

**SCHOOL DISTRICT OF
THE CITY OF HAZEL PARK**

ANNUAL FINANCIAL REPORT
AND
SUPPLEMENTARY INFORMATION

For the year ended June 30, 2024

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
School District of the City of Hazel Park

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2024 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller 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 misstatements, 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Education
School District of the City of Hazel Park
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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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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 judgement, 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.

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements; 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 Education
School District of the City of Hazel Park
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2025 on our consideration of the School District's 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 the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are written in a cursive, slightly slanted style.

Port Huron, Michigan
January 30, 2025

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the School District of the City of Hazel Park's (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 statements. These statements are organized so the reader can understand the School District of the City of Hazel Park 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 and Special Education Center Programs 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 Comparison Schedule - General Fund

Budgetary Comparison Schedule - Major Special Revenue Fund

Pension and OPEB Supplementary Information

Other Supplementary Information

Nonmajor Governmental Funds

Schedule of Bonded Indebtedness

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 the current year's revenues and expenses are considered, 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 revenues 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.

The statement of net position and 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, child care, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State of Michigan (the "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 other funds to help it control and manage money for particular purposes (the Food Services, Student Activities, and Special Education Center Programs Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and governmental and fiduciary fund financial statements. The notes to the financial statements can be found on pages 19-46 of this report.

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 the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial 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. Table I provides a summary of the School District's net position as of June 30, 2024 and 2023 in a condensed format.

Table I

	Governmental Activities (in millions)	
	2024	2023
Assets		
Current and other assets	\$ 19.3	\$ 18.3
Net OPEB asset	1.4	-
Capital assets	59.5	59.7
Total assets	<u>80.2</u>	<u>78.0</u>
Deferred outflows of resources	<u>34.7</u>	<u>41.7</u>
Liabilities		
Current liabilities	11.0	7.8
Non-current liabilities	38.1	43.8
Net pension liability	80.5	89.4
Net OPEB liability	-	5.2
Total liabilities	<u>129.7</u>	<u>146.2</u>
Deferred inflows of resources	<u>24.8</u>	<u>18.7</u>
Net position (deficit)		
Net investment in capital assets	21.5	17.4
Restricted	4.6	3.1
Unrestricted deficit	<u>(65.5)</u>	<u>(65.7)</u>
Total net position (deficit)	<u>\$ (39.5)</u>	<u>\$ (45.2)</u>

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 \$(39.4) million at June 30, 2024.

Net investment in capital assets totaling \$21.5 million compares the original cost, less depreciation of the School District's capital assets, to the 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 limits the School District's ability to use this net position for day-to-day operations. The remaining amount of net position of \$(65.5) million was unrestricted.

The \$(65.5) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. The negative unrestricted net position balance is attributed to the net pension liability and strike and OPEB liabilities arising from the underfunded MPSERS obligations.

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

Table II

	Governmental Activities (in millions)	
	2024	2023
Revenue		
Program revenue -		
Charges for services	\$ 6.5	\$ 1.2
Operating grants	20.1	31.0
General revenue -		
Taxes	12.3	11.7
State aid not restricted to specific purposes	31.1	23.4
Other	6.7	2.3
Total revenue	<u>76.6</u>	<u>69.6</u>
Expenses		
Instruction	38.3	35.0
Support services	26.4	23.1
Athletics	0.7	0.8
Food services	2.5	1.8
Community services	0.4	0.6
Payments to subgrantee	0.5	0.3
Debt service	1.9	1.1
Total expenses	<u>70.7</u>	<u>62.7</u>
Change in net position	5.8	6.9
Net position (deficit) - beginning of year	<u>(45.2)</u>	<u>52.1</u>
Net position (deficit) - end of year	<u><u>\$ (39.4)</u></u>	<u><u>\$ (45.2)</u></u>

As reported in the statement of activities, the cost of all governmental activities this year was \$70.7 million. Certain activities were partially funded by those who benefited from the programs in the amount of \$6.5 million or by other governments and organizations that subsidized certain programs with grants and contributions in the amount of \$20.1 million. The School District paid for the remaining public benefit portion of the governmental activities with \$12.3 million in taxes, \$31.1 million in State foundation allowance, and \$6.4 million in other revenue (i.e., interest and general entitlements).

The School District experienced a change in net position of \$5.8 million (down from \$6.9 million in fiscal year 2022-2023). A key reason for the change in net position was increased federal and State funding received, which was offset by higher costs of labor and fringe benefits. There were also significant expenditures related to new curriculum adoptions and providing ancillary services to students in need.

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 School District operating revenue sources, the Board of Education (the "Board") and administration must annually evaluate the needs of the School District and balance those needs with available State-prescribed unrestricted resources.

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$6.7 million, which represents a decrease from the prior year of \$3.7 million.

In the General Fund, the principal operating fund, fund balance decreased by \$5 million, thus decreasing the fund balance to \$1 million. The change is mainly due to unspent categorical State Aid received and grant funding requests outstanding not meeting the availability revenue recognition criteria under the modified accrual basis.

The Special Education Center Programs fund balance decreased by \$31,708 to \$0.5 million. This fund manages several special education programs for Oakland Schools and the districts within Oakland County, Michigan. The School District maintains a fund balance in this fund in compliance with its PA 18 agreement with Oakland Schools.

Combined, the fund balance of the School District's debt service funds increased by \$1.1 million. Millage rates continued to be 15.0000 mills in 2024 to provide sufficient funds to meet bonded debt requirements. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue related debt services. Debt service fund balances are restricted since they can only be used to pay debt service obligations.

The fund balance of the School District's capital project fund (Sinking Fund) increased by \$5,180. The change is due to the combined decreases of funding sources (property taxes and transfers) and decreased spending in the current year, resulting in the change as compared to the prior year change of \$(0.1) million.

Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2024. A schedule showing the School District's original and final budget amounts compared with actual amounts is provided as required supplementary information of these financial statements.

There were significant revisions made to the 2023-2024 General Fund original budget. Budgeted revenue increased by \$6.3 million due to the finalization of the federal funding, State funding, and student count after the budget was prepared and the use of estimates when preparing the original budget.

Budgeted expenditures were increased by \$4.6 million, primarily due to staffing changes, negotiated salary increases, and a curriculum adoption that was larger than expected once all material and training was completed.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2024, the School District had \$59.5 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of \$0.2 million, or 0.4% from last year.

	Governmental Activities (in millions)	
	2024	2023
Land	\$ 0.2	\$ 0.2
Construction in progress	0.4	-
Buildings and improvements	54.6	55.9
Furniture and equipment	4.0	3.4
Right of use asset	0.04	-
Buses and other vehicles	0.3	0.3
Total capital assets - net of accumulated depreciation	<u>\$ 59.5</u>	<u>\$ 59.7</u>

This year's additions of \$1.7 million included improvements throughout the School District, most notably the completion of the lunchroom and locker rooms. More detailed information about the School District's capital assets is presented in the notes to the financial statements.

Long-term Liabilities

At June 30, 2024, the School District had \$38 million in long-term liabilities versus \$43.9 million in the previous year. The activity associated with long-term liabilities in 2024 were reductions consisting of principal payments associated with existing bonds and other borrowings, changes to vested sick leave, and addition related to new cafeteria capital.

Long-term debt activity consisted of the following:

	June 30, (in millions)	
	2024	2023
General obligation bonds	\$ 34.3	\$ 39.6
Unamortized bond premium	2.4	2.8
Cafeteria capital	0.2	-
City of Hazel Park installment payment	-	0.03
Compensated absences	1.1	1.4
Total	<u>\$ 38.0</u>	<u>\$ 43.9</u>

The State limits the amount of general obligation debt that schools can issue to 15% 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.

Economic Factors and Next Year's Budgets and Rates

State funding will remain a significant driver of our overall budget. While the School District anticipates some increases in per-pupil funding based on state projections, it is essential to remain cautious as the state faces broader economic challenges. Any fluctuations in state revenues—especially in light of ongoing economic pressures from inflation and potential recession risks—could lead to adjustments or delays in funding allocations.

Over the past year, continued inflationary pressures have particularly impacted the costs of utilities, materials, and labor. Increases in energy prices and supply chain disruptions have driven higher operational costs. Additionally, labor costs, including wages and benefits for teachers, staff, and support personnel, are expected to rise as the School District negotiates contracts to ensure the workforce remains competitive.

Property taxes, a key local revenue source, could also be affected by fluctuating property values in Hazel Park. Although housing market trends appear relatively stable, it is important to monitor potential changes in property assessments that could influence the School District’s tax base.

Federal funding streams, including Title I, Title II, and other grants, will continue to be a major revenue source. However, changes or reductions in federal education programs could impact our overall financial outlook. To address any funding gaps, the School District will continue to pursue local partnerships, including community-based grants.

Given the current economic environment, the School District must exercise caution and maintain a balanced approach when preparing next year’s budget. The proposed 2025-2026 budget will rely on several key assumptions. The School District expects slight increases in state funding but must be prepared for possible reductions or slow growth depending on broader economic conditions. Local property tax rates will be reviewed, but significant increases are unlikely due to political sensitivities and market trends. The School District will also continue exploring additional funding sources, such as grants and partnerships.

In terms of expenses, necessary increases in staff compensation and benefits are anticipated, along with higher operational costs for utilities and materials. To manage these increases, the School District will prioritize investments in educational programs and infrastructure that deliver long-term value. Efforts to improve efficiency and reduce costs in non-essential areas will remain a focus.

While property tax rates are expected to remain stable, the School District will evaluate its existing tax levy to maintain fiscal health and avoid significant service cuts. Any proposed changes will be communicated transparently to the community well in advance.

As we finalize next year's budget, I strongly recommend that the School District maintain a focus on long-term sustainability and financial health while prioritizing student outcomes. Continued emphasis on effective resource allocation and collaboration with state and local leaders will be crucial to sustaining Hazel Park Schools' commitment to educational excellence despite economic challenges.

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 demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, 1620 East Elza Ave, Hazel Park, Michigan 48030 [(248) 658-5213].

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
STATEMENT OF NET POSITION
June 30, 2024

	Governmental Activities
ASSETS	
Cash and investments	\$ 6,882,654
Receivables -	
Accounts receivable	325,366
Due from other governmental units	12,039,681
Inventories	42,677
Net OPEB asset	1,435,583
Capital assets, net	<u>59,496,096</u>
 Total assets	 <u><u>\$ 80,222,057</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on bond refunding	\$ 49,041
Deferred pension costs	27,967,773
Deferred OPEB costs	<u>6,724,728</u>
 Total deferred outflows of resources	 <u><u>\$ 34,741,542</u></u>
LIABILITIES	
Accounts payable	\$ 5,595,014
Accrued payroll - related liabilities and other	3,026,647
Unearned revenue	2,424,647
Non-current liabilities -	
Due within one year	6,491,531
Due in more than one year	31,577,867
Net pension liability	<u>80,542,403</u>
 Total liabilities	 <u><u>\$ 129,658,109</u></u>
DEFERRED INFLOWS OF RESOURCES	
Revenue in support of pension contributions made subsequent to the measurement date	\$ 5,061,516
Deferred pension cost reductions	8,218,652
Deferred OPEB cost reductions	<u>11,485,673</u>
 Total deferred inflows of resources	 <u><u>\$ 24,765,841</u></u>
NET POSITION (DEFICIT)	
Net investment in capital assets	\$ 21,475,739
Restricted -	
Debt service	3,196,422
Capital projects	660,058
Food service	752,230
Unrestricted	<u>(65,544,800)</u>
 TOTAL NET POSITION (DEFICIT)	 <u><u>\$ (39,460,351)</u></u>

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
STATEMENT OF ACTIVITIES
For the year ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities Net (Expense) Revenue and Change in Net Position
Governmental activities -				
Instruction	\$ 38,295,178	\$ 5,152,144	\$ 14,461,935	\$ (18,681,099)
Support services	26,435,921	872,050	2,739,802	(22,824,069)
Athletics	733,684	-	-	(733,684)
Food service	2,524,069	215,702	2,221,731	(86,636)
Community services	409,813	274,866	184,246	49,299
Payments to subgrantee	464,723	-	464,723	-
Interest	883,247	-	-	(883,247)
Other debt costs	985,138	-	-	(985,138)
Total governmental activities	\$ 70,731,773	\$ 6,514,762	\$ 20,072,437	(44,144,574)
General revenues -				
Property taxes:				
Levied for general purposes				3,909,984
Levied for debt service				7,262,183
Levied for capital purposes				1,163,778
State aid, unrestricted				31,117,761
Interest and investment earnings				100,621
Oversight fees				791,191
Other				5,568,836
Total general revenues				49,914,354
Change in net position				5,769,780
Net position (deficit) at beginning of year				(45,230,131)
Net position (deficit) at end of year				\$ (39,460,351)

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	General Fund	Special Education Center Programs Fund	Qualified Debt	Non-major Funds	Total Governmental Fund
ASSETS					
Cash and investments	\$ 133,331	\$ 854,391	\$ 3,420,709	\$ 2,474,223	\$ 6,882,654
Receivables -					
Account receivables	325,366	-	-	-	325,366
Due from other governmental units	11,948,170	-	-	91,511	12,039,681
Inventory	-	-	-	42,677	42,677
Total assets	\$ 12,406,867	\$ 854,391	\$ 3,420,709	\$ 2,608,411	\$ 19,290,378
LIABILITIES					
Accounts payable	\$ 4,415,814	\$ 323,955	\$ -	\$ 630,958	\$ 5,370,727
Overdraft cash	-	-	-	224,287	224,287
Accrued payroll -					
Related liabilities and other	2,769,231	36,238	-	-	2,805,469
Unearned revenue	2,424,647	-	-	-	2,424,647
Total liabilities	9,609,692	360,193	-	855,245	10,825,130
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - grants	1,804,298	-	-	-	1,804,298
FUND BALANCES					
Nonspendable -					
Inventory	-	-	-	42,677	42,677
Restricted -					
Debt service	-	-	3,420,709	(224,287)	3,196,422
Capital projects	-	-	-	660,058	660,058
Special education	-	494,198	-	-	494,198
Food service	-	-	-	709,553	709,553
Committed - student activities	-	-	-	179,338	179,338
Assigned -					
Child care	-	-	-	385,827	385,827
Subsequent year's budget	525,906	-	-	-	525,906
Unrestricted	466,971	-	-	-	466,971
Total fund balances	992,877	494,198	3,420,709	1,753,166	6,660,950
Total liabilities, deferred inflows of resources and fund balances	\$ 12,406,867	\$ 854,391	\$ 3,420,709	\$ 2,608,411	\$ 19,290,378

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2024

Fund balances reported in governmental funds	\$ 6,660,950
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental fund activities are not current financial resources, and therefore, are not reported in the fund financial statements.	
Capital assets	101,840,410
Accumulated depreciation and amortization	<u>(42,344,314)</u>
Net capital assets used in governmental activities	59,496,096
Intergovernmental grant receivables not available to pay current period expenditures, and therefore, are not reported as revenue in the fund financial statements.	
	1,804,298
Deferred inflows and outflows related to bond refundings are not reported in the funds	
	49,041
Bonds payables, including premiums, installment payment, and SBITA obligations are not due and payable in the current period and are not reported in the funds	
	(36,961,040)
Accrued interest is not due and payable in the current period and is not reported in the funds	
	(221,178)
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:	
Compensated absences	(1,108,358)
Net position liability and related deferred inflows and outflows	(60,793,282)
Net OPEB asset and related deferred inflows and outflows	(3,325,362)
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	
	<u>(5,061,516)</u>
Net position (deficit) of governmental activities	<u><u>\$ (39,460,351)</u></u>

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2024

	General Fund	Special Education Center Programs Fund	Formerly Nonmajor - Qualified Debt	Non-major Funds	Total Governmental Fund
REVENUES					
Local sources	\$ 6,341,953	\$ -	\$ 6,377,158	\$ 3,211,826	\$ 15,930,937
State sources	37,115,217	4,705,927	55,688	127,720	42,004,552
Federal sources	1,994,318	-	-	2,114,089	4,108,407
Intergovernmental	4,302,134	6,024,194	-	-	10,326,328
Total revenues	<u>49,753,622</u>	<u>10,730,121</u>	<u>6,432,846</u>	<u>5,453,635</u>	<u>72,370,224</u>
EXPENDITURES					
Current -					
Instruction	32,855,268	5,152,144	-	-	38,007,412
Support services	22,183,304	3,574,281	-	607,829	26,365,414
Athletics	796,321	-	-	-	796,321
Food service	-	-	-	2,352,560	2,352,560
Community services	226,264	-	-	377,270	603,534
Debt service -					
Principal	38,190	-	3,836,500	1,395,000	5,269,690
Interest	-	-	1,172,980	154,087	1,327,067
Capital outlay	-	-	-	1,000,730	1,000,730
Payments to subgrantee	464,723	-	-	-	464,723
Total expenditures	<u>56,564,070</u>	<u>8,726,425</u>	<u>5,009,480</u>	<u>5,887,476</u>	<u>76,187,451</u>
Excess of revenues over (under) expenditures	<u>(6,810,448)</u>	<u>2,003,696</u>	<u>1,423,366</u>	<u>(433,841)</u>	<u>(3,817,227)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,121,044	-	-	295,392	2,416,436
Transfers out	(295,393)	(2,035,404)	-	(85,639)	(2,416,436)
Total other financing sources (uses)	<u>1,825,651</u>	<u>(2,035,404)</u>	<u>-</u>	<u>209,753</u>	<u>-</u>
Net change in fund balances	(4,984,797)	(31,708)	1,423,366	(224,088)	(3,817,227)
Fund balances at beginning of year, as previously reported	5,977,674	525,906	-	3,974,597	10,478,177
Change within financial reporting entity	-	-	1,997,343	(1,997,343)	-
Fund balances at beginning of year, as adjusted	<u>5,977,674</u>	<u>525,906</u>	<u>1,997,343</u>	<u>1,977,254</u>	<u>10,478,177</u>
Fund balances at end of year	<u>\$ 992,877</u>	<u>\$ 494,198</u>	<u>\$ 3,420,709</u>	<u>\$ 1,753,166</u>	<u>\$ 6,660,950</u>

**SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2024**

Net change in fund balances reported in governmental funds	\$ (3,817,227)
Amounts reported for governmental activities in the statement of activities are different because:	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, these costs are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capitalized capital outlay	1,672,073
Depreciation expense	(1,952,276)
Capital investment proceeds	(250,000)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	1,573,960
Revenue in support of pension contributions made subsequent to the measurement date	1,604,238
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	5,718,365
Interest expense is recognized in the government-wide statements as it accrues	11,221
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	1,209,426
Change in net position of governmental activities	\$ 5,769,780

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - NATURE OF BUSINESS

The School District of the City of Hazel Park (the "School District") is a school district in the State of Michigan (the "State") 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 (GASB). 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 (the "Board"). In accordance with GAAP, no component units are required to be reported within these financial statements.

Report Presentation

GAAP requires 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, as applicable. 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 revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of Accounting

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

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 healthcare related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgements are recorded only when payment is due.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not meeting this definition are classified as deferred inflows of resources. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources. Separate funds allow the School District to show the particular expenditures for which specific revenues are used.

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, Special Education Center Programs Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds. The School District reports the following major governmental funds:

General Fund - is the School District's primary operating fund. It accounts for all financial resources used to provide governmental services other than those specifically assigned to another fund.

Special Education Center Programs Fund - is used to record special education millage revenue from the intermediate school district, State revenue related to special education, and disbursements associated with special education center programs administered by the School District on behalf of the intermediate school district.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund - The Qualified Debt Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on bonds outstanding.

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 for expenditures for specified purposes. The School District's nonmajor special revenue funds include the Food Services, Community Services - Child Care, and Student Activities Funds. Revenue sources for the Food Services Fund include sales to customers and dedicated grants from State and federal sources. Revenue for the Community Services - Child Care Fund consists primarily of tuition charged to users. Revenue from the Student Activities Fund includes 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 Project Fund - The Sinking Fund is used to record voted tax millage and other revenues that are restricted to expenditures for the renovation of District buildings and other capital assets designated in the millage request.

Debt Service Funds - The nonmajor debt funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on debt outstanding.

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 due from/to other funds and advances to/from other funds. While these balances are reported in the 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 the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in the 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 in order to include the net amount as transfers in the governmental activities column.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Specific Balances and Transactions

Cash and Investments

Cash and investments 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.

Pooled investment income from the General Fund, Debt Service Funds, Capital Projects Funds, and Special Revenue Funds is generally allocated to each fund using a weighted average of balance for the principal invested.

Receivables and Payables

In general, outstanding balances between funds are reported as due to/from other funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as advances to/from other funds.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible, and accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. The taxes are payable without interest on or before September 14 and without penalty on or before the following February 14. Taxes become delinquent on March 1 following the date of levy. Delinquent property taxes are collected by Oakland County (the "County").

The School District receives reduced property tax revenues as a result of industrial facilities tax exemptions (IFT's) (PA 198 of 1974, as amended) and Brownfield redevelopment agreements (PA 381 of 1996) granted by cities within the boundaries of the School District. IFT's are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. The Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. For the fiscal year ended June 30, 2024, the School District's property tax revenue under these programs was minimal.

Inventories

Inventories are valued at cost on a first-in, first-out (FIFO) basis. Inventories are accounted for using the consumption method, are recorded as expenditures when consumed rather than when purchased, and include commodities within the Food Services Fund.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction and fixed asset acquisition of conservation improvements. The property taxes levied in the Debt Service Funds are required to be set aside for future principal and interest payments on bonded debt. The property taxes levied in the Sinking Fund are required to be set aside for allowable expenditures. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment, and vehicles, are reported in the applicable 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 \$5,000 or more and an estimated useful life in excess of five years. 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. Costs of normal repairs and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

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

	Depreciable Life
Buildings and improvements	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

Subscription-Based Information Technology Arrangements

As noted in Note 6, the School District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement is based on the standards established in GASB Statement No. 87, *Leases*. It (1) defines a subscription-based information technology arrangement (SBITA) as a contract that conveys control of the right to use a SBITA vendor’s IT software, either alone or in combination with tangible capital assets, as specified in the contract, for a period of time in an exchange or exchange-like transaction; (2) requires governments with SBITA’s to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District is a subscriber of various IT arrangements covered under Governmental Accounting Standards Board (GASB) Statement No. 96. The School District recognizes an intangible right-to-use SBITA asset and a liability (if applicable) in the government-wide financial statements.

At the commencement of subscription, the School District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to SBITA's include how the School District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

The School District uses the interest rate charged by the subscription provider as the discount rate. When the interest rate charged by the subscription provider is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for SBITA.

The SBITA term includes the noncancelable period of the subscription. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option prices that the School District is reasonably certain to exercise.

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

SBITA assets are reported with other capital assets and SBITA liabilities, if any, are reported with long-term obligations on the statement of net position.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The debt service funds are generally used to liquidate governmental long-term debt.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has only two items that qualify for reporting in this category, which are the deferred outflows of resources related to the pension and other postemployment benefit (OPEB) costs and the deferred outflows of resources related to deferred charges on bond refunding.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The School District reports various types of deferred inflows of resources. The first arises only under a modified accrual basis of accounting, and therefore, is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from federal sources for grant reimbursements that are not collected during the period of availability. These amounts are deferred and recognized as a deferred inflow of resources in the period that the amounts become available. The other types of deferred inflows of resources reported only in the statement of net position relate 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 consists of capital assets, net of accumulated depreciation, and reduced by the 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

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

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Flow Assumption

Sometimes, the School District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District'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.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The School District itself can establish limitations of 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 School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can commit fund balance by passing a resolution. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School District 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 or superintendent to assign fund balance. The superintendent may also assign fund balance to cover a gap between estimated revenue and expenditures 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 to either remove or revise a commitment.

Nonspendable fund balance amounts are not in spendable form or are legally or contractually required to be maintained intact.

The fund balance policy targets a minimum fund balance as 7.5% of expenditures in the General Fund for the year ended June 30, 2024 to maintain the School District's ability to meet obligations as they come due throughout the year. The School District failed to meet the minimum fund balance target in the General Fund for the fiscal year ended June 30, 2024.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Revenue

Property taxes 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% 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 the County tax rolls.

Grants and Contributions

From time to time, the School District receives federal, State, and local grants, as well as contributions. Revenues from grants and contributions (including contributions of capital assets) 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 revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and OPEB Plans

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expenses, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from 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 revenues are 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

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation and accumulated sick leave benefits upon termination of employment under specified formulas and conditions. A liability for these amounts is reported in governmental funds as it becomes due for payment.

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In June 2022, the Governmental Accounting Standards Board (GASB) 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, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess whether a concentration or constraint makes the reporting unit report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, it requires a government to assess whether an event or events associated with a concentration of constraint that could cause the substantial impact to 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. This statement is effective for District's fiscal year ending June 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The statement 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 revenues, 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. This statement is effective for District's fiscal year ending June 30, 2026.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The statement establishes types of assets required to be disclosed separately within the capital asset note as well as information disclosed for assets held for sale. This statement is effective for District's fiscal year ending June 30, 2026.

Changes to the Financial Reporting Entity - Change in Major Funds

The qualified debt fund was previously reported as a nonmajor fund but are not reported as a major fund for the year ended June 30, 2024.

Subsequent Event

The financial statements and related disclosures include evaluation of events and transactions for potential recognition or disclosure through January 30, 2025, the date financial statements were available to be issued.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP and State law for the General Fund and all special revenue funds, except that capital outlay expenditures are reported in other expenditure categories. All annual appropriations lapse at fiscal year-end. The budget document presents information by fund and function. 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 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 amended the General Fund budget to reflect changes in funding from State and federal sources.

The School District's approved budgets were adopted and amended at the function level. This is the legal enacted level under the State of Michigan Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board (the level at which expenditures may not legally exceed appropriations).

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.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Capital Projects Fund Compliance

The Sinking Fund capital projects fund records capital project activities funded with Sinking Fund millage. For this fund, authorized on or after March 29, 2017, the School District has complied with the applicable provisions of Section 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. At year-end, the School District had approximately \$1.7 million in investment pools in the Michigan Liquid Asset Fund, which is recorded at amortized cost.

There are no limitations or restrictions on participant withdrawals, except that approximately \$1,729,000 of investments may not be redeemed for at least 14 calendar days, with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount redeemed.

The investment policy adopted by the Board, in accordance with State statutes, has authorized investments noted below.

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

Custodial Credit Risk of 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 \$5,201,293 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
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 may 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 requiring the structuring of 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.

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) are as follows:

<u>Investment</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Rating Organization</u>
MILAF+ MAX class*	\$ 1,729,386	AAAm	S&P

* Investment is reported at amortized cost

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District’s investment policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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.

NOTE 5 - UNAVAILABLE/UNEARNED REVENUE

Governmental funds report unearned revenue recognition in connection with resources that have been received but not yet earned. Governmental funds also report as a deferred inflow of resources receivables that have not been collected within the 60 day period of availability.

At June 30, 2024, the various components of unearned and unavailable revenue were as follows:

	<u>Governmental Funds</u>	
	<u>Unavailable Deferred Inflow</u>	<u>Unearned Liability</u>
Receivables unavailable for use in the current period	\$ 1,804,298	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	2,424,647

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 6 - CAPITAL ASSETS

Capital assets activity of the School District was as follows:

Governmental Activities

	Balance July 1, 2023	Reclassifications	Additions	Deletions/ Adjustments	Balance June 30, 2024
Capital assets, not being depreciated:					
Land	\$ 165,000	\$ -	\$ -	\$ -	\$ 165,000
Construction in progress	-	-	359,909	-	359,909
	<u>165,000</u>	<u>-</u>	<u>359,909</u>	<u>-</u>	<u>524,909</u>
Capital assets, being depreciated:					
Buildings and improvements	89,433,550	-	255,489	-	89,689,039
Furniture and equipment	9,859,352	-	987,675	-	10,847,027
Buses and other vehicles	651,087	-	69,000	-	720,087
Right-of-use asset, SBITA	-	-	59,349	-	59,349
	<u>99,943,989</u>	<u>-</u>	<u>1,371,513</u>	<u>-</u>	<u>101,315,502</u>
Less - accumulated depreciation:					
Buildings and improvements	33,492,679	-	1,621,131	-	35,113,810
Furniture and equipment	6,502,313	-	300,912	-	6,803,225
Buses and other vehicles	377,954	-	30,234	-	408,188
Right-of-use asset, SBITA	-	-	19,092	-	19,092
	<u>40,372,946</u>	<u>-</u>	<u>1,971,369</u>	<u>-</u>	<u>42,344,315</u>
Net capital assets, being depreciated	<u>59,571,043</u>	<u>-</u>	<u>(599,856)</u>	<u>-</u>	<u>58,971,187</u>
Net governmental activities capital assets	<u>\$ 59,736,043</u>	<u>\$ -</u>	<u>\$ (239,947)</u>	<u>\$ -</u>	<u>\$ 59,496,096</u>

Depreciation and amortization expense was charged to activities of the School District (primary government) as follows:

Governmental activities:	
Instruction	\$ 1,207,646
Support services	733,465
Community services	1,729
Food services	23,150
Athletic services	5,379
Total governmental activities	<u>\$ 1,971,369</u>

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 6 - CAPITAL ASSETS (Continued)

Construction Commitments

The School District had construction commitments in the amount of \$3,661,154 as of June 30, 2024, for which \$359,909 is included in construction in progress in the table above and the remaining \$3,301,245 is uncompleted.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Special education center programs fund	General Fund	\$ 2,035,405
General Fund	Nonmajor funds	1,294,513
Nonmajor funds	General Fund	<u>85,639</u>
Total		<u><u>\$ 3,415,557</u></u>

Operating transfers from the General Fund to nonmajor funds represent the general obligation payments for principal and interest on the 2010 Energy Bonds and funding escrow accounts for the 2002 and 2003 QZAB bonds, which are accounted for in the Debt Service General Fund Obligation Fund. Transfers from the Special Education Center Programs Fund and the Nonmajor Food Services Fund to the General Fund reflect indirect costs and rent paid by the County Special Education Center to the School District. Transfers between nonmajor funds moved funds from the Capital Projects General Operating Fund to the Sinking Fund to supplement district improvements.

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Qualified bonds are fully guaranteed by the State of Michigan. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences, claims and judgements, termination benefits, and certain risk liabilities.

The School District's bonds payable are liquidated by the various debt service funds. The other long-term obligations are liquidated primarily by the General Fund.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 - LONG-TERM DEBT

Long-term debt activity can be summarized as follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Other debt - general obligations -					
Bonds payable	\$ 39,560,000	\$ -	\$ (5,230,000)	\$ 34,330,000	\$ 5,600,000
Unamortized bond premium	2,878,633	-	(509,938)	2,368,695	509,938
Installment payment - City of Hazel Park, Michigan	33,000	-	(33,000)	-	-
Cafeteria capital improvement - Note payable	-	250,000	(27,778)	222,222	111,111
Right-of-use liability, SBITA	-	58,884	(18,760)	40,124	20,482
Compensated absences	1,440,656	-	(332,299)	1,108,357	250,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities long-term debt	<u>\$ 43,912,289</u>	<u>\$ 308,884</u>	<u>\$ (6,151,775)</u>	<u>\$ 38,069,398</u>	<u>\$ 6,491,531</u>

The current-year expense for general obligation deferred charges on bond refunding is \$509,938, with a balance of \$2,368,695 at June 30, 2024.

General Obligation Bonds and Contracts

The School District issues general obligation bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. 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 payment is from the School District's property tax levy; however, the State may withhold the School District's State aid funding in order to recover amounts it has paid on behalf of the School District for qualified bonds.

General obligations outstanding at June 30, 2024 are as follows:

Governmental Activities	Remaining Annual Installments	Interest Rates (Percent)	Maturing	Outstanding
\$3,315,000 - 2010 energy conservation improvement bond	\$270,000 - \$280,000	4.00 - 4.125	May 1, 2026	\$ 550,000
\$20,500,000 - 2019 refunding bond	\$1,210,000 - \$2,410,000	2.175 - 3.114	May 1, 2033	16,410,000
\$22,850,000 - 2021 refunding bond	\$1,000,000 - \$3,080,000	4.00	May 1, 2030	15,480,000
\$4,000,000 - 2022 refunding bond	\$270,000 - \$1,260,000	4.00	May 1, 2027	1,890,000
				<u> </u>
Total				<u>\$ 34,330,000</u>

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 - LONG-TERM DEBT (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities - Other Debt		
	Principal	Interest	Total
2025	\$ 5,600,000	\$ 1,138,364	\$ 6,738,364
2026	4,945,000	937,344	5,882,344
2027	4,825,000	760,365	5,585,365
2028	4,825,000	588,989	5,413,989
2029	5,020,000	417,814	5,437,814
2030-2033	9,115,000	468,975	9,583,975
Total	<u>\$ 34,330,000</u>	<u>\$ 4,311,851</u>	<u>\$ 38,641,851</u>

Installment Payment

In July 2014, the School District entered into an agreement with the City of Hazel Park, Michigan, to repay the amount owed of \$330,000 related to police services that had gone unpaid from 2008 to 2014. The School District is required to pay \$33,000 per year. During June 30, 2024, the final payment was made.

Cafeteria Capital Investment

In June 2024, the School District entered into an agreement with Chartwells K12 (food service contractor) to repay the amount owed of \$250,000 related to food service programs. The School District is required to pay \$10,000 monthly plus interest until maturity on June 30, 2026. At June 30, 2024, the outstanding balance was \$222,222.

Future payments on this capital investment are as follows:

Years Ending June 30	Principal	Interest	Total
2025	\$ 111,111	\$ 7,194	\$ 118,305
2026	111,111	2,528	113,639
Total	<u>\$ 222,222</u>	<u>\$ 9,722</u>	<u>\$ 231,944</u>

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters, as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and manages its property and casualty risk through participation in the MASB-SEG Property/Casualty Pool, Inc. (the "Pool").

As a member of the Pool, the School District's contributions are combined with other members to provide coverages for liability and property claims. Any funds not needed to pay claims and maintain prudent services are available for distribution to the members or credit toward future member contributions, as determined by the Pool's board of directors. Alternatively, the Pool's board of directors may increase liability limits and other additional services to members.

The School District manages workers' compensation cost through participation in the SET-SEG Workers' Compensation Fund (the "Fund"). Premiums from participant members in each Fund year are combined to provide all members with coverage for claims. The premiums and interest earned thereon are used to pay claims and administrative expenses and to purchase reinsurance. Distribution to participants each year may only be made from members' surplus of that Fund year, subject to approval by the State Insurance Bureau. In the event of a deficit in a Fund year, assessments could be made against participants of that year. The Fund currently fully funds the Loss Fund to protect members from additional assessments in any Fund year.

NOTE 10 - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (the "System" or MPERS), a State-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes the Board's authority to promulgate or amend the provisions of MPERS. The System 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 System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. The report may be obtained online at www.michigan.gov/orsschools.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
(Continued)

Benefits Provided

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

Depending on the plan option selected, member retirement benefits are calculated as final average compensation, multiplied by years of service and a pension factor ranging from 1.25% to 1.50%. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30, 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 .50% for each full and partial month between the pension effective date and the date the member will attain the age of 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution plan (the "DC Plan") that provides a 50% employer match (up to 3% 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% of the participant's final average compensation, with an increase of 2% 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%. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, 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% to the maximum allowed by the statute.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
(Continued)

Contributions

Under Public Act 300 of 1980, as amended, the School District is required 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%, or 20% for those not Medicare eligible, of the monthly premium amount for health, dental, and vision coverage at the time of receiving the benefits. The MPSERS 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% contribution to retiree health care benefits and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stopped paying the 3% contribution to retiree health care benefits 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:

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

Depending on the plan selected by the participant, member pension contributions range from 0.00% up to 7.00% of gross wages. For certain plan members, a 4% employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3% employer match is provided to the DC Plan.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
(Continued)

The School District's required and actual pension contributions to the plans for the year ended June 30, 2024 were \$11,342,848, 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 \$5,061,516 in revenue received from the State and remitted to the System to fund its unfunded actuarial accrued liability (UAAL) stabilization rate.

The School District's required and actual OPEB contributions to the plans for the year ended June 30, 2024 were \$2,356,010, which includes the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2024, the School District reported a liability of \$80,542,403 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 updated 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 approximately 0.25% and 0.24%, respectively, representing a change of 7.07%.

Net OPEB Asset

At June 30, 2024, the School District reported an asset of \$1,435,583 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2022, which used updated procedures to roll forward the estimated liability 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 approximately 0.25% and 0.24%, respectively, representing a change of 5.34%.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
(Continued)

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

For the year ended June 30, 2024, the School District recognized pension expense of \$12,257,127, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,542,478	\$ 123,378
Changes in assumptions	10,913,862	6,292,685
Net difference between projected and actual earnings on pension plan investments	-	1,648,158
Changes in proportion and differences between School District contributions and proportionate share of contributions	6,593,053	154,431
School District contributions to the pension plan subsequent to the measurement date	7,918,380	-
Section 147c State provided pension contribution related to pension contribution made subsequent to the measurement date	-	5,061,516
	<u> </u>	<u> </u>
Total	<u>\$ 27,967,773</u>	<u>\$ 13,280,168</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2025	\$ 4,510,835
2026	3,482,041
2027	4,679,480
2028	<u>(841,615)</u>
Total	<u>\$ 11,830,741</u>

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

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
(Continued)

OPEB Recovery 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 \$2,350,385. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and experience	\$ -	\$ 10,848,000
Changes in assumptions	3,195,858	384,842
Net difference between projected and actual earnings on OPEB plan investments	4,377	-
Changes in proportionate share or difference between School District contributions and proportionate share of contributions	1,926,720	252,831
Employer contributions to the OPEB plan subsequent to the measurement	<u>1,597,773</u>	<u>-</u>
Total	<u>\$ 6,724,728</u>	<u>\$ 11,485,673</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2025	\$ (2,270,248)
2026	(1,887,545)
2027	(550,479)
2028	(704,474)
2029	(617,239)
Thereafter	<u>(328,733)</u>
Total	<u>\$ (6,358,718)</u>

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 at
Health care cost trend rate - OPEB	5.25%-7.75% year 1 graded to 3.50% in year 15, 3.00% in year 120
Mortality	PubT-2010 Male and Female Employee Annuitant Mortality Tables, scaled 100% (retirees: 82% for males and 78% 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 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

Significant assumption changes since prior measurement date, September 30, 2022, include updated mortality tables from RP-2014 to PubT-2010. There were no significant changes to discount rates, investment rate of returns, or benefit terms 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% as of September 30, 2023. The projection of cash flows used to determine this 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.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
(Continued)

Based on these assumptions, the pension plan and 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.

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	6.80
International equity pools	15.00	9.60
Fixed income pools	13.00	6.40
Real estate and infrastructure pools	10.00	1.30
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 2.2 percent.

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

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

	1% Decrease	Current Rate	1% Increase
Net pension liability of the School District	\$ 108,812,550	\$ 80,542,403	\$ 57,006,483

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
(Continued)

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset) of the School District	<u>\$ 1,488,269</u>	<u>\$ (1,435,583)</u>	<u>\$ (3,948,346)</u>

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

The following presents the School District's proportionate share of the net OPEB asset, calculated using the current health care cost trend rate, as well as what the reporting unit's proportionate share of the net OPEB 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:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset) of the School District	<u>\$ (3,954,611)</u>	<u>\$ (1,435,583)</u>	<u>\$ 1,290,831</u>

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the pension plan and OPEB plan's fiduciary net positions 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 \$1,476,081 and \$228,507 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2024.

NOTE 11 - OVERSIGHT FEES

Effective July 1, 2019, the School District entered into a contract as an authorizing body, as defined by the School Code of 1976, as amended, to charter a Michigan academy. The School District is the fiscal agent for the charter school academy (the "Academy") and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the School District 3% of State aid as an oversight fee. Oversight fees from the Academy to the School District for the year ended June 30, 2024 totaled \$791,191. The agreement was effective through June 30, 2024.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 12 - CONTINGENT LIABILITIES

The School District is subject to various legal proceedings and claims that arise in the ordinary course of its business. The School District believes that the amount, if any, of ultimate liability with respect to legal actions will be insignificant or will be covered by insurance.

NOTE 13 - TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of industrial facilities tax exemptions (IFT's) (PA 198 of 1974, as amended) and Brownfield redevelopment agreements (PA 381 of 1996) granted by cities, villages, and townships within the boundaries of the School District. IFT's are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. The Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2024, the School District's property tax revenue was reduced by \$749,529 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of non-homestead properties from the State under the School Aid formula. The School District received \$300,000 in reimbursements from the State. The School District is not reimbursed for lost revenue from the Sinking Fund or debt service millages.

NOTE 14 - SUBSEQUENT EVENT

The School District did not meet the statutory filing deadline of November 1, 2024 with the Michigan Department of Education. Due to the late filing, future monthly State Aid is expected to be withheld beginning with the November State Aid payment until this filing has been completed.

On November 15, 2024, the School District took out a loan from the Huntington Public Capital Corporation, in the amount of \$12,000,000, at an interest rate of 4.40%. This loan is set to mature on August 29, 2025, and was taken out to supplement the delayed state aid payments as noted above.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended June 30, 2024

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Local sources	\$ 6,587,454	\$ 6,580,860	\$ 6,341,953	\$ (238,907)
State sources	37,242,525	41,806,167	37,115,217	(4,690,950)
Federal sources	1,733,196	3,764,380	1,994,318	(1,770,062)
Intergovernmental	3,174,222	2,861,926	4,302,134	1,440,208
Total revenues	<u>48,737,397</u>	<u>55,013,333</u>	<u>49,753,622</u>	<u>(5,259,711)</u>
EXPENDITURES				
Current -				
Instruction:				
Basic programs	21,287,851	21,941,470	21,379,370	562,100
Added needs	10,565,507	11,679,990	11,475,898	204,092
Support services:				
Pupil	3,691,591	4,178,007	4,001,330	176,677
Instructional staff	3,197,452	3,745,017	3,933,194	(188,177)
General administration	806,288	745,038	870,414	(125,376)
School administration	2,137,175	2,649,990	2,455,975	194,015
Business	811,894	770,913	747,801	23,112
Operation and maintenance	5,600,155	6,526,695	6,843,136	(316,441)
Pupil transportation services	543,390	599,902	1,123,780	(523,878)
Central services	1,871,544	1,873,127	2,207,674	(334,547)
Athletics	642,791	567,513	796,321	(228,808)
Community services	234,705	578,782	226,275	352,507
Debt service - principal	33,000	33,000	38,190	(5,190)
Payments to subgrantee	343,047	518,738	464,723	54,015
Total expenditures	<u>51,766,390</u>	<u>56,408,182</u>	<u>56,564,081</u>	<u>(155,899)</u>
Revenues under expenditures	<u>(3,028,993)</u>	<u>(1,394,849)</u>	<u>(6,810,459)</u>	<u>(5,415,610)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,892,000	2,095,000	2,121,044	26,044
Transfers out	(290,000)	(286,544)	(295,393)	(8,849)
Total other financing sources (uses)	<u>1,602,000</u>	<u>1,808,456</u>	<u>1,825,651</u>	<u>17,195</u>
Net change in fund balance	(1,426,993)	413,607	(4,984,808)	(5,398,415)
Fund balance at beginning of year	<u>5,977,685</u>	<u>5,977,685</u>	<u>5,977,685</u>	<u>-</u>
Fund balance at end of year	<u>\$ 4,550,692</u>	<u>\$ 6,391,292</u>	<u>\$ 992,877</u>	<u>\$ (5,398,415)</u>

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL EDUCATION CENTER PROGRAMS FUND
For the year ended June 30, 2024

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
State sources	\$ 4,200,000	\$ 4,705,927	\$ 505,927
Intergovernmental	7,750,000	6,024,194	(1,725,806)
Total revenues	<u>11,950,000</u>	<u>10,730,121</u>	<u>(1,219,879)</u>
EXPENDITURES			
Current -			
Instruction - added needs	5,650,000	5,152,144	497,856
Support services:			
Pupil	3,100,000	2,374,316	725,684
Instructional staff	600,000	470,658	129,342
Pupil transportation services	375,000	572,877	(197,877)
Other	650,000	156,429	493,571
Total expenditures	<u>10,375,000</u>	<u>8,726,424</u>	<u>1,648,576</u>
Excess of revenue over expenditures	<u>1,575,000</u>	<u>2,003,697</u>	<u>428,697</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(1,575,000)</u>	<u>(2,035,405)</u>	<u>(460,405)</u>
Net change in fund balance	-	(31,708)	(31,708)
Fund balance at beginning of year	<u>525,906</u>	<u>525,906</u>	-
Fund balance at end of year	<u>\$ 525,906</u>	<u>\$ 494,198</u>	<u>\$ (31,708)</u>

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
REQUIRED SUPPLEMENTARY INFORMATION - PENSION BENEFITS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Plan fiscal years

For the year ended September 30,	Proportion of net pension liability	Proportionate share of net pension liability	Covered payroll	Proportionate share of net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension liability
2023	0.24885%	\$ 80,542,403	\$ 25,619,027	314.39%	79.44%
2022	0.23780%	\$ 89,433,967	\$ 23,842,885	375.10%	60.77%
2021	0.22210%	\$ 52,582,532	\$ 20,991,927	250.49%	72.32%
2020	0.20743%	\$ 71,254,032	\$ 18,927,566	376.46%	59.49%
2019	0.20851%	\$ 69,052,031	\$ 17,584,020	392.70%	60.08%
2018	0.22562%	\$ 67,825,114	\$ 18,708,951	362.53%	62.12%
2017	0.23160%	\$ 60,016,167	\$ 19,579,704	306.52%	63.96%
2016	0.23672%	\$ 59,059,858	\$ 19,124,023	308.83%	63.01%
2015	0.26071%	\$ 63,678,695	\$ 20,700,075	307.63%	62.92%
2014	0.27591%	\$ 60,772,312	\$ 23,143,841	262.59%	66.15%

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
District's fiscal years

For the year ended June 30,	Statutorily required contributions	Contributions in relation to statutorily required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
2024	\$ 10,907,198	\$ 10,907,198	\$ -	\$ 27,721,074	39.35%
2023	\$ 11,805,660	\$ 11,805,660	\$ -	\$ 25,747,551	45.85%
2022	\$ 8,324,643	\$ 8,324,643	\$ -	\$ 23,529,235	35.38%
2021	\$ 6,699,302	\$ 6,699,302	\$ -	\$ 20,140,264	33.26%
2020	\$ 5,755,201	\$ 5,755,201	\$ -	\$ 18,653,065	30.85%
2019	\$ 5,588,758	\$ 5,588,758	\$ -	\$ 17,539,107	31.86%
2018	\$ 5,842,518	\$ 5,842,518	\$ -	\$ 19,028,045	30.70%
2017	\$ 5,429,765	\$ 5,429,765	\$ -	\$ 19,519,713	27.82%
2016	\$ 5,389,770	\$ 5,389,770	\$ -	\$ 18,414,841	29.27%
2015	\$ 5,644,934	\$ 5,644,934	\$ -	\$ 22,250,708	25.37%

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Plan fiscal years

<u>For the year ended September 30,</u>	<u>Proportion of net OPEB liability</u>	<u>Proportionate share of net OPEB liability</u>	<u>Covered payroll</u>	<u>Proportionate share of net OPEB liability (asset) as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total OPEB liability (asset)</u>
2023	0.25377%	\$ (1,435,583)	\$ 25,619,027	-5.60%	535.98%
2022	0.24321%	\$ 5,151,358	\$ 23,842,885	21.61%	83.09%
2021	0.23088%	\$ 3,524,147	\$ 20,991,927	16.79%	88.87%
2020	0.21273%	\$ 11,396,583	\$ 18,927,566	60.21%	59.76%
2019	0.20088%	\$ 14,418,518	\$ 17,584,020	82.00%	48.67%
2018	0.219680%	\$ 17,461,958	\$ 18,708,951	93.33%	43.10%
2017	0.230850%	\$ 20,443,169	\$ 19,579,704	104.41%	36.53%

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
District's fiscal years

<u>For the year ended June 30,</u>	<u>Statutorily required contributions</u>	<u>Contributions in relation to statutorily required contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2024	\$ 2,127,246	\$ 2,127,246	\$ -	\$ 27,721,074	7.67%
2023	\$ 2,072,472	\$ 2,072,472	\$ -	\$ 25,747,551	8.05%
2022	\$ 1,917,444	\$ 1,917,444	\$ -	\$ 23,529,235	8.15%
2021	\$ 1,676,022	\$ 1,676,022	\$ -	\$ 20,140,264	8.32%
2020	\$ 1,498,886	\$ 1,498,886	\$ -	\$ 18,653,065	8.04%
2019	\$ 1,377,701	\$ 1,377,701	\$ -	\$ 17,539,107	7.86%
2018	\$ 1,374,343	\$ 1,374,343	\$ -	\$ 19,028,045	7.22%

GASB Statement No. 75 was implemented in fiscal 2015. These schedules are being built prospectively. Ultimately, 10 years will be presented.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
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:

2022 - The discount rate and investment rate of return used in the September 30, 2021 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 the 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.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

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** - No changes in discount rate or investment rate of return and slight change in health care cost trend rates - resulting in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$650 billion in 2023. Mortality tables changed from RP-2014 to PubT-2010.
- **2022** - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the OPEB 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 costs were lower than projected. This reduced the OPEB 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 the actual per person health benefit cost being lower than projected, reduced the OPEB Plan's total OPEB liability by an additional \$1.8 billion in 2020.
- **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 a lower than projected per person health benefit cost to reduce the OPEB 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 a lower than projected per person health benefit cost to reduce the OPEB Plan's total OPEB liability by \$1.4 billion in 2018.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2024

	Special Revenue Funds		
	Food Services	Community Services - Child Care	Student Activities
ASSETS			
Cash and investments	\$ 940,624	\$ 386,287	\$ 187,081
Receivables - due from other governmental units	91,511	-	-
Inventory	42,677	-	-
Total assets	<u>\$ 1,074,812</u>	<u>\$ 386,287</u>	<u>\$ 187,081</u>
LIABILITIES			
Accounts payable	\$ 322,582	\$ 460	\$ 7,743
Overdraft cash	-	-	-
Total liabilities	<u>322,582</u>	<u>460</u>	<u>7,743</u>
FUND BALANCE			
Nonspendable - inventory	42,677	-	-
Restricted -			
Debt service	-	-	-
Capital projects	-	-	-
Food service	709,553	-	-
Committed - student activities	-	-	179,338
Assigned - child care	-	385,827	-
Total fund balances	<u>752,230</u>	<u>385,827</u>	<u>179,338</u>
Total liabilities and fund balances	<u>\$ 1,074,812</u>	<u>\$ 386,287</u>	<u>\$ 187,081</u>

Debt Service Fund	Capital Projects Fund	
Unqualified Debt	Sinking	Total
\$ -	\$ 960,231	\$ 2,474,223
-	-	91,511
-	-	42,677
<u>\$ -</u>	<u>\$ 960,231</u>	<u>\$ 2,608,411</u>
\$ -	\$ 300,173	\$ 630,958
224,287	-	224,287
<u>224,287</u>	<u>300,173</u>	<u>855,245</u>
-	-	42,677
(224,287)	-	(224,287)
-	660,058	660,058
-	-	709,553
-	-	179,338
-	-	385,827
<u>(224,287)</u>	<u>660,058</u>	<u>1,753,166</u>
<u>\$ -</u>	<u>\$ 960,231</u>	<u>\$ 2,608,411</u>

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2024

	Special Revenue Funds		
	Food Service	Community Services - Child Care	Student Activities
REVENUES			
Local sources	\$ 465,702	\$ 274,866	\$ 255,970
State sources	107,642	-	-
Federal sources	2,114,089	-	-
Total revenues	<u>2,687,433</u>	<u>274,866</u>	<u>255,970</u>
EXPENDITURES			
Current -			
Support services	124,309	-	240,404
Food services	2,352,560	-	-
Community services	-	377,270	-
Debt service -			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>2,476,869</u>	<u>377,270</u>	<u>240,404</u>
Excess of revenues over (under) expenditures	<u>210,564</u>	<u>(102,404)</u>	<u>15,566</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,305	-	-
Transfers out	(85,639)	-	-
Total other financing sources (uses)	<u>(83,334)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	127,230	(102,404)	15,566
Fund balances at beginning of year, as previously reported	625,000	488,231	163,772
Change within financial reporting entity	-	-	-
Fund balances at beginning of the year, as adjusted	<u>625,000</u>	<u>488,231</u>	<u>163,772</u>
Fund balances at end of year	<u>\$ 752,230</u>	<u>\$ 385,827</u>	<u>\$ 179,338</u>

Debt Service Funds			Capital Projects Fund	
Qualified Debt	Unqualified Debt	Debt Service General Fund Obligation	Sinking	Total
\$ -	\$ 977,778	\$ -	\$ 1,237,510	\$ 3,211,826
-	8,562	-	11,516	127,720
-	-	-	-	2,114,089
-	986,340	-	1,249,026	5,453,635
-	-	-	243,116	607,829
-	-	-	-	2,352,560
-	-	-	-	377,270
-	1,135,000	260,000	-	1,395,000
-	121,000	33,087	-	154,087
-	-	-	1,000,730	1,000,730
-	1,256,000	293,087	1,243,846	5,887,476
-	(269,660)	(293,087)	5,180	(433,841)
-	-	293,087	-	295,392
-	-	-	-	(85,639)
-	-	293,087	-	209,753
-	(269,660)	-	5,180	(224,088)
1,997,343	45,373	-	654,878	3,974,597
(1,997,343)	-	-	-	(1,997,343)
-	45,373	-	654,878	1,977,254
\$ -	\$ (224,287)	\$ -	\$ 660,058	\$ 1,753,166

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
SCHEDULE OF BONDED INDEBTEDNESS
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2024

Years Ending June 30,	2010 Energy Conservation Improvement Bond	2019 Refunding Bond	2021 Refunding Bond	2022 Refunding Bond	Total
	Principal	Principal	Principal	Principal	
2025	\$ 270,000	\$ 1,450,000	\$ 2,620,000	\$ 1,260,000	\$ 5,600,000
2026	280,000	1,500,000	2,805,000	360,000	4,945,000
2027	-	1,635,000	2,920,000	270,000	4,825,000
2028	-	1,770,000	3,055,000	-	4,825,000
2029	-	1,940,000	3,080,000	-	5,020,000
2030	-	2,140,000	1,000,000	-	3,140,000
2031	-	2,355,000	-	-	2,355,000
2032	-	2,410,000	-	-	2,410,000
2033	-	1,210,000	-	-	1,210,000
Total remaining payments	<u>\$ 550,000</u>	<u>\$ 16,410,000</u>	<u>\$ 15,480,000</u>	<u>\$ 1,890,000</u>	<u>\$ 34,330,000</u>
Interest rate	4.00% to 4.125%	2.175% to 3.114%	4.00%	4.00%	
Original issue	<u>\$ 3,315,000</u>	<u>\$ 20,500,000</u>	<u>\$ 22,850,000</u>	<u>\$ 4,000,000</u>	

Principal payments for the bond issues not including the 2019 Refunding Bond are due on May 1 of each year. The 2019 Refunding Bond principal payments are due on November 1 of each year.

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