
Ferndale Public Schools

**Financial Report
with Supplementary Information
June 30, 2024**

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Independent Auditor's Report

To the Board of Directors
Ferndale Public Schools

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Ferndale Public Schools as of June 30, 2024 and the respective changes in its 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the 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 for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Board of Directors
Ferndale Public Schools

In performing an audit in accordance with GAAS *and Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ferndale Public Schools' basic financial statements. The supplementary information, as identified in the table of contents, is presented for the purpose 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Ferndale Public Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2024 on our consideration of Ferndale Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Ferndale Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ferndale Public Schools' internal control over financial reporting and compliance.

Plante & Moreau, PLLC

October 23, 2024

This section of Ferndale Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2024. 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 financial statements. These statements are organized so the reader can understand Ferndale Public Schools financially as a whole. The government-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 and 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, Debt Service Fund, and 2023 Capital Projects Fund - with all other funds presented in one column as nonmajor funds. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A) (Required Supplementary Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Budgetary Information for Major Fund

Schedules of Proportionate Share of the Net Pension and OPEB Liabilities (Asset)

Schedules of Pension and OPEB Contributions

Notes to Required Supplementary Information

Supplementary 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, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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 revenue and expenses 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 nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

Ferndale Public Schools

Management's Discussion and Analysis (Continued)

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 services, 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 Cafeteria Fund is an example) 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).

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 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 a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2024 and 2023:

	Governmental Activities	
	2024	2023
	(in millions)	
Assets		
Current and other assets	\$ 56.7	\$ 64.2
Capital assets	93.9	85.8
Total assets	150.6	150.0
Deferred Outflows of Resources	23.3	29.1
Liabilities		
Current liabilities	10.6	11.5
Noncurrent liabilities	108.3	112.7
Net pension liability	63.1	73.6
Net OPEB liability	-	4.1
Total liabilities	182.0	201.9
Deferred Inflows of Resources	19.2	14.1
Net Position (Deficit)		
Net investment in capital assets	17.8	15.2
Restricted	2.3	0.3
Unrestricted	(47.4)	(52.4)
Total net position (deficit)	<u>\$ (27.3)</u>	<u>\$ (36.9)</u>

Ferndale Public Schools

Management's Discussion and Analysis (Continued)

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was a deficit of \$27.3 million at June 30, 2024. Net investment in capital assets totaling \$17.8 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. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position, a deficit of \$47.4 million, was unrestricted.

The \$47.4 million deficit in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact of recording the School District's proportionate share of the net pension and OPEB liabilities (assets) related to the Michigan Public School Employees' Retirement System. The operating results of the General Fund will have an impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2024 and 2023:

	Governmental Activities	
	2024	2023
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.9	\$ 0.7
Operating grants	21.9	18.0
General revenue:		
Taxes	14.1	12.9
State aid not restricted to specific purposes	24.7	23.0
Other	2.8	1.2
Total revenue	64.4	55.8
Expenses		
Instruction	24.8	23.9
Support services	18.8	18.0
Athletics	0.6	0.7
Food services	1.8	1.6
Community services	1.0	0.8
Debt service	3.9	2.5
Depreciation expense (unallocated)	3.9	3.6
Total expenses	54.8	51.1
Change in Net Position	9.6	4.7
Net Position (Deficit) - Beginning of year	(36.9)	(41.6)
Net Position (Deficit) - End of year	<u>\$ (27.3)</u>	<u>\$ (36.9)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$54.8 million. Certain activities were partially funded from those who benefited from the programs (\$0.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$21.9 million). We paid for the remaining public benefit portion of our governmental activities with \$14.1 million in taxes, \$24.7 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$9.6 million. The key reason for the change in net position was an increase in the operating grants received in the fiscal year.

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 we 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 \$45.5 million, which is a decrease of \$7.7 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, fund balance increased from \$10.3 million to \$11.8 million. This was primarily due to staff vacancies, reduced spending across several departments, and additional MPSERS Normal Cost Offset funds.

In the 2023 Capital Projects Fund, fund balance was \$30.7 million as of year end. The bond was issued in June 2023 for \$32.4 million for the purpose of building renovations at Upper Elementary, Ferndale Early Childhood Center, Ferndale High School, and University High School.

The Debt Service Fund decreased from approximately \$664,000 last year to \$262,000 this year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund fund balance is reserved since it can be used only to pay debt service obligations.

The nonmajor capital projects funds showed a fund balance of \$2.2 million.

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 revenue 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 in June 2024. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information in these financial statements.

The General Fund budget was first amended in December 2023 to account for changes in enrollment, foundation allowance, updated grant allocations, and staffing changes to more accurately reflect changes that occurred since the 2023-2024 original budget was developed. A second amendment was made in June 2024, which included additional allocations for the Out of School Time Grant, Summer Discovery Grant, 23g Back on Track Grant, and the Enrollment & Staff Bonus.

There were significant revisions made to budgeted expenditures primarily due to staffing and staff bonuses.

The variances between the final budget and actuals are primarily due to unspent allocations from the 23g Back on Track grant, At-Risk Section 31a grant, Jorgensen Social Studies grant, SEL grant, and ESSER II-11r(4) grant at year end.

Capital Assets and Debt Administration**Capital Assets**

As of June 30, 2024, the School District had approximately \$94.0 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$8.0 million, or 9.4 percent, from last year.

	2024	2023
Land	\$ 2,752,114	\$ 2,752,114
Construction in progress	2,246,314	32,032,874
Buildings and improvements	145,123,495	107,531,394
Furniture and equipment	11,586,734	9,829,766
Buses and other vehicles	1,657,401	1,518,614
Total capital assets	163,366,058	153,664,762
Less accumulated depreciation	69,469,224	67,816,585
Total capital assets - Net of accumulated depreciation	\$ 93,896,834	\$ 85,848,177

This year's additions of \$12.6 million included capital improvements, equipment, and a new bus. 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 \$99.5 million in general obligation bonds outstanding versus \$104.1 million in the previous year.

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 obligations are qualified except for the 2017 Energy Conservation Bonds.

Other obligations include amounts owed to the School Loan Revolving Fund and compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2024-2025 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 2024-2025 budget was adopted in June 2024 based on an estimate of students who will enroll in September 2024. Approximately 50.0 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2024 school year, we anticipate that the fall student count will be above the estimates used in creating the 2024-2025 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

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 revenue to fund its appropriation to the School District. The State periodically holds a Consensus Revenue Estimating Conference to estimate revenue. The governor's initial 2024-2025 proposal included a \$241 per pupil foundation increase. However, when the State actually approved their budget for the 2024-2025 school year, the State elected to not increase the foundation allowance. So the 2024-2025 Foundation allowance will be \$9,608, which was the same in the 2023-2024 school year.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

June 30, 2024

	Governmental Activities
Assets	
Cash and investments	\$ 10,369,441
Receivables:	
Property taxes receivable	4,055
Other receivables	705,997
Due from other governments	7,871,255
Inventory	40,023
Prepaid costs	658,988
Restricted assets: (Notes 2 and 4)	
Restricted cash and cash equivalents	2,491,788
Restricted investment securities	33,440,081
Net OPEB asset (Note 10)	1,103,359
Capital assets: (Note 6)	
Assets not subject to depreciation	4,998,428
Assets subject to depreciation - Net	88,898,406
Total assets	150,581,821
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	119,970
Deferred pension costs (Note 10)	19,044,449
Deferred OPEB costs (Note 10)	4,183,330
Total deferred outflows of resources	23,347,749
Liabilities	
Accounts payable	3,728,275
Due to other governmental units	11,601
Accrued liabilities and other	4,257,098
Unearned revenue (Note 5)	2,643,329
Noncurrent liabilities:	
Due within one year (Note 8)	4,916,785
Due in more than one year (Note 8)	103,374,992
Net pension liability (Note 10)	63,069,876
Total liabilities	182,001,956
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the report date (Note 10)	3,872,697
Deferred pension cost reductions (Note 10)	6,531,280
Deferred OPEB cost reductions (Note 10)	8,787,160
Total deferred inflows of resources	19,191,137
Net Position (Deficit)	
Net investment in capital assets	17,798,317
Restricted:	
Capital projects	1,204,357
Net OPEB asset	1,103,359
Unrestricted	(47,369,556)
Total net position (deficit)	\$ (27,263,523)

Ferndale Public Schools

Statement of Activities

Year Ended June 30, 2024

	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 24,751,144	\$ -	\$ 11,677,524	\$ (13,073,620)
Support services	18,800,603	-	8,456,138	(10,344,465)
Athletics	615,427	25,164	-	(590,263)
Food services	1,782,920	92,268	1,729,235	38,583
Community services	977,230	769,545	-	(207,685)
Payments to other districts	1,638	-	-	(1,638)
Interest	3,286,479	-	-	(3,286,479)
Other	616,543	-	-	(616,543)
Depreciation expense (unallocated)	3,925,066	-	-	(3,925,066)
Total primary government	\$ 54,757,050	\$ 886,977	\$ 21,862,897	(32,007,176)
General revenue (expense):				
Taxes:				
Property taxes levied for general purposes				5,625,483
Property taxes levied for debt service				7,317,909
Property taxes levied for capital projects				1,121,971
State aid not restricted to specific purposes				24,653,659
Interest and investment earnings				2,522,803
Disposal of capital assets				(653,896)
Other				1,049,937
Total general revenue (expense)				41,637,866
Change in Net Position				9,630,690
Net Position (Deficit) - Beginning of year				(36,894,213)
Net Position (Deficit) - End of year				\$ (27,263,523)

Ferndale Public Schools

Governmental Funds Balance Sheet

June 30, 2024

	General Fund	Debt Service Fund	2023 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 9,838,684	\$ -	\$ -	\$ 530,757	\$ 10,369,441
Receivables:					
Property taxes receivable	4,055	-	-	-	4,055
Other receivables	705,997	-	-	-	705,997
Due from other governments	7,837,174	-	-	34,081	7,871,255
Inventory	716	-	-	39,307	40,023
Prepaid costs	558,988	-	-	100,000	658,988
Restricted assets: (Notes 2 and 4)					
Restricted cash and cash equivalents	-	262,172	39,202	2,190,414	2,491,788
Restricted investment securities	-	-	33,440,081	-	33,440,081
Total assets	\$ 18,945,614	\$ 262,172	\$ 33,479,283	\$ 2,894,559	\$ 55,581,628
Liabilities					
Accounts payable	\$ 921,495	\$ -	\$ 2,753,560	\$ 53,220	\$ 3,728,275
Due to other governmental units	11,601	-	-	-	11,601
Accrued liabilities and other	3,644,272	-	-	-	3,644,272
Unearned revenue (Note 5)	2,597,017	-	-	46,312	2,643,329
Total liabilities	7,174,385	-	2,753,560	99,532	10,027,477
Fund Balances					
Nonspendable:					
Inventory	716	-	-	39,307	40,023
Prepays	558,988	-	-	100,000	658,988
Restricted:					
Debt service	-	262,172	-	-	262,172
Capital projects	-	-	30,725,723	2,190,414	32,916,137
Food service	-	-	-	229,206	229,206
Committed - Student activities	-	-	-	236,100	236,100
Assigned - Subsequent year's budget shortfall	1,949,419	-	-	-	1,949,419
Unassigned	9,262,106	-	-	-	9,262,106
Total fund balances	11,771,229	262,172	30,725,723	2,795,027	45,554,151
Total liabilities and fund balances	\$ 18,945,614	\$ 262,172	\$ 33,479,283	\$ 2,894,559	\$ 55,581,628

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2024

Fund Balances Reported in Governmental Funds	\$ 45,554,151
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	163,366,058
Accumulated depreciation	<u>(69,469,224)</u>
Net capital assets used in governmental activities	93,896,834
Deferred outflows related to deferred refunding charges are not reported in the funds	119,970
Bonds payable and other long-term debt are not due and payable in the current period and are not reported in the funds	(107,316,718)
Accrued interest is not due and payable in the current period and is not reported in the funds	(612,826)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(361,511)
Net pension liability and related deferred inflows and outflows	(50,556,707)
Retiree health care benefits	(3,500,471)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(3,872,697)
Arbitrage liabilities, do not present a claim on current financial resources and are not reported as fund liabilities	<u>(613,548)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (27,263,523)</u></u>

Ferndale Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2024

	General Fund	Debt Service Fund	Formerly Major - 2020 Capital Projects Fund	2023 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Local sources	\$ 7,485,616	\$ 7,526,524	\$ -	\$ 1,718,465	\$ 1,794,475	\$ 18,525,080
State sources	37,385,811	-	-	-	193,572	37,579,383
Federal sources	3,446,283	-	-	-	1,677,365	5,123,648
Intergovernmental	2,401,582	-	-	-	-	2,401,582
Total revenue	50,719,292	7,526,524	-	1,718,465	3,665,412	63,629,693
Expenditures						
Current:						
Instruction	26,936,496	-	-	-	-	26,936,496
Support services	19,967,049	-	-	-	309,255	20,276,304
Athletics	649,840	-	-	-	-	649,840
Food services	-	-	-	-	1,784,534	1,784,534
Community services	1,055,782	-	-	-	-	1,055,782
Payments to other districts	1,638	-	-	-	-	1,638
Debt service:						
Principal	-	4,650,000	-	-	-	4,650,000
Interest	-	3,599,104	-	-	-	3,599,104
Other	-	1,163	-	-	1,832	2,995
Capital outlay	280,007	-	-	6,128,266	5,938,155	12,346,428
Total expenditures	48,890,812	8,250,267	-	6,128,266	8,033,776	71,303,121
Excess of Revenue Over (Under) Expenditures	1,828,480	(723,743)	-	(4,409,801)	(4,368,364)	(7,673,428)
Other Financing Sources (Uses)						
Transfers in (Note 7)	-	322,358	-	-	-	322,358
Transfers out (Note 7)	(322,358)	-	-	-	-	(322,358)
Total other financing (uses) sources	(322,358)	322,358	-	-	-	-
Net Change in Fund Balances	1,506,122	(401,385)	-	(4,409,801)	(4,368,364)	(7,673,428)
Fund Balances - Beginning of year, as previously reported	10,265,107	663,557	4,852,952	35,135,524	2,310,439	53,227,579
Change within Financial Reporting Entity (Note 2)	-	-	(4,852,952)	-	4,852,952	-
Fund Balances - Beginning of year, as adjusted or restated	10,265,107	663,557	-	35,135,524	7,163,391	53,227,579
Fund Balances - End of year	<u>\$ 11,771,229</u>	<u>\$ 262,172</u>	<u>\$ -</u>	<u>\$ 30,725,723</u>	<u>\$ 2,795,027</u>	<u>\$ 45,554,151</u>

Ferndale Public Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2024

Net Change in Fund Balances Reported in Governmental Funds \$ (7,673,428)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capitalized capital outlay	12,346,428
Capitalized other expenditures	281,192
Depreciation expense	(3,925,066)
Net book value of assets disposed of	(653,897)

Revenue in support of pension contributions made subsequent to the measurement date	1,411,944
---	-----------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	5,005,143
---	-----------

Interest expense is recognized in the government-wide statements as it accrues	(42,518)
--	----------

Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	3,494,440
--	-----------

Arbitrage expenditure that does not use current financial resources is not reported as expenditure in the governmental funds	(613,548)
--	-----------

Change in Net Position of Governmental Activities \$ 9,630,690

June 30, 2024**Note 1 - Nature of Business**

Ferndale Public Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies***Accounting and Reporting Principles***

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives: the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used.

June 30, 2024**Note 2 - Significant Accounting Policies (Continued)****Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Debt Service Fund is used to record tax, interest, other revenue for payment of interest, principal, and other expenditures on long-term debt.
- The 2023 Capital Projects Fund is used to record the related bond proceeds and expenditures related to voter-approved capital improvements.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The School District's special revenue funds are the Cafeteria and the Student Activities funds. Revenue sources for the Cafeteria Fund include sales to customers and dedicated grants from federal and state sources. Revenue sources for the Student Activities Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Capital projects funds (Building Sales Capital Projects Fund, 2016 Sinking Fund, and 2020 Capital Projects Fund) are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.

Interfund Activity

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

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Note 2 - Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for certain investments in external investment pools, which are valued at amortized cost.

Inventories and Prepaid Costs

Inventories are valued at cost on a first-in, first-out basis. Inventories accounted for using the consumption method are recorded as expenditures when consumed, rather than when purchased, and include USDA commodities within the Cafeteria Fund. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital projects funds required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the Debt Service Fund required to be set aside for future bond principal and interest payments

Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life of at least one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Lives - Years
Buildings and building additions	20 to 50
Furniture and equipment	5 to 15
Buses and other vehicles	8 to 10

Note 2 - Significant Accounting Policies (Continued)**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances, bond premiums, and discounts as other financing sources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District reports deferred outflows related to deferred charges on debt refundings and deferred pension and OPEB plan costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

June 30, 2024**Note 2 - Significant Accounting Policies (Continued)****Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed, and the total obligation is added to county tax rolls. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) granted by cities within the boundaries of the School District. Industrial facilities tax exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. For the fiscal year ended June 30, 2024, the School District's property tax revenue under these programs was not significant.

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted for capital acquisitions are reported after nonoperating revenue and expenses.

Note 2 - Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and net OPEB liabilities (assets), deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amounts that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. Liabilities for these amounts are reported in governmental funds only for known employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2026.

Note 2 - Significant Accounting Policies (Continued)

Accounting Changes

Changes to or within the Financial Reporting Entity

Change in Major Funds

2020 Capital Projects Fund was previously reported as a major fund but is now reported as a nonmajor fund for fiscal year 2024. The effects of this change in major funds are shown in the table at the end of this section.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2024, the changes noted above resulted in adjustments to and restatements of beginning net position and fund net position as follows:

	<u>June 30, 2023</u>		<u>June 30, 2023</u>
	<u>As Previously Reported</u>	<u>Change to or within the Financial Reporting Entity</u>	<u>As Restated</u>
Governmental funds:			
Major funds:			
General Fund	\$ 10,265,107	\$ -	\$ 10,265,107
Debt Service Fund	663,557	-	663,557
2020 Capital Projects Fund	4,852,952	(4,852,952)	-
2023 Capital Projects Fund	35,135,524	-	35,135,524
Nonmajor funds	<u>2,310,439</u>	<u>4,852,952</u>	<u>7,163,391</u>
Total governmental funds	<u>\$ 53,227,579</u>	<u>\$ -</u>	<u>\$ 53,227,579</u>

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 23, 2024, which is the date the financial statements were available to be issued.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function (or fund, function, and object). The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function (or object) level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District increased budgeted amounts during the year in response to additional funding. The athletics program's actual results and capital outlay are reported separately on the statement of revenue, expenditures, and changes in fund balances. On the budgetary comparison schedule, expenditures for athletics are included within support services, and capital outlay expenditures are included in the functional categories to which they related, in accordance with the adopted budget of the School District.

June 30, 2024**Note 3 - Stewardship, Compliance, and Accountability (Continued)**

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

The 2023 Capital Projects Fund includes capital project activities funded with bonds. For this capital projects, the School District has complied with the applicable provisions of §1351a of the Revised School Code. The funds are not yet considered substantially complete, and a subsequent year audit is expected.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2020 Capital Projects Fund. For this capital projects, the School District has complied with the applicable provisions of §1351a of the Revised School Code. The project for which the 2020 Building and Site Bonds, were issued was considered complete on June 30, 2024.

The 2016 Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, authorized prior to March 29, 2017, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code.

Note 4 - Deposits and Investments

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 offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

The School District has designated two banks for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost, except for the investment pools in the Michigan Liquid Asset Fund (MILAF). There is a 1-day minimum investment period on MILAF Cash Management funds and a 14-day redemption limitation on MILAF MAX Class funds. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed.

The School District's cash and investments are subject to several types of risk, which are explained in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk 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's investment policy requires that financial institutions be evaluated, and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District had bank deposits totaling \$3,200,893 (checking accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

June 30, 2024

Note 4 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business, using the criteria established in the investment policy. At June 30, 2024, the School District does not have investments with custodial credit risk.

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 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. 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.

At year end, the School District had the following investments:

Investment	Carrying Value	Maturity Date
Primary Government		
MILAF - Term Series	\$ 3,037,604	11/15/2024
MILAF - Term Series	5,393,079	2/18/2025
Total	<u>\$ 8,430,683</u>	

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2024, the credit quality ratings of debt securities (other than U.S. government securities) are as follows:

Investment	Value	Average Maturity (Years)	Rating Organization/Rating
MILAF - MAX Class	\$ 4,682	N/A - 2a7-like pool	S&P/AAAm
MILAF - Cash Mgmt Class	25,009,740	N/A - 2a7-like pool	S&P/AAAm
MILAF - Term Series	8,430,683	0.51	S&P/AAAm
Comerica Govt Cash J Fund	10,012,923	N/A - 2a7-like pool	Not rated
Total	<u>\$ 43,458,028</u>		

Note 4 - Deposits and Investments (Continued)

Concentration of Credit Risk

The School District uses a pooled fund with Michigan Liquid Asset Fund for some of its cash accounts. 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 issues will be minimized. MILAF is a pooled fund and is not considered a single issuer under school district policy. Additionally, MILAF has a more restrictive issuer concentration policy in order to maintain its AAAM rating by Standard & Poor's. MILAF has adopted the guidance in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*, thereby allowing MILAF to continue presenting its financial statements on an amortized cost basis. At June 30, 2024, the School District had investments in MILAF Cash Management Class, MILAF Term Series, and Comerica Government Cash J Fund investments that exceeded 5 percent of total investments.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

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, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented on the table below.

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares in the Michigan Liquid Asset Fund Term Series where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

For the year ended June 30, 2024, net asset value of the School District's investment in the MILAF Term Series was \$8,430,683. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date set upon initiation of investment. Early redemptions are permitted; however, an early redemption fee would apply.

The MILAF Term Series includes investments that the School District does not control. The investment pool invests primarily in high-quality money market instruments, including certificates of deposit, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

Note 5 - Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received but not yet earned.

June 30, 2024

Note 5 - Unearned Revenue (Continued)

At June 30, 2024, the School District had \$2,643,329 of unearned revenue related to grant payments received prior to meeting all eligibility requirements.

Note 6 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2023	Reclassifications	Additions	Disposals	Balance June 30, 2024
Capital assets not being depreciated:					
Land	\$ 2,752,114	\$ -	\$ -	\$ -	\$ 2,752,114
Construction in progress	32,032,874	(31,990,484)	2,203,924	-	2,246,314
Subtotal	34,784,988	(31,990,484)	2,203,924	-	4,998,428
Capital assets being depreciated:					
Buildings and improvements	107,531,394	31,497,716	8,942,183	(2,847,798)	145,123,495
Furniture and equipment	9,829,766	492,768	1,342,726	(78,526)	11,586,734
Buses and other vehicles	1,518,614	-	138,787	-	1,657,401
Subtotal	118,879,774	31,990,484	10,423,696	(2,926,324)	158,367,630
Accumulated depreciation:					
Buildings and improvements	58,040,188	-	3,508,437	(2,197,047)	59,351,578
Furniture and equipment	8,785,010	-	305,604	(75,380)	9,015,234
Buses and other vehicles	991,387	-	111,025	-	1,102,412
Subtotal	67,816,585	-	3,925,066	(2,272,427)	69,469,224
Net capital assets being depreciated	51,063,189	31,990,484	6,498,630	(653,897)	88,898,406
Net capital assets	\$ 85,848,177	\$ -	\$ 8,702,554	\$ (653,897)	\$ 93,896,834

Depreciation expense totaling \$3,925,066 was not charged to activities, as the School District's assets benefit multiple activities, and allocation is not practical.

Construction Commitments

The School District has committed approximately \$70,156,397 to active construction projects at year end and has spent \$48,452,168 to date.

Note 7 - Interfund Receivables, Payables, and Transfers

Interfund balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. As of June 30, 2024, there were no interfund balances between funds.

Transfers from the General Fund to the Debt Service Fund provided funding for debt service payments.

June 30, 2024

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2024 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and notes payable:					
Direct borrowings and direct placements - School Loan Revolving Fund	\$ 3,664	\$ 162	\$ -	\$ 3,826	\$ -
Other debt - General obligation bonds payable	104,110,000	-	(4,650,000)	99,460,000	4,575,000
Unamortized bond premiums	8,222,104	-	(369,212)	7,852,892	341,785
Total bonds and notes payable	112,335,768	162	(5,019,212)	107,316,718	4,916,785
Compensated absences	396,386	-	(34,875)	361,511	-
Arbitrage liability	-	613,548	-	613,548	-
Total governmental activities long-term debt	<u>\$ 112,732,154</u>	<u>\$ 613,710</u>	<u>\$ (5,054,087)</u>	<u>\$ 108,291,777</u>	<u>\$ 4,916,785</u>

The School District had deferred outflows of \$119,970 related to deferred charges on bond refundings at June 30, 2024.

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2024 are as follows:

Purpose	Remaining Annual Installments	Interest Rates (Percent)	Maturing on May 1	Outstanding
\$3,800,000 of 2017 Energy Conservation Bonds	\$240,000 - \$300,000	3.0	2033	\$ 2,430,000
\$52,395,000 2020 School Building and Site Bonds (qualified)	\$1,075,000 - \$2,890,000	3.0	2050	48,810,000
\$18,680,000 of 2021 Refunding Bonds, Series A (qualified)	\$695,000 - \$780,000	4.0	2042	13,240,000
\$5,210,000 of 2021 Refunding Bonds, Series B (qualified)	\$2,560,000	0.8	2025	2,560,000
\$32,420,000 of 2023 School Building and Site Bonds (qualified)	\$400,000 - \$2,530,000	4.0 - 5.0	2053	32,420,000
Total governmental activities				<u>\$ 99,460,000</u>

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated from the funds from which individual employee salaries are paid.

Note 8 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities		
	Direct Borrowings and Direct Placements		Total
	Principal	Interest	
2025	\$ 4,575,000	\$ 3,676,954	\$ 8,251,954
2026	3,065,000	3,590,150	6,655,150
2027	2,500,000	3,481,250	5,981,250
2028	2,655,000	3,395,300	6,050,300
2029	2,770,000	3,303,700	6,073,700
2030-2034	15,200,000	14,973,200	30,173,200
2035-2039	16,900,000	12,056,550	28,956,550
2040-2044	19,060,000	8,681,550	27,741,550
2045-2049	20,850,000	5,076,800	25,926,800
2050-2053	11,885,000	1,271,700	13,156,700
Total	<u>\$ 99,460,000</u>	<u>\$ 59,507,154</u>	<u>\$ 158,967,154</u>

School Loan Revolving Fund

The School Loan Revolving Fund payable represents a direct borrowing from the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005 (the "Act"), as amended. The School Loan Revolving Fund is accessible to school districts for borrowings that initiated after July 19, 2005. Interest during the year ended June 30, 2024 ranged from 4.14 percent to 4.59 percent. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2048. If the School District fails to levy the appropriate debt mills in accordance with the agreement or defaults in loan repayment, the School District shall increase its debt levy in the next succeeding year, and a default late charge of 3 percent will apply. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the School District, no provision for repayment has been included in the above debt maturity schedule. If the School District is in default of the loan agreement, the State of Michigan may withhold state aid funding until repayment terms satisfactory to the State of Michigan have been made.

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the Metropolitan Association for Improved School Legislation (MAISL) pool for claims relating to property loss, torts, and errors and omissions and participates in the Middle Cities Pool for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past four fiscal years.

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

Note 9 - Risk Management (Continued)

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had approximately \$21,800 of unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 10 - Michigan Public School Employees' Retirement System***Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplementary payment in those years when investment earnings exceed actuarial assumptions.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

MPERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and pension contributions to the plan for the year ended June 30, 2024 were \$8,919,164, which includes the School District's contributions required for those members with a defined contribution benefit. For the year ended June 30, 2024, the School District's required and actual pension contributions include an allocation of \$3,872,697 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2024 were \$1,944,969, which includes the School District's contributions required for those members with a defined contribution benefit.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2024, the School District reported a liability of \$63,069,876 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022, which used update procedures to roll forward the estimated liability to September 30, 2023. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2023 and 2022, the School District's proportion was 0.19 percent and 0.20 percent, respectively, representing a change of (0.36) percent.

Net OPEB Asset

At June 30, 2024, the School District reported an asset of \$(1,103,359) for its proportionate share of the net OPEB asset. The net OPEB asset for fiscal year 2024 was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2022, which used update procedures to roll forward the estimated asset to September 30, 2023. The School District's proportion of the net OPEB asset was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2023 and 2022, the School District's proportion was 0.20 percent and 0.19 percent, respectively, representing a change of 0.81 percent.

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

For 2024, the School District recognized pension expense of \$8,269,080, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2024, 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
Difference between expected and actual experience	\$ 1,990,924	\$ (96,613)
Changes in assumptions	8,546,255	(4,927,577)
Net difference between projected and actual earnings on pension plan investments	-	(1,290,614)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	973,650	(216,476)
The School District's contributions to the plan subsequent to the measurement date	7,533,620	-
Total	<u>\$ 19,044,449</u>	<u>\$ (6,531,280)</u>

The \$3,872,697 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2025. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2025	\$ 1,857,674
2026	1,275,447
2027	2,786,690
2028	(940,262)
Total	<u>\$ 4,979,549</u>

June 30, 2024

Note 10 - Michigan Public School Employees' Retirement System (Continued)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2024, the School District recognized OPEB recovery of \$1,867,100.

At June 30, 2024, 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
Difference between expected and actual experience	\$ -	\$ (8,337,544)
Changes in assumptions	2,456,269	(295,781)
Net difference between projected and actual earnings on OPEB plan investments	3,364	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	392,846	(153,835)
Employer contributions to the plan subsequent to the measurement date	1,330,851	-
Total	<u>\$ 4,183,330</u>	<u>\$ (8,787,160)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB asset and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2025	\$ (1,957,207)
2026	(1,770,745)
2027	(681,299)
2028	(709,078)
2029	(542,000)
Thereafter	<u>(274,352)</u>
Total	<u>\$ (5,934,681)</u>

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2023 are based on the results of an actuarial valuation as of September 30, 2022 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75 percent
Health care cost trend rate - OPEB	6.25% - 7.50%	Year 1 graded to 3.5 percent in year 15
Mortality basis		PubT-2010 Male and Female Employee Mortality Tables, scaled 100 percent (retirees: 116 percent for males and 116 percent for females) and adjusted for mortality improvements using projection scale MP-2021 from 2010
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2017 to 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation.

Significant assumption changes since the prior measurement date, September 30, 2022, for the OPEB plan include a decrease in the health care cost trend rate of 0.25 percentage points for members under 65 and an increase of 1.0 percentage point for members over 65. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2022.

Discount Rate

The discount rate used to measure the total pension and OPEB liability was 6.00 percent as of September 30, 2023 depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

June 30, 2024

Note 10 - Michigan Public School Employees' Retirement System (Continued)

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.80 %
Private equity pools	16.00	9.60
International equity pools	15.00	6.80
Fixed-income pools	13.00	1.30
Real estate and infrastructure pools	10.00	6.40
Absolute return pools	9.00	4.80
Real return/opportunistic pools	10.00	7.30
Short-term investment pools	2.00	0.30
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.7 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability of the School District	\$ 85,207,218	\$ 63,069,876	\$ 44,639,739

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net OPEB liability (asset) of the School District	\$ 1,143,852	\$ (1,103,359)	\$ (3,034,615)

June 30, 2024

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB asset of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB (asset) liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1 Percentage Point Decrease</u>	<u>Current Rate</u>	<u>1 Percentage Point Increase</u>
Net OPEB (asset) liability of the School District	\$ (3,039,430)	\$ (1,103,359)	\$ 992,106

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2024, the School District reported a payable of \$1,170,352 and \$169,371 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2024.

Required Supplementary Information

Ferndale Public Schools

Required Supplementary Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 7,011,752	\$ 7,907,371	\$ 7,485,616	\$ (421,755)
State sources	34,306,809	37,528,348	37,385,811	(142,537)
Federal sources	3,312,192	3,524,768	3,446,283	(78,485)
Governmental - Intergovernmental	2,400,582	2,446,329	2,401,582	(44,747)
Total revenue	47,031,335	51,406,816	50,719,292	(687,524)
Expenditures				
Current:				
Instruction:				
Basic programs	18,909,988	21,239,324	20,038,964	(1,200,360)
Added needs	6,664,038	7,057,736	6,387,293	(670,443)
Adult/Continuing education	551,152	662,714	631,574	(31,140)
Support services:				
Pupil	4,924,545	5,617,119	5,416,027	(201,092)
Instructional staff	3,363,366	3,784,330	3,663,435	(120,895)
General administration	680,457	771,235	715,697	(55,538)
School administration	2,646,823	2,816,358	2,757,503	(58,855)
Business	677,949	663,421	634,534	(28,887)
Operations and maintenance	4,137,410	4,433,722	4,036,793	(396,929)
Pupil transportation services	1,417,791	1,731,090	1,538,329	(192,761)
Other central support	1,938,018	2,300,919	2,013,243	(287,676)
Total support services	19,786,359	22,118,194	20,775,561	(1,342,633)
Community services	913,362	1,181,057	1,055,782	(125,275)
Payments to other districts	-	-	1,638	1,638
Total expenditures	46,824,899	52,259,025	48,890,812	(3,368,213)
Other Financing Uses - Transfers out	(363,249)	(309,800)	(322,358)	(12,558)
Net Change in Fund Balance	(156,813)	(1,162,009)	1,506,122	2,668,131
Fund Balance - Beginning of year	10,265,107	10,265,107	10,265,107	-
Fund Balance - End of year	<u>\$ 10,108,294</u>	<u>\$ 9,103,098</u>	<u>\$ 11,771,229</u>	<u>\$ 2,668,131</u>

Ferndale Public Schools

Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Ten Plan Years Plan Years Ended September 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.19486 %	0.19557 %	0.19231 %	0.18771 %	0.18768 %	0.19061 %	0.18882 %	0.18612 %	0.19352 %	0.20388 %
School District's proportionate share of the net pension liability	\$ 63,069,876	\$ 73,552,147	\$ 45,530,235	\$ 64,481,128	\$ 62,152,312	\$ 57,301,808	\$ 48,932,020	\$ 46,436,455	\$ 47,267,878	\$ 44,908,602
School District's covered payroll	\$ 19,593,625	\$ 18,896,135	\$ 17,748,785	\$ 16,883,602	\$ 16,272,815	\$ 16,286,459	\$ 16,075,230	\$ 15,372,942	\$ 16,387,818	\$ 17,455,481
School District's proportionate share of the net pension liability as a percentage of its covered payroll	321.89 %	389.24 %	256.53 %	381.92 %	381.94 %	351.84 %	304.39 %	302.07 %	288.43 %	257.28 %
Plan fiduciary net position as a percentage of total pension liability	65.91 %	60.77 %	72.32 %	59.49 %	60.68 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

Ferndale Public Schools

Required Supplementary Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	Last Ten Fiscal Years									
	Years Ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 8,604,399	\$ 9,267,889	\$ 6,836,509	\$ 5,867,327	\$ 5,222,425	\$ 5,030,422	\$ 4,919,702	\$ 4,427,458	\$ 4,370,984	\$ 3,321,647
Contributions in relation to the statutorily required contribution	8,604,399	9,267,889	6,836,509	5,867,327	5,222,425	5,030,422	4,919,702	4,427,458	4,370,984	3,321,647
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 21,450,208	\$ 19,953,453	\$ 18,858,723	\$ 17,394,945	\$ 16,739,009	\$ 16,195,032	\$ 16,306,364	\$ 15,955,297	\$ 15,522,783	\$ 16,387,818
Contributions as a Percentage of Covered Payroll	40.11 %	46.45 %	36.25 %	33.82 %	31.20 %	31.06 %	30.17 %	27.75 %	28.16 %	20.27 %

Ferndale Public Schools

Required Supplementary Information Schedule of Proportionate Share of the Net OPEB Liability (Asset) Michigan Public School Employees' Retirement System

	Last Seven Plan Years						
	Plan Years Ended September 30						
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB (asset) liability	0.19504 %	0.19347 %	0.19559 %	0.19019 %	0.18613 %	0.19124 %	0.18885 %
School District's proportionate share of the net OPEB (asset) liability	\$ (1,103,359) \$	4,097,887 \$	2,985,440 \$	10,188,803 \$	13,359,758 \$	15,201,831 \$	16,723,693
School District's covered payroll	\$ 19,593,625 \$	18,896,135 \$	17,748,785 \$	16,883,602 \$	16,272,815 \$	16,286,459 \$	16,075,230
School District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(5.63)%	21.69 %	16.82 %	60.35 %	82.10 %	93.34 %	104.03 %
Plan fiduciary net position as a percentage of total OPEB liability	105.04 %	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Ferndale Public Schools

Required Supplementary Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

	Last Seven Fiscal Years						
	Years Ended June 30						
	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 1,762,226	\$ 1,606,093	\$ 1,536,835	\$ 1,447,564	\$ 1,345,080	\$ 1,272,124	\$ 1,177,764
Contributions in relation to the statutorily required contribution	<u>1,762,226</u>	<u>1,606,093</u>	<u>1,536,835</u>	<u>1,447,564</u>	<u>1,345,080</u>	<u>1,272,124</u>	<u>1,177,764</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 21,450,208	\$ 19,953,453	\$ 18,858,723	\$ 17,394,945	\$ 16,739,009	\$ 16,195,032	\$ 16,306,364
Contributions as a Percentage of Covered Payroll	8.22 %	8.05 %	8.15 %	8.32 %	8.04 %	7.86 %	7.22 %

June 30, 2024***Pension Information*****Benefit Changes**

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2022 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2022 actuarial valuation decreased by 0.95 percentage points. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit cost was lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit cost being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.

June 30, 2024

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit cost to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Supplementary Information

Ferndale Public Schools

Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2024

	Special Revenue Funds		Capital Project Funds		
		Student	Building Sales	2016 Sinking	
	Cafeteria Fund	Activities Fund	Capital Projects Fund	Fund	Total
Assets					
Cash and investments	\$ 294,657	\$ 236,100	\$ -	\$ -	\$ 530,757
Receivables	34,081	-	-	-	34,081
Inventory	39,307	-	-	-	39,307
Prepaid costs	100,000	-	-	-	100,000
Restricted assets	-	-	1,542,127	648,287	2,190,414
Total assets	\$ 468,045	\$ 236,100	\$ 1,542,127	\$ 648,287	\$ 2,894,559
Liabilities					
Accounts payable	\$ 53,220	\$ -	\$ -	\$ -	\$ 53,220
Unearned revenue	46,312	-	-	-	46,312
Total liabilities	99,532	-	-	-	99,532
Fund Balances					
Nonspendable:					
Inventory	39,307	-	-	-	39,307
Prepays	100,000	-	-	-	100,000
Restricted:					
Capital projects	-	-	1,542,127	648,287	2,190,414
Food service	229,206	-	-	-	229,206
Committed - Student activities	-	236,100	-	-	236,100
Total fund balances	368,513	236,100	1,542,127	648,287	2,795,027
Total liabilities and fund balances	\$ 468,045	\$ 236,100	\$ 1,542,127	\$ 648,287	\$ 2,894,559

Ferndale Public Schools

Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2024

	Special Revenue Funds		Capital Projects Funds			
	Cafeteria Fund	Student Activities Fund	Building Sales Capital Projects Fund	2016 Sinking Fund	2020 Capital Projects Fund	Total
Revenue						
Local sources	\$ 96,179	\$ 317,064	\$ 4,625	\$ 1,123,673	\$ 252,934	\$ 1,794,475
State sources	193,572	-	-	-	-	193,572
Federal sources	1,677,365	-	-	-	-	1,677,365
Total revenue	1,967,116	317,064	4,625	1,123,673	252,934	3,665,412
Expenditures						
Current:						
Support services	4,000	305,255	-	-	-	309,255
Food services	1,784,534	-	-	-	-	1,784,534
Debt service	-	-	-	-	1,832	1,832
Capital outlay	99,429	-	-	734,672	5,104,054	5,938,155
Total expenditures	1,887,963	305,255	-	734,672	5,105,886	8,033,776
Net Change in Fund Balances	79,153	11,809	4,625	389,001	(4,852,952)	(4,368,364)
Fund Balances - Beginning of year, as previously reported	289,360	224,291	1,537,502	259,286	-	2,310,439
Change within Financial Reporting Entity (Note 2)	-	-	-	-	4,852,952	4,852,952
Fund Balances - Beginning of year, as adjusted or restated	289,360	224,291	1,537,502	259,286	4,852,952	7,163,391
Fund Balances - End of year	<u>\$ 368,513</u>	<u>\$ 236,100</u>	<u>\$ 1,542,127</u>	<u>\$ 648,287</u>	<u>\$ -</u>	<u>\$ 2,795,027</u>

Ferndale Public Schools

Supplementary Information Schedule of Bonded Indebtedness

June 30, 2024

Years Ending June 30	2017 Energy Conservation Bonds	2020 School Building and Site Bonds	2021 School Refunding Bonds, Series A	2021 School Refunding Bonds, Series B	2023 School Building and Site Bonds	Total
	Principal	Principal	Principal	Principal	Principal	
2025	\$ 240,000	\$ 1,075,000	\$ 700,000	\$ 2,560,000	\$ -	\$ 4,575,000
2026	245,000	1,125,000	695,000	-	1,000,000	3,065,000
2027	255,000	1,150,000	695,000	-	400,000	2,500,000
2028	260,000	1,200,000	695,000	-	500,000	2,655,000
2029	270,000	1,250,000	715,000	-	535,000	2,770,000
2030	280,000	1,300,000	710,000	-	585,000	2,875,000
2031	285,000	1,350,000	730,000	-	610,000	2,975,000
2032	295,000	1,400,000	725,000	-	660,000	3,080,000
2033	300,000	1,475,000	745,000	-	710,000	3,230,000
2034	-	1,550,000	740,000	-	750,000	3,040,000
2035	-	1,600,000	760,000	-	795,000	3,155,000
2036	-	1,675,000	755,000	-	820,000	3,250,000
2037	-	1,750,000	770,000	-	850,000	3,370,000
2038	-	1,825,000	760,000	-	910,000	3,495,000
2039	-	1,900,000	780,000	-	950,000	3,630,000
2040	-	2,000,000	770,000	-	1,000,000	3,770,000
2041	-	2,100,000	760,000	-	1,045,000	3,905,000
2042	-	2,200,000	735,000	-	1,115,000	4,050,000
2043	-	2,350,000	-	-	1,250,000	3,600,000
2044	-	2,420,000	-	-	1,315,000	3,735,000
2045	-	2,490,000	-	-	1,380,000	3,870,000
2046	-	2,565,000	-	-	1,450,000	4,015,000
2047	-	2,645,000	-	-	1,520,000	4,165,000
2048	-	2,720,000	-	-	1,600,000	4,320,000
2049	-	2,805,000	-	-	1,675,000	4,480,000
2050	-	2,890,000	-	-	1,760,000	4,650,000
2051	-	-	-	-	2,295,000	2,295,000
2052	-	-	-	-	2,410,000	2,410,000
2053	-	-	-	-	2,530,000	2,530,000
Total remaining payments	<u>\$ 2,430,000</u>	<u>\$ 48,810,000</u>	<u>\$ 13,240,000</u>	<u>\$ 2,560,000</u>	<u>\$ 32,420,000</u>	<u>\$ 99,460,000</u>
Interest rate	3.0%	3.0%	4.0%	0.8%	4.0% - 5.0%	
Original issue	<u>\$ 3,800,000</u>	<u>\$ 52,395,000</u>	<u>\$ 18,680,000</u>	<u>\$ 5,210,000</u>	<u>\$ 32,420,000</u>	

Principal payments for the bond issues are due on May 1 of each year.

Interest payments for the bond issues are due on May 1 and November 1 of each year.