28,880
Investments	4,985,774	-	1,400,000	6,385,774
Prepaid items	374,102	-	157,530	531,632
	<u>20,022,027</u>	<u>3,045,166</u>	<u>6,686,486</u>	<u>29,753,679</u>
Total assets	<u>\$ 20,022,027</u>	<u>\$ 3,045,166</u>	<u>\$ 6,686,486</u>	<u>\$ 29,753,679</u>
<b>Liabilities</b>				
Accounts payable	\$ 2,276,981	\$ 643,206	\$ 762,596	\$ 3,682,783
Due to other funds	2,038	-	-	2,038
Due to other governmental units	1,224,910	-	17,684	1,242,594
Payroll deductions and withholdings	552,476	-	-	552,476
Accrued salaries payable	5,145,990	-	12,352	5,158,342
Unearned revenue	1,353,027	-	58,973	1,412,000
	<u>10,555,422</u>	<u>643,206</u>	<u>851,605</u>	<u>12,050,233</u>
Total liabilities	<u>10,555,422</u>	<u>643,206</u>	<u>851,605</u>	<u>12,050,233</u>
<b>Deferred Inflows of Resources</b>				
Unavailable grant receivables	954,459	-	-	954,459

See Accompanying Notes to the Financial Statements

**Avondale School District  
Governmental Funds  
Balance Sheet  
June 30, 2023**

	<u>General Fund</u>	<u>2020 Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances</b>				
Nonspendable				
Inventory	\$ -	\$ -	\$ 28,880	\$ 28,880
Prepaid items	374,102	-	157,530	531,632
Restricted for				
Food service	-	-	939,760	939,760
Debt service	-	-	938,668	938,668
Capital projects	-	2,401,960	1,587,032	3,988,992
Committed for				
Future dental claims	5,434	-	-	5,434
Student and school activities	-	-	426,545	426,545
Community services	-	-	1,756,466	1,756,466
Unassigned	<u>8,132,610</u>	<u>-</u>	<u>-</u>	<u>8,132,610</u>
 Total fund balances	 <u>8,512,146</u>	 <u>2,401,960</u>	 <u>5,834,881</u>	 <u>16,748,987</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 20,022,027</u>	 <u>\$ 3,045,166</u>	 <u>\$ 6,686,486</u>	 <u>\$ 29,753,679</u>

See Accompanying Notes to the Financial Statements

**Avondale School District**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2023**

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<b>Total fund balances for governmental funds</b>	<b>\$ 16,748,987</b>
Total net assets for governmental activities in the statement of net assets is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Other governmental units	954,459
Receivables related to interest subsidy to offset the accrued interest payable	35,870
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	5,381,927
Capital assets - net of accumulated depreciation	104,915,760
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	1,230,147
Deferred inflows of resources resulting from the net pension liability	(5,208,735)
Deferred outflows of resources resulting from the net pension liability	30,373,039
Deferred inflows of resources resulting from the net OPEB liability	(11,829,672)
Deferred outflows of resources resulting from the net OPEB liability	9,330,921
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(458,952)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(94,027,590)
Net OPEB liability	(5,584,750)
Compensated absences	(127,526)
Employee severance pay	(1,799,000)
Bonds payable	<u>(79,473,665)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ (29,538,780)</u></b>

See Accompanying Notes to the Financial Statements

**Avondale School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**

	General Fund	2020 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 10,141,254	\$ 184,491	\$ 14,037,709	\$ 24,363,454
State sources	48,458,058	-	77,938	48,535,996
Federal sources	2,603,435	-	2,845,090	5,448,525
Interdistrict sources	2,511,717	-	1,261	2,512,978
	<u>63,714,464</u>	<u>184,491</u>	<u>16,961,998</u>	<u>80,860,953</u>
<b>Expenditures</b>				
Current				
Education				
Instruction	43,989,366	-	-	43,989,366
Supporting services	21,303,049	-	-	21,303,049
Student and school activities	-	-	454,784	454,784
Food services	-	-	1,732,911	1,732,911
Community services	10,367	-	1,158,473	1,168,840
Capital outlay	66,150	3,584,068	2,632,474	6,282,692
Debt service				
Principal	-	-	7,940,000	7,940,000
Interest and other expenditures	-	-	2,947,623	2,947,623
	<u>65,368,932</u>	<u>3,584,068</u>	<u>16,896,265</u>	<u>85,849,265</u>
Excess (deficiency) of revenues over expenditures	<u>(1,654,468)</u>	<u>(3,399,577)</u>	<u>65,733</u>	<u>(4,988,312)</u>

See Accompanying Notes to the Financial Statements

**Avondale School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**

	General Fund	2020 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other financing sources (uses)</b>				
Proceeds from issuance of bonds	\$ -	\$ -	\$ 1,030,000	\$ 1,030,000
Transfers in	-	-	2,768,357	2,768,357
Transfers out	(434,612)	-	(2,333,745)	(2,768,357)
<b>Total other financing sources (uses)</b>	<u>(434,612)</u>	<u>-</u>	<u>1,464,612</u>	<u>1,030,000</u>
<b>Net change in fund balances</b>	(2,089,080)	(3,399,577)	1,530,345	(3,958,312)
Fund balances - beginning	<u>10,601,226</u>	<u>5,801,537</u>	<u>4,304,536</u>	<u>20,707,299</u>
<b>Fund balances - ending</b>	<u>\$ 8,512,146</u>	<u>\$ 2,401,960</u>	<u>\$ 5,834,881</u>	<u>\$ 16,748,987</u>

See Accompanying Notes to the Financial Statements

**Avondale School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

**Net change in fund balances - Total governmental funds** \$ (3,958,312)

Total change in net position reported for governmental activities in the statement of activities is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Operating grants 392,926

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

Depreciation expense (4,471,533)

Capital outlay 4,839,360

Expenses are recorded when incurred in the statement of activities.

Interest 42,279

Special termination benefits (63,000)

Compensated absences (17,612)

The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded in the governmental funds equals actual pension contributions.

Net change in net pension liability (38,383,727)

Net change in the deferral of resources related to the net pension liability 33,333,599

The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded in the governmental funds equals actual OPEB contributions.

Net change in the net OPEB liability (2,044,039)

Net change in the deferral of resources related to the net OPEB liability 5,602,000

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Debt issued (1,030,000)

Repayments of long-term debt 7,940,000

Amortization of premiums 736,328

Amortization of deferred amount on refunding (152,505)

**Change in net position of governmental activities** \$ 2,765,764

See Accompanying Notes to the Financial Statements

**Avondale School District**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2023**

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	<u>Private Purpose Trust Funds</u>
<b>Assets</b>	
Cash	\$ <u>677</u>
<b>Net position</b>	
Assets held for scholarships and loans	\$ <u>677</u>

See Accompanying Notes to the Financial Statements

**Avondale School District**  
**Fiduciary Funds**  
**Private Purpose Trust Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2023**

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	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	\$ -
<b>Deductions</b>	<u>-</u>
Change in net position	-
Net Position - beginning	<u>677</u>
<b>Net Position - ending</b>	<u><u>\$ 677</u></u>

See Accompanying Notes to the Financial Statements

**Avondale School District**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Avondale School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by

general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

**Fund Financial Statements**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District 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.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of

**Avondale School District**  
**Notes to the Financial Statements**  
**June 30, 2023**

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the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2020 Capital Projects Fund - The 2020 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs, relating to the 2020 Building and Site Bonds. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District’s Special Revenue Funds include the Food Service Fund, Community Services Fund and Student/School Activity Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished. The School District’s Capital Projects Funds include the Sinking Fund and the 2023 Capital Project Fund. The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring

new school sites, construction or repair of school buildings. The 2023 Capital Project Fund is used to record bond proceeds for building and site improvements.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent.

**Assets, Liabilities and Net Position or Equity**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2023, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non principal residence	18.0000
Commercial personal property	6.0000
Debt Service Funds	
All property	7.3000
Sinking Fund	
All property	0.8000

**Avondale School District**  
**Notes to the Financial Statements**  
**June 30, 2023**

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School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. 100% of the School District's tax roll lies within Oakland County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed, although significant amounts of inventory are capitalized at year end.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	50 years
Furniture	20 years
Equipment	5 - 10 years
Buses and other vehicles	8 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The liability for compensated absences reported in the district-wide statements consist of earned but unused accumulated vacation day balances. A liability for these amounts is reported in the governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

**Avondale School District**  
**Notes to the Financial Statements**  
**June 30, 2023**

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In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Superintendent. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

**Avondale School District**  
**Notes to the Financial Statements**  
**June 30, 2023**

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When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The Board of Education recognizes that sound fiscal management comprises the foundational support of the entire School District. To make that support as effective as possible the Board shall establish, by its second meeting of November, a fund equity goal not lower than five percent (5%) nor higher than fifteen percent (15%) for use during the annual budget development process for the subsequent school year. The purpose of fund equity is to protect the cash flow position of the School District, reduce the need to borrow funds, and ensure adequate financial resources are being applied to educational programs. The rationale for any fund equity goal outside of this range will be documented and recorded in the minutes of a regular Board meeting.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Adoption of New Accounting Standards**

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

**Upcoming Accounting and Reporting Changes**

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

**Avondale School District**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

**Excess of Expenditures over Appropriations**

The School District had the following budget variances where expenditures exceeded the budget:

<u>Function</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund			
Basic programs	\$ 35,303,264	\$ 36,069,577	\$ 766,313
Instructional staff	1,621,825	1,976,827	355,002
General administration	608,692	682,105	73,413
Operations and maintenance	4,841,521	5,087,217	245,696
Central	2,307,646	2,419,978	112,332
Athletic activities	819,711	903,638	83,927
Transfers out	392,645	434,612	41,967
Food Service Fund	1,665,438	1,732,911	67,473

**Compliance - Bond Proceeds**

The Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2020 Capital Projects Fund, from the inception of the fund through the current fiscal year:

	<u>2020 Building and Site Fund</u>
Revenues	\$ 18,418,406
Expenditures	16,016,446

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**Compliance - Sinking Funds**

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

**Note 3 - Deposits and Investments**

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash	\$ 10,456,082	\$ 677	\$ 10,456,759
Investments	6,385,774	-	6,385,774
	\$ 16,841,856	\$ 677	\$ 16,842,533

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 10,454,722
Investments in securities, mutual funds, and similar vehicles	6,385,774
Petty cash and cash on hand	2,037
Total	\$ 16,842,533

As of year end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Bonds	\$ 2,000,000	July 2023	Aa2	Moody's
US Treasury Notes	2,930,480	May 2024	Aaa	Moody's
Money Market	1,455,294	N/A	N/A	N/A
	\$ 6,385,774			

**Interest rate risk** – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

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

**Avondale School District**  
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Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer. The School District’s policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$10,353,256 of the School District’s bank balance of \$10,853,256 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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. As of year end, none of the School District’s investments were exposed to custodial credit risk.

**Note 4 - Fair Value Measurements**

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

The School District has the following recurring fair value measurements as of June 30, 2023:

- U.S. Treasury securities of \$2,930,480 are valued using quoted market prices (Level 1 inputs)
- Bonds of \$2 million are valued using a matrix pricing model (Level 2 inputs).

**Note 5 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 3,467,033	\$ -	\$ -	\$ 3,467,033
Construction in progress	1,336,019	578,875	-	1,914,894
Total capital assets not being depreciated	4,803,052	578,875	-	5,381,927
Capital assets being depreciated				
Buildings and additions	170,751,567	4,248,498	-	175,000,065
Equipment and furniture	3,802,916	11,987	-	3,814,903
Buses and other vehicles	1,719,660	-	-	1,719,660
Total capital assets being depreciated	176,274,143	4,260,485	-	180,534,628
Less accumulated depreciation for				
Buildings and additions	65,904,356	4,324,269	-	70,228,625
Equipment and furniture	3,634,665	67,634	-	3,702,299
Buses and other vehicles	1,608,314	79,630	-	1,687,944
Total accumulated depreciation	71,147,335	4,471,533	-	75,618,868
Net capital assets being depreciated	105,126,808	(211,048)	-	104,915,760
Net capital assets	\$ 109,929,860	\$ 367,827	\$ -	\$ 110,297,687

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

<b>Governmental activities</b>	
Instruction	\$ 2,865,301
Support services	1,417,223
Food services	112,875
Community services	76,134
Total governmental activities	<u>\$ 4,471,533</u>

**Avondale School District**  
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**Construction Contracts**

At June 30, 2023, the School District had uncompleted construction contracts in the capital projects fund. The remaining commitment on these contracts was approximately \$4,171,782.

**Note 6 - Interfund Receivables, Payables, and Transfers**

Individual interfund receivable and payable balances at year end were:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 2,038</u>

The outstanding balances between the General Fund and Nonmajor Governmental Funds resulted mainly from the lag time between the dates that transactions were recorded in the accounting system and payments between funds were made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	<u>Transfers Out</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Transfers In</u>			
Nonmajor governmental funds	<u>\$ 434,612</u>	<u>\$ 2,333,745</u>	<u>\$ 2,768,357</u>

A general fund transfer of \$41,967 was made to cover student lunch payments at year end. A debt service fund transfer of \$2,333,745 was made from 2020 Series B to the 2017 Refunding Bond, 2018 Building and Site Bond, and 2020 Series A debt service funds to cover debt payments. Also, a general fund transfer of \$392,645 to the 2023 Capital Projects Fund was made to cover the additional costs associated with the acquisition of a building.

**Note 7 - Unearned and Unavailable Revenue**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned and unavailable revenue are as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 1,412,000	\$ -
Grant funds not received within 60 days of year end	<u>-</u>	<u>954,459</u>
Total	<u>\$ 1,412,000</u>	<u>\$ 954,459</u>

**Note 8 - Due to Other Governmental Units**

Due to other governmental units is made up of the following as of June 30, 2023:

Unfunded Accrued Actuarial Liability	\$ 1,058,470
Other payables	<u>184,124</u>
	<u>\$ 1,242,594</u>

**Note 9 - Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

**Avondale School District**  
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Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 81,065,000	\$ 1,030,000	\$ 7,940,000	\$ 74,155,000	\$ 8,690,000
Premium on bonds	6,054,993	-	736,328	5,318,665	-
Total bonds payable	<u>87,119,993</u>	<u>1,030,000</u>	<u>8,676,328</u>	<u>79,473,665</u>	<u>8,690,000</u>
Other liabilities					
Compensated absences	109,914	98,279	80,667	127,526	124,000
Employee severance pay	1,736,000	109,793	46,793	1,799,000	57,000
Total other liabilities	<u>1,845,914</u>	<u>208,072</u>	<u>127,460</u>	<u>1,926,526</u>	<u>181,000</u>
Total	<u>\$ 88,965,907</u>	<u>\$ 1,238,072</u>	<u>\$ 8,803,788</u>	<u>\$ 81,400,191</u>	<u>\$ 8,871,000</u>

For governmental activities, compensated absences and retirement incentives are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following: Future principal and interest requirements for bonded debt are as follows:

2010 Building and Site Series A Bonds - \$4,000,000 issued, due in annual installments of \$1,325,000 to \$1,340,000 through May 1, 2029, interest at 5.50%	\$ 4,000,000
2017 Refunding Bonds - \$15,880,000 issued, due in annual installments of \$1,060,000 to \$2,810,000 through May 1, 2029, interest at 5.00%.	13,690,000
2018 School Building and Site Bonds - \$12,450,000 issued, due in annual installments of \$100,000 to \$750,000 through May 1, 2048, interest at 3.13-5.00%.	10,220,000
2020 Building and Site Bonds - \$17,535,000 issued, due in annual installments of \$100,000 to \$4,200,000 through May 1, 2048, interest at .05-5.00%.	17,535,000
2020 Refunding Series A Bonds - \$15,410,000 issued, due in annual installments of \$30,000 to \$5,665,000 through May 1, 2033, interest at 2.00-5.00%.	15,410,000
2020 Refunding Series B Bonds - \$23,125,000 issued, due in annual installments of \$5,790,000 to \$6,480,000 through May 1, 2025, interest at 1.75-1.80%.	12,270,000
2023 Capital Projects Bond - \$1,030,000 issued, due in annual installments of \$190,000 to \$220,000 through May 1, 2028, interest at 3.67%.	<u>1,030,000</u>
Total general obligation bonded debt	<u>\$ 74,155,000</u>

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Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 8,690,000	\$ 2,740,269	\$ 11,430,269
2025	9,275,000	2,499,339	11,774,339
2026	8,380,000	2,243,598	10,623,598
2027	6,725,000	1,842,516	8,567,516
2028	6,995,000	1,502,500	8,497,500
2029-2033	20,005,000	3,503,702	23,508,702
2034-2038	4,365,000	1,218,869	5,583,869
2039-2043	4,715,000	530,151	5,245,151
2044-2048	5,005,000	62,840	5,067,840
Total	<u>\$ 74,155,000</u>	<u>\$ 16,143,784</u>	<u>\$ 90,298,784</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$938,668 to pay this debt. Future debt and interest will be payable from future tax levies.

**Deferred Amount on Refunding**

The remaining refunding's resulted in differences between the reacquisition price and the net carrying amount of the old debt. The remaining amount of \$1,230,147 is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2048. There is no defeased debt related to the refunded bonds.

**Compensated Absences**

Accrued compensated absences at year end, consist of \$127,526 of vacation hours earned and vested. The amount anticipated to be paid over the next year is included within the amounts listed as dues within one year.

**Employee Severance Pay**

The School District's employee severance pay liability recorded on the district-wide financial statements at June 30, 2023 was approximately \$1,799,000.

**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is self-insured for dental insurance. According to the provisions of this program, the School District is limited to the contractual amount for dental claims based on individual maximums.

No additional accrual has been recorded as of the end of the prior three fiscal years, due to the School District paying the maximum contractual amounts for all claims submitted. The year end claims reimbursement liability and activity for the year is as follows:

	2023	2022	2021
Claims incurred	\$ 251,171	\$ 247,785	\$ 249,731
Claim payments	<u>(251,171)</u>	<u>(247,785)</u>	<u>(249,731)</u>
Liability end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 11 - Pension Plans and Post-Employment Benefits**

**Plan Description**

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

**Avondale School District**  
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and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

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

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

**Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2022.

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	20.14%
Member Investment Plan	3.0 - 7.0%	20.14%
Pension Plus	3.0 - 6.4%	17.22%
Pension Plus 2	6.2%	19.93%
Defined Contribution	0.0%	13.73%

Required contributions to the pension plan from the School District were \$8,509,491 for the year ending September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$94,027,590 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2021. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2022, the School District's proportionate share percent was 0.2500 percent, which was an increase of .0150 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized pension expense of \$13,469,584 for the measurement period. For the reporting period ending June 30, 2023, the School District recognized pension contribution expense of \$9,560,531.

Section 147c of the State School Aid Act (MCL 388.1747c) was amended to include a one-time distribution to districts, intermediate districts, and other participating entities of MPERS, which is referred to as Section 147c(2). Section 147c(2) is required to be forwarded to the state's ORS as additional assets being contributed to the retirement system. This funding is a one-time, state payment toward the MPERS unfunded liability and not part of the actuarially determined contributions and therefore not included in the above pension expense, pension contributions or related deferred inflows/outflows of resources. For the period ending June 30, 2023, the School District recognized in their financial statements an additional amount related to Section 147c(2) of \$2,668,363 in total pension expense and offset in state revenues.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 940,604	\$ (210,236)	\$ 730,368
Changes of assumptions	16,157,309	-	16,157,309
Net difference between projected and actual earnings on pension plan investments	220,495	-	220,495
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>4,407,272</u>	<u>(416,738)</u>	<u>3,990,534</u>
Total to be recognized in future	21,725,680	(626,974)	21,098,706
School District contributions subsequent to the measurement date	<u>8,647,359</u>	<u>(4,581,761)</u>	<u>4,065,598</u>
Total	<u>\$ 30,373,039</u>	<u>\$ (5,208,735)</u>	<u>\$ 25,164,304</u>

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Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The District will offset the contribution expense in the year ended June 30, 2024 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2023	\$ 6,537,365
2024	4,742,726
2025	4,040,976
2026	5,777,639
	\$ 21,098,706

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.00% net of investment expenses
  - Pension Plus Plan: 6.00% net of investment expenses
  - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

The recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.3922 years.

The recognition period for assets is 5 years.

**Avondale School District**  
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Full actuarial assumptions are available in the 2022 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022, are summarized in the following table:

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

\*Long term rates of return are net of administrative expenses and 2.2% inflation.

**Rate of Return**

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

**Discount Rate**

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Avondale School District**  
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**Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.00%	6.00%	7.00%
\$ 124,081,487	\$ 94,027,590	\$ 69,261,825

\*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

**Michigan Public School Employees’ Retirement System (MPSERS) Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS Comprehensive Annual Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)).

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

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

**Note 12 – Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

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

The System’s health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act (1980 PA 300 as amended).

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

The System’s financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the

**Avondale School District**  
**Notes to the Financial Statements**  
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premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

**Contributions**

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2022.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.23%

Required contributions to the OPEB plan from the School District were \$2,008,482 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$5,584,750 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the

**Avondale School District**  
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net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.2637 percent, which was an increase of .0317 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized OPEB expense of \$(1,590,623) for the measurement period. For the reporting period ending June 30, 2023 the School District recognized total OPEB contribution expense of \$2,071,609.

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (10,938,386)	\$ (10,938,386)
Changes of assumptions	4,977,867	(405,326)	4,572,541
Net difference between projected and actual earnings on OPEB plan investments	436,492	-	436,492
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>2,228,726</u>	<u>(485,960)</u>	<u>1,742,766</u>
Total to be recognized in future	7,643,085	(11,829,672)	(4,186,587)
Employer contributions subsequent to the measurement date	<u>1,687,836</u>	<u>-</u>	<u>1,687,836</u>
Total	<u>\$ 9,330,921</u>	<u>\$ (11,829,672)</u>	<u>\$ (2,498,751)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2023	\$ (1,572,465)
2024	(1,471,620)
2025	(1,425,554)
2026	44,376
2027	172,670
Thereafter	<u>66,006</u>
	<u>\$ (4,186,587)</u>

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2021

**Avondale School District**  
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- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

The recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 6.2250 years.

The recognition period for assets in years is 5.000.

Full actuarial assumptions are available in the 2022 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1 %
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Oppportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	<u>100.0%</u>	

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

**Avondale School District**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Rate of Return**

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

**Discount Rate**

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

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 9,367,881	\$ 5,584,750	\$ 2,398,884

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate**

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 2,338,626	\$ 5,584,750	\$ 9,228,589

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPERS Comprehensive Annual Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

**Note 13 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2023.

**Avondale School District**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 14 - Tax Abatements**

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the City of Auburn Hills, City of Troy, City of Rochester Hills, and Bloomfield Township. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties

For the fiscal year ended June 30, 2023, the School District's General Fund property tax revenues were reduced by \$304,548 under these programs. This reduction was effectually covered by the State of Michigan via adjustments to the state portion of the per pupil foundation allowance.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Avondale School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 9,940,713	\$ 9,796,229	\$ 10,141,254	\$ 345,025
State sources	40,166,051	48,412,532	48,458,058	45,526
Federal sources	4,659,555	4,841,176	2,603,435	(2,237,741)
Interdistrict sources	2,498,533	2,482,391	2,511,717	29,326
<b>Total revenues</b>	<b>57,264,852</b>	<b>65,532,328</b>	<b>63,714,464</b>	<b>(1,817,864)</b>
<b>Expenditures</b>				
Instruction				
Basic programs	31,085,583	35,303,264	36,069,577	766,313
Added needs	7,172,045	8,007,592	7,919,789	(87,803)
Supporting services				
Pupil	4,209,026	4,570,818	4,543,397	(27,421)
Instructional staff	1,551,018	1,621,825	1,976,827	355,002
General administration	566,464	608,692	682,105	73,413
School administration	2,986,417	3,142,009	3,094,332	(47,677)
Business	752,040	898,067	652,050	(246,017)
Operations and maintenance	4,406,326	4,841,521	5,087,217	245,696
Pupil transportation services	1,729,288	1,962,549	1,943,505	(19,044)
Central	2,047,842	2,307,646	2,419,978	112,332
Athletic activities	729,279	819,711	903,638	83,927
Community services	38,079	49,925	10,367	(39,558)
Capital outlay	5,186	66,150	66,150	-
<b>Total expenditures</b>	<b>57,278,593</b>	<b>64,199,769</b>	<b>65,368,932</b>	<b>1,169,163</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(13,741)</b>	<b>1,332,559</b>	<b>(1,654,468)</b>	<b>(2,987,027)</b>

**Avondale School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2023**

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	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
<b>Other financing sources (uses)</b>				
Transfers out	\$ (2,000)	\$ (392,645)	\$ (434,612)	\$ 41,967
Net change in fund balance	(15,741)	939,914	(2,089,080)	(3,028,994)
Fund balance - beginning	10,601,226	10,601,226	10,601,226	-
<b>Fund balance - ending</b>	<b>\$ 10,585,485</b>	<b>\$ 11,541,140</b>	<b>\$ 8,512,146</b>	<b>\$ (3,028,994)</b>

**Avondale School District**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School District's proportion of net pension liability (%)	0.2500%	0.2350%	0.2363%	0.2287%	0.2184%	0.2147%	0.2195%	0.2280%	0.2225%	
B. School District's proportionate share of net pension liability	\$ 94,027,590	\$ 55,643,863	\$ 81,176,017	\$ 75,745,440	\$ 65,659,272	\$ 55,634,482	\$ 54,769,013	\$ 55,698,711	\$ 49,001,443	
C. School District's covered payroll	\$ 25,977,031	\$ 21,246,009	\$ 21,454,399	\$ 20,579,496	\$ 18,999,967	\$ 17,957,969	\$ 18,202,454	\$ 19,143,660	\$ 19,735,345	
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	361.96%	261.90%	378.37%	368.06%	345.58%	309.80%	300.89%	290.95%	248.29%	
E. Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	

**Note Disclosures**

Changes of benefit terms - There were no changes of benefit terms to plan fiscal year 2022.

Changes of benefit assumptions - There were no changes of benefit assumptions in plan fiscal year 2022.

**Avondale School District**  
**Required Supplementary Information**  
**Schedule of the School District's Pension Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 9,560,531	\$ 8,347,554	\$ 7,113,256	\$ 6,473,502	\$ 6,042,622	\$ 5,428,809	\$ 2,827,984	\$ 3,622,235	\$ 4,201,269	
B. Contributions in relation to statutorily required contributions	<u>9,560,531</u>	<u>8,347,554</u>	<u>7,113,256</u>	<u>6,473,502</u>	<u>6,042,622</u>	<u>5,428,809</u>	<u>2,827,984</u>	<u>3,622,235</u>	<u>4,201,269</u>	
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
D. School District's covered payroll	\$26,934,560	\$24,606,222	\$20,420,606	\$21,415,024	\$20,388,748	\$18,815,348	\$18,302,584	\$18,486,725	\$19,498,632	
E. Contributions as a percentage of covered payroll	35.50%	33.92%	34.83%	30.23%	29.64%	28.85%	15.45%	19.59%	21.55%	

**Avondale School District**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net OPEB Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School District's proportion of the net OPEB liability (%)	0.2637%	0.2320%	0.2401%	0.2344%	0.2227%	0.2149%				
B. School District's proportionate share of the net OPEB liability	\$ 5,584,750	\$ 3,540,711	\$ 12,863,085	\$ 16,827,564	\$ 17,704,052	\$ 19,026,477				
C. School District's covered payroll	\$ 25,977,031	\$ 21,246,009	\$ 21,454,399	\$ 20,579,496	\$ 18,999,967	\$ 17,957,969				
D. School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.50%	16.67%	59.96%	81.77%	93.18%	105.95%				
E. Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%				

**Note Disclosures**

Changes of benefit terms - There were no changes of benefit terms to plan fiscal year 2022.

Changes of benefit assumptions - There were no changes of benefit assumptions in plan fiscal year 2022.

**Avondale School District**  
**Required Supplementary Information**  
**Schedule of the School District's OPEB Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 2,071,609	\$ 1,953,637	\$ 1,736,438	\$ 1,686,537	\$ 1,586,382	\$ 1,198,430				
B. Contributions in relation to statutorily required contributions	<u>2,071,609</u>	<u>1,953,637</u>	<u>1,736,438</u>	<u>1,686,537</u>	<u>1,586,382</u>	<u>1,198,430</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. School District's covered payroll	\$26,934,560	\$24,606,222	\$20,420,606	\$21,415,024	\$20,388,748	\$18,815,348				
E. Contributions as a percentage of covered payroll	7.69%	7.94%	8.50%	7.88%	7.78%	6.37%				

## OTHER SUPPLEMENTARY INFORMATION

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**Avondale School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2023**

	Special Revenue Funds			Debt Service Funds		
	Food Service	Community Services	Student/School Activities	2010 Series A	2017 Refunding Bond	2018 Building & Site Bond
<b>Assets</b>						
Cash	\$ 1,030,681	\$ 2,301,380	\$ 429,899	\$ 97,609	\$ 67,720	\$ 87,405
Accounts receivable	-	7,347	-	-	-	-
Due from other funds	2,038	-	-	-	-	-
Due from other governmental units	35,667	-	-	-	-	-
Inventory	28,880	-	-	-	-	-
Investments	-	-	-	180,000	-	-
Prepaid items	-	-	-	157,530	-	-
<b>Total assets</b>	<b>\$ 1,097,266</b>	<b>\$ 2,308,727</b>	<b>\$ 429,899</b>	<b>\$ 435,139</b>	<b>\$ 67,720</b>	<b>\$ 87,405</b>
<b>Liabilities</b>						
Accounts payable	\$ 75,680	\$ 516,198	\$ 3,354	\$ -	\$ -	\$ -
Due to other governmental units	-	17,684	-	-	-	-
Accrued salaries payable	-	12,352	-	-	-	-
Unearned revenue	52,946	6,027	-	-	-	-
<b>Total liabilities</b>	<b>128,626</b>	<b>552,261</b>	<b>3,354</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>						
Nonspendable						
Inventory	28,880	-	-	-	-	-
Prepaid items	-	-	-	157,530	-	-
Restricted for						
Food service	939,760	-	-	-	-	-
Debt service	-	-	-	277,609	67,720	87,405
Capital projects	-	-	-	-	-	-
Committed for						
Student and school activities	-	-	426,545	-	-	-
Community services	-	1,756,466	-	-	-	-
<b>Total fund balances</b>	<b>968,640</b>	<b>1,756,466</b>	<b>426,545</b>	<b>435,139</b>	<b>67,720</b>	<b>87,405</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,097,266</b>	<b>\$ 2,308,727</b>	<b>\$ 429,899</b>	<b>\$ 435,139</b>	<b>\$ 67,720</b>	<b>\$ 87,405</b>

**Avondale School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2023**

	Debt Service Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	2020 Building & Site Bond	2020 Series A	2020 Series B	Sinking	2023 Capital Projects	
<b>Assets</b>						
Cash	\$ 205,280	\$ -	\$ 80,654	\$ 754,396	\$ -	\$ 5,055,024
Accounts receivable	-	-	-	-	-	7,347
Due from other funds	-	-	-	-	-	2,038
Due from other governmental units	-	-	-	-	-	35,667
Inventory	-	-	-	-	-	28,880
Investments	-	-	220,000	1,000,000	-	1,400,000
Prepaid items	-	-	-	-	-	157,530
<b>Total assets</b>	<b>\$ 205,280</b>	<b>\$ -</b>	<b>\$ 300,654</b>	<b>\$ 1,754,396</b>	<b>\$ -</b>	<b>\$ 6,686,486</b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 167,364	\$ -	\$ 762,596
Due to other governmental units	-	-	-	-	-	17,684
Accrued salaries payable	-	-	-	-	-	12,352
Unearned revenue	-	-	-	-	-	58,973
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167,364</b>	<b>-</b>	<b>851,605</b>
<b>Fund balances</b>						
Nonspendable						
Inventory	-	-	-	-	-	28,880
Prepaid items	-	-	-	-	-	157,530
Restricted for						
Food service	-	-	-	-	-	939,760
Debt service	205,280	-	300,654	-	-	938,668
Capital projects	-	-	-	1,587,032	-	1,587,032
Committed for						
Student and school activities	-	-	-	-	-	426,545
Community services	-	-	-	-	-	1,756,466
<b>Total fund balances</b>	<b>205,280</b>	<b>-</b>	<b>300,654</b>	<b>1,587,032</b>	<b>-</b>	<b>5,834,881</b>
<b>Total liabilities and fund balances</b>	<b>\$ 205,280</b>	<b>\$ -</b>	<b>\$ 300,654</b>	<b>\$ 1,754,396</b>	<b>\$ -</b>	<b>\$ 6,686,486</b>

**Avondale School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**

	Special Revenue Funds			Debt Service Funds		
	Food Service	Community Services	Student/School Activities	2010 Series A	2017 Refunding Bond	2018 Building & Site Bond
<b>Revenues</b>						
Local sources	\$ 444,837	\$ 748,132	\$ 448,815	\$ 199,696	\$ 877,436	\$ 1,308,792
State sources	77,938	-	-	-	-	-
Federal sources	1,305,873	1,161,687	-	377,530	-	-
Interdistrict sources	1,261	-	-	-	-	-
Total revenues	<u>1,829,909</u>	<u>1,909,819</u>	<u>448,815</u>	<u>577,226</u>	<u>877,436</u>	<u>1,308,792</u>
<b>Expenditures</b>						
Current						
Education						
Student and school activities	-	-	454,784	-	-	-
Food services	1,732,911	-	-	-	-	-
Community services	-	1,158,473	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	2,190,000	1,130,000
Interest and other expenditures	-	-	-	221,100	739,750	399,525
Bond issuance costs	-	-	-	-	-	-
Total expenditures	<u>1,732,911</u>	<u>1,158,473</u>	<u>454,784</u>	<u>221,100</u>	<u>2,929,750</u>	<u>1,529,525</u>
Excess (deficiency) of revenues over expenditures	<u>96,998</u>	<u>751,346</u>	<u>(5,969)</u>	<u>356,126</u>	<u>(2,052,314)</u>	<u>(220,733)</u>
<b>Other financing sources (uses)</b>						
Proceeds from issuance of bonds	-	-	-	-	-	-
Transfers in	41,967	-	-	-	2,100,000	150,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>41,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,100,000</u>	<u>150,000</u>
Net change in fund balances	138,965	751,346	(5,969)	356,126	47,686	(70,733)
Fund balances - beginning	<u>829,675</u>	<u>1,005,120</u>	<u>432,514</u>	<u>79,013</u>	<u>20,034</u>	<u>158,138</u>
<b>Fund balances - ending</b>	<u>\$ 968,640</u>	<u>\$ 1,756,466</u>	<u>\$ 426,545</u>	<u>\$ 435,139</u>	<u>\$ 67,720</u>	<u>\$ 87,405</u>

**Avondale School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**

	Debt Service Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	2020 Building & Site Bond	2020 Series A	2020 Series B	Sinking	2023 Capital Projects	
<b>Revenues</b>						
Local sources	\$ 660,704	\$ 631,326	\$ 7,548,894	\$ 1,169,077	\$ -	\$ 14,037,709
State sources	-	-	-	-	-	77,938
Federal sources	-	-	-	-	-	2,845,090
Interdistrict sources	-	-	-	-	-	1,261
Total revenues	<u>660,704</u>	<u>631,326</u>	<u>7,548,894</u>	<u>1,169,077</u>	<u>-</u>	<u>16,961,998</u>
<b>Expenditures</b>						
Current						
Education						
Student and school activities	-	-	-	-	-	454,784
Food services	-	-	-	-	-	1,732,911
Community services	-	-	-	-	-	1,158,473
Capital outlay	-	-	-	1,239,829	1,392,645	2,632,474
Debt service						
Principal	-	-	4,620,000	-	-	7,940,000
Interest and other expenditures	554,263	730,300	294,495	8,190	-	2,947,623
Bond issuance costs	-	-	-	-	30,000	30,000
Total expenditures	<u>554,263</u>	<u>730,300</u>	<u>4,914,495</u>	<u>1,248,019</u>	<u>1,422,645</u>	<u>16,896,265</u>
Excess (deficiency) of revenues over expenditures	<u>106,441</u>	<u>(98,974)</u>	<u>2,634,399</u>	<u>(78,942)</u>	<u>(1,422,645)</u>	<u>65,733</u>
<b>Other financing sources (uses)</b>						
Proceeds from issuance of bonds	-	-	-	-	1,030,000	1,030,000
Transfers in	-	83,745	-	-	392,645	2,768,357
Transfers out	-	-	(2,333,745)	-	-	(2,333,745)
Total other financing sources (uses)	<u>-</u>	<u>83,745</u>	<u>(2,333,745)</u>	<u>-</u>	<u>1,422,645</u>	<u>1,464,612</u>
Net change in fund balances	106,441	(15,229)	300,654	(78,942)	-	1,530,345
Fund balances - beginning	98,839	15,229	-	1,665,974	-	4,304,536
<b>Fund balances - ending</b>	<u>\$ 205,280</u>	<u>\$ -</u>	<u>\$ 300,654</u>	<u>\$ 1,587,032</u>	<u>\$ -</u>	<u>\$ 5,834,881</u>

**Avondale School District**  
**Other Supplementary Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2023**

	2023	2022
<b>Assets</b>		
Cash	\$ 2,355,892	\$ 5,503,020
Accounts receivable	107,154	98,484
Due from other governmental units	12,199,105	8,897,187
Investments	4,985,774	4,948,352
Prepaid items	374,102	331,960
Total assets	\$ 20,022,027	\$ 19,779,003
<b>Liabilities</b>		
Accounts payable	\$ 2,276,981	\$ 976,265
Due to other funds	2,038	2,038
Due to other governmental units	1,224,910	1,177,535
Payroll deductions and withholdings	552,476	573,068
Accrued salaries payable	5,145,990	4,707,228
Unearned revenue	1,353,027	1,180,110
Total liabilities	10,555,422	8,616,244
<b>Deferred Inflows of Resources</b>		
Unavailable grant receivables	954,459	561,533

**Avondale School District  
Other Supplementary Information  
General Fund  
Comparative Balance Sheet  
June 30, 2023**

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	2023	2022
<b>Fund Balance</b>		
Nonspendable		
Prepaid items	\$ 374,102	\$ 331,960
Committed for future dental claims	5,434	7,705
Assigned for		
Budgeted excess expenditures over revenues	-	15,741
Unassigned	8,132,610	10,245,820
 Total fund balance	 8,512,146	 10,601,226
 Total liabilities, deferred inflows of resources, and fund balance	 \$ 20,022,027	 \$ 19,779,003

**Avondale School District**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2023**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2010 Building &amp; Site Series A Bonds</b>					
2024	5.50	\$ 110,000	\$ 110,000	\$ -	\$ 220,000
2025	5.50	110,000	110,000	-	220,000
2026	5.50	110,000	110,000	-	220,000
2027	5.50	110,000	110,000	1,325,000	1,545,000
2028	5.50	73,563	73,563	1,335,000	1,482,125
2029	5.50	36,850	36,850	1,340,000	1,413,700
		<u>\$ 550,413</u>	<u>\$ 550,413</u>	<u>\$ 4,000,000</u>	<u>\$ 5,100,825</u>
<b>2017 Refunding Bonds</b>					
2024	5.00	\$ 342,250	\$ 284,500	\$ 2,310,000	\$ 2,936,750
2025	5.00	284,500	224,125	2,415,000	2,923,625
2026	5.00	224,125	164,000	2,405,000	2,793,125
2027	5.00	164,000	121,500	2,690,000	2,975,500
2028	5.00	96,750	62,000	2,810,000	2,968,750
2029	5.00	26,500	13,375	1,060,000	1,099,875
		<u>\$ 1,138,125</u>	<u>\$ 869,500</u>	<u>\$ 13,690,000</u>	<u>\$ 15,697,625</u>

**Avondale School District**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2023**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2018 Building &amp; Site Bonds</b>					
2024	5.00	\$ 185,388	\$ 175,388	\$ 400,000	\$ 760,776
2025	5.00	175,388	175,388	-	350,776
2026	5.00	175,388	175,388	-	350,776
2027	5.00	175,388	175,388	-	350,776
2028	5.00	175,388	175,388	-	350,776
2029	5.00	175,388	175,388	-	350,776
2030	5.00	175,388	162,888	500,000	838,276
2031	4.00	162,888	152,888	500,000	815,776
2032	3.13	152,888	142,888	500,000	795,776
2033	3.25	142,888	135,075	500,000	777,963
2034	3.25	135,075	126,950	500,000	762,025
2035	3.25	126,950	118,825	500,000	745,775
2036	3.38	118,825	113,138	750,000	981,963
2037	3.50	106,838	100,481	750,000	957,319
2038	3.50	93,481	87,356	750,000	930,837
2039	3.50	80,356	73,767	750,000	904,123
2040	3.50	67,231	61,106	750,000	878,337
2041	3.50	54,106	47,981	750,000	852,087
2042	3.50	40,981	34,856	710,000	785,837
2043	3.50	28,556	22,431	700,000	750,987
2044	3.63	16,306	11,056	510,000	537,362
2045	3.63	7,250	5,438	100,000	112,688
2046	3.63	5,438	3,625	100,000	109,063
2047	3.63	3,625	1,813	100,000	105,438
2048	3.63	1,813	-	100,000	101,813
		<u>\$ 2,583,211</u>	<u>\$ 2,454,890</u>	<u>\$ 10,220,000</u>	<u>\$ 15,258,101</u>

**Avondale School District**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2023**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2020 Building and Site Bonds</b>					
2024	5.00	\$ 277,131	\$ 277,131	\$ -	\$ 554,262
2025	5.00	277,131	277,131	-	554,262
2026	5.00	277,131	277,131	100,000	654,262
2027	5.00	274,631	274,631	-	549,262
2028	5.00	274,631	274,631	-	549,262
2029	5.00	274,631	274,631	1,000,000	1,549,262
2030	5.00	249,631	232,131	4,200,000	4,681,762
2031	5.00	144,631	129,631	3,600,000	3,874,262
2032	4.00	54,631	48,631	1,530,000	1,633,262
2033	2.00	24,031	24,031	840,000	888,062
2034	2.25	15,631	15,631	340,000	371,262
2035	2.25	11,806	11,806	365,000	388,612
2036	2.25	7,700	7,700	140,000	155,400
2037	2.25	6,125	6,125	170,000	182,250
2038	1.50	4,213	4,213	100,000	108,426
2039	1.50	3,463	3,463	135,000	141,926
2040	1.50	2,450	2,450	165,000	169,900
2041	0.05	1,213	1,213	190,000	192,426
2042	0.05	1,165	1,165	265,000	267,330
2043	0.05	1,099	1,099	300,000	302,198
2044	0.05	1,024	1,024	510,000	512,048
2045	0.05	896	896	920,000	921,792
2046	0.05	666	666	920,000	921,332
2047	0.05	436	436	890,000	890,872
2048	0.05	216	216	855,000	855,432
		<u>\$ 2,186,313</u>	<u>\$ 2,147,813</u>	<u>\$ 17,535,000</u>	<u>\$ 21,869,126</u>

**Avondale School District**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2023**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2020 Refunding Series A Bonds</b>					
2024	5.00	\$ 364,900	\$ 364,900	\$ -	\$ 729,800
2025	5.00	364,900	364,900	180,000	909,800
2026	5.00	360,400	350,400	5,665,000	6,375,800
2027	5.00	218,775	206,275	2,500,000	2,925,050
2028	5.00	156,275	136,275	2,630,000	2,922,550
2029	5.00	90,525	53,025	2,335,000	2,478,550
2030	5.00	32,150	32,150	-	64,300
2031	5.00	32,150	32,150	30,000	94,300
2032	4.00	31,400	31,400	1,070,000	1,132,800
2033	2.00	10,000	10,000	1,000,000	1,020,000
		<u>\$ 1,661,475</u>	<u>\$ 1,581,475</u>	<u>\$ 15,410,000</u>	<u>\$ 18,652,950</u>
<b>2020 Refunding Series B Bonds</b>					
2024	1.75	\$ 108,883	\$ 105,483	\$ 5,790,000	\$ 6,004,366
2025	1.80	58,319	50,399	6,480,000	6,588,718
		<u>\$ 167,202</u>	<u>\$ 155,882</u>	<u>\$ 12,270,000</u>	<u>\$ 12,593,084</u>
<b>2023 Capital Project Bond</b>					
2024	3.67	\$ 18,901	\$ 15,414	\$ 190,000	\$ 224,315
2025	3.67	15,414	11,744	200,000	227,158
2026	3.67	11,744	7,891	210,000	229,635
2027	3.67	7,891	4,037	210,000	221,928
2028	3.67	4,037	-	220,000	224,037
		<u>\$ 57,987</u>	<u>\$ 39,086</u>	<u>\$ 1,030,000</u>	<u>\$ 1,127,073</u>