

Redford Union
School District #1



Year Ended
June 30, 2024

Financial
Statements &
Single Audit Act
Compliance

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REDFORD UNION SCHOOL DISTRICT #1

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INDEPENDENT AUDITORS' REPORT

November 1, 2024

Board of Education
Redford Union School District #1
Redford, MI

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 **Redford Union School District #1** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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



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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

REDFORD UNION SCHOOL DISTRICT #1

Management's Discussion and Analysis

This section of Redford Union School District #1 (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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 District financially as a whole. The government-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the government-wide financial statements by providing information about the District's major funds, the general fund, special education center special revenue fund, and the 2021 building and site capital projects fund, with all other funds presented in one column as nonmajor funds.

Management's Discussion & Analysis (MD&A)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information

Other Supplemental Information

Single Audit Section

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

One of the most important questions asked about the District is, "As a whole, what is the 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 District's financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position - the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the 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 District's operating results. However, the 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 District.

REDFORD UNION SCHOOL DISTRICT #1

Management's Discussion and Analysis

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

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

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

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

REDFORD UNION SCHOOL DISTRICT #1

Management's Discussion and Analysis

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole and over time, may serve a useful indicator of a government's financial position. Below is a summary of the District's net position as of June 30, 2024 and 2023.

| | Net Position | |
|---|----------------------------|----------------------------|
| | 2024 | 2023 |
| Assets | | |
| Current and other assets | \$ 38,922,978 | \$ 58,907,934 |
| Capital assets, net | 59,099,328 | 26,724,389 |
| Total assets | <u>98,022,306</u> | <u>85,632,323</u> |
| Deferred outflows of resources | <u>23,500,255</u> | <u>29,846,078</u> |
| Liabilities | | |
| Long-term liabilities | 127,147,246 | 145,389,211 |
| Other liabilities | 15,454,579 | 8,572,263 |
| Total liabilities | <u>142,601,825</u> | <u>153,961,474</u> |
| Deferred inflows of resources | <u>23,119,871</u> | <u>17,967,660</u> |
| Net position | | |
| Net investment in capital assets | 12,948,181 | 9,266,319 |
| Restricted | 3,165,119 | 1,696,889 |
| Unrestricted (deficit) | <u>(60,312,435)</u> | <u>(67,413,941)</u> |
| Total net position | <u>\$ (44,199,135)</u> | <u>\$ (56,450,733)</u> |

The District's net position was a negative \$44.2 million on June 30, 2024. Net investment in capital assets totaling \$12.9 million, compares the original costs, less depreciation/amortization of the District's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net position is \$3.2 million and is reported separately to show legal constraints from enabling legislations that limit the District's ability to use net position for day-to-day operations. The remaining amount is unrestricted net position of negative \$60.3 million. This negative net position is primarily the result of the net pension liability and other postemployment benefit asset and related amounts. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

REDFORD UNION SCHOOL DISTRICT #1

Management's Discussion and Analysis

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

| | Change in Net Position | |
|---------------------------------------|------------------------|------------------------|
| | 2024 | 2023 |
| Revenue | | |
| Program revenues: | | |
| Charges for services | \$ 457,948 | \$ 476,425 |
| Operating grants and contributions | 34,294,521 | 25,011,113 |
| General revenues: | | |
| Property taxes | 7,243,026 | 6,771,918 |
| State aid unrestricted | 18,548,546 | 18,276,606 |
| Other | 2,718,897 | 1,622,012 |
| Total revenues | <u>63,262,938</u> | <u>52,158,074</u> |
| Expenses | | |
| Instruction | 25,629,475 | 23,042,699 |
| Supporting services | 19,767,939 | 17,246,078 |
| Community services | 48,355 | 77,967 |
| Athletics | 469,849 | 414,467 |
| Food service | 1,603,912 | 1,851,438 |
| Interest on long-term debt | 2,105,252 | 1,218,017 |
| Unallocated depreciation/amortization | 1,386,558 | 1,990,622 |
| Total expenses | <u>51,011,340</u> | <u>45,841,288</u> |
| Change in net position | 12,251,598 | 6,316,786 |
| Net position: | | |
| Beginning of year | <u>(56,450,733)</u> | <u>(62,767,519)</u> |
| End of year | <u>\$ (44,199,135)</u> | <u>\$ (56,450,733)</u> |

As reported in the statement of activities, the cost of all of our governmental activities this year was \$51.0 million. Certain activities were partially funded from those who benefited from the programs (\$0.5 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$34.3 million). The District paid for the remaining "public benefit" portion of our governmental activities with \$7.2 million in taxes, \$18.5 million in state foundation allowance and special education, and \$2.7 million in other revenues, i.e., interest and general entitlements.

REDFORD UNION SCHOOL DISTRICT #1

Management's Discussion and Analysis

Net position increased by \$12.3 million. The increase in net position was primarily due to the District receiving a significant amount of ESSER funds from the Federal Government which was used to supplant existing budgeted spending, along with revenue from the Wayne County Regional Educational Service Agency enhancement millage. Net position was also significantly impacted by increases in State Aid and the effect of operating expense on changes in the net pension liability, net OPEB asset (liability), and the related deferrals.

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

The District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of \$22.1 million, which is a decrease of \$28.5 million from last year. The primary reasons for the change are as follows:

In the general fund, the principal operating fund, the total fund balance increased from \$5.2 million to \$7.2 million. The change is mainly due to:

- The District experienced an increase of approximately 8 student FTE's over the 2022-23 blended count number. The per pupil allocation was increased to \$9,608 per student.
- The District expended \$7.5 million in Education Stabilization COVID funding. This funding has allowed the District to cover costs that would have ordinarily come from the unrestricted funds in the general fund.
- During fiscal year 2024, the District had a transfer of \$3.6 million from the general fund to cover operational costs in the special education center fund.

The special education center fund was established to account for funding that is restricted to expenditures for operation of the center and related programs. The special education center fund had an ending fund balance of \$0, as the excess or deficit in this fund at year end is swept to/from the general fund. During fiscal year 2024, the District had a net transfer of \$3.6 million from the general fund to cover operational costs in the special education center fund.

The 2021 capital projects fund was established to account for the activity related to the issuance of bonds to finance school improvements. During fiscal year 2024, the District spent \$32.6 million on planned bond funding projects. Fund balance at year end totaled \$12.5 million, which represents the remaining unspent bond proceeds that will be expended in coming years.

REDFORD UNION SCHOOL DISTRICT #1

Management's Discussion and Analysis

General Fund Budgetary Highlights

Over the course of the year, the 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 on June 17, 2024. A statement showing the District's original and final budget amounts compared with amounts actually earned and expended is provided within the basic financial statements.

There were revisions made to the 2023-2024 general fund original budget for revenue. Budgeted revenues were increased by \$6.7 million between the original and final amended budgets due primarily due to local, state and federal grants received during the year.

The general fund actual revenue was \$47.5 million. That amount is more than the final budget estimate of \$47.4 million. The variance was \$137 thousand, or 0.29%. The District's budget carefully reflects estimates of revenue to be received based on the various funding sources available to the District.

There were revisions made to the 2023-2024 general fund original budget for expenditures. Budgeted expenditures were increased by \$1.3 million between the original and final amended budgets due to changes in positional budgeting and the District adjusting for the full cost of employee benefits. Additionally, the District increased budgets to account for spending on state and federal grants.

The actual expenditures and other financing uses of the general fund were \$46.8 million, which is above the final budget estimate of \$42.0 million. The variance was \$4.8 million, or 11.3%. The variance was primarily due to the District transferring funding to the special education center fund to cover the cost of operations. The remaining excess of expenditures over budgeted amounts were due to the cost of employee benefits.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2024, the District had \$59.1 million (net of accumulated depreciation/amortization) invested in a broad range of capital assets, including land, buildings and improvements, equipment and furniture, vehicles and buses, and lease equipment.

Major capital asset additions during the year included:

- Surfacing for Hilbert Playground - \$180,325
- Dell chromebooks - \$272,296
- Classroom furniture - \$929,077
- Classroom equipment - \$226,988
- Construction in process - \$31,741,444

REDFORD UNION SCHOOL DISTRICT #1

Management's Discussion and Analysis

| | Capital Assets (Net of Depreciation/ Amortization) | |
|----------------------------------|--|----------------------|
| | | #VALUE! |
| Land | \$ 29,623 | \$ 29,623 |
| Construction in progress | 47,816,322 | 16,074,878 |
| Buildings and improvements | 8,186,111 | 8,783,858 |
| Equipment and furniture | 2,714,921 | 1,400,297 |
| Vehicles and buses | 17,356 | 22,315 |
| Lease equipment | 334,995 | 413,418 |
| Total capital assets, net | \$ 59,099,328 | \$ 26,724,389 |

More detailed information about capital assets are presented in the notes to the financial statements.

Debt

At the end of this year, the District had \$54,510,000 in bonds outstanding versus \$56,405,000 in the previous year. The outstanding bonds consist of the following:

| | |
|-------------------------------------|-----------------------------|
| 2021 school building and site bonds | \$ 26,085,000 |
| 2023 school building and site bonds | <u>28,425,000</u> |
| Total | <u>\$ 54,510,000</u> |

The District's general obligation bond debt decreased by \$1,895,000 due to the District making regular principal payments on existing bonds.

The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. If the District issues "Qualified Debt", i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit.

Other obligations include the District's compensated absences, leases and unamortized bond premiums. We present more detailed information about our long-term debt in the notes to the financial statements.

REDFORD UNION SCHOOL DISTRICT #1

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the District's 2024-2025 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The foundation calculation for the 2024-2025 fiscal year is based on 90 percent of the September 2024 and 10 percent of the February 2024 student counts. The 2024-2025 budget was adopted in June 2024, based on an estimate of students that will be enrolled in September 2024. The District will not receive a foundation allowance increase in 2024-2025 but will experience some relief from employee benefits costs in the form of a reduced UAAL rate for employees enrolled in MPSERS.

Under State law, the District cannot assess additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Based on enrollment numbers at the start of the 2024-2025 school year, the District anticipates that the fall student count for fiscal year 2024-2025 will be flat and close to the estimated blended count used in the created 2023-2024 budget.

Since the District's revenue is heavily dependent on state funding, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

Union group contracts are in place for the 2024-2025 fiscal year. The District is on a two year contract with the MEA for the 2024-2025 school year. Changes to pay scale and benefits for union contracts always have a significant potential impact on future projected expenditures depending on the scale of increases negotiated. The District is also under a two year contract for educational assistants/paraprofessionals, and is in a three year contract with its secretarial staff.

In addition, the District is continuously evaluating and improving the appropriate methods to deliver education to students in a safe environment. These factors will have a significant impact on the operational and financial performance of the District.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer via the Business office, 17715 Brady Street, Redford, MI 48240.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

REDFORD UNION SCHOOL DISTRICT #1

Statement of Net Position

June 30, 2024

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash and investments | \$ 30,291,386 |
| Receivables | 7,388,568 |
| Inventory | 84,749 |
| Net other postemployment benefit asset | 1,158,275 |
| Capital assets not being depreciated/amortized | 47,845,945 |
| Capital assets being depreciated/amortized, net | 11,253,383 |
| Total assets | 98,022,306 |
| Deferred outflows of resources | |
| Deferred pension amounts | 19,347,085 |
| Deferred other postemployment benefit amounts | 4,153,170 |
| Total deferred outflows of resources | 23,500,255 |
| Liabilities | |
| Accounts payable and accrued liabilities | 14,461,254 |
| Unearned revenue | 595,325 |
| Claims incurred but not reported | 398,000 |
| Long-term debt: | |
| Due within one year | 2,410,949 |
| Due in more than one year | 57,339,155 |
| Net pension liability (due in more than one year) | 67,397,142 |
| Total liabilities | 142,601,825 |
| Deferred inflows of resources | |
| Deferred pension amounts | 11,421,442 |
| Deferred other postemployment benefit amounts | 10,731,032 |
| Deferred lease amounts | 967,397 |
| Total deferred inflows of resources | 23,119,871 |
| Net position | |
| Net investment in capital assets | 12,948,181 |
| Restricted for: | |
| Food service | 1,016,423 |
| Debt service | 990,421 |
| Other postemployment benefits | 1,158,275 |
| Unrestricted (deficit) | (60,312,435) |
| Total net position | \$ (44,199,135) |

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

REDFORD UNION SCHOOL DISTRICT #1

Statement of Activities

For the Year Ended June 30, 2024

| Functions / Programs | Expenses | Program Revenues | | Net (Expense) Revenue |
|--|----------------------|----------------------|------------------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental activities | | | | |
| Instruction | \$ 25,629,475 | \$ - | \$ 29,379,743 | \$ 3,750,268 |
| Supporting services | 19,767,939 | 290,268 | 1,482,897 | (17,994,774) |
| Community services | 48,355 | - | 27,112 | (21,243) |
| Athletics | 469,849 | 7,427 | - | (462,422) |
| Food service | 1,603,912 | 160,253 | 3,404,769 | 1,961,110 |
| Interest on long-term debt | 2,105,252 | - | - | (2,105,252) |
| Unallocated depreciation/amortization | 1,386,558 | - | - | (1,386,558) |
| Total governmental activities | <u>\$ 51,011,340</u> | <u>\$ 457,948</u> | <u>\$ 34,294,521</u> | <u>(16,258,871)</u> |
| General revenues | | | | |
| Property taxes | | | | 7,243,026 |
| State aid unrestricted | | | | 18,548,546 |
| Grants and contributions not restricted to specific programs | | | | 961,331 |
| Unrestricted investment earnings | | | | <u>1,757,566</u> |
| Total general revenues | | | | <u>28,510,469</u> |
| Change in net position | | | | 12,251,598 |
| Net position, beginning of year | | | | <u>(56,450,733)</u> |
| Net position, end of year | | | | <u>\$ (44,199,135)</u> |

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

FUND FINANCIAL STATEMENTS

REDFORD UNION SCHOOL DISTRICT #1

Balance Sheet

Governmental Funds

June 30, 2024

| | General | Special Education Center | 2021 Building & Site Capital Projects | Nonmajor Funds | Totals |
|---|----------------------|--------------------------------|---|---------------------|----------------------|
| Assets | | | | | |
| Cash and investments | \$ 7,995,610 | \$ - | \$ 21,377,786 | \$ 917,990 | \$ 30,291,386 |
| Due from other funds | 2,054,788 | 1,120,038 | 343,010 | 2,326,411 | 5,844,247 |
| Due from other governments | 7,144,671 | - | - | 18,210 | 7,162,881 |
| Leases receivable | 225,687 | - | - | - | 225,687 |
| Prepaid items | 58,300 | - | - | - | 58,300 |
| Inventory | - | - | - | 26,449 | 26,449 |
| Total assets | <u>\$ 17,479,056</u> | <u>\$ 1,120,038</u> | <u>\$ 21,720,796</u> | <u>\$ 3,289,060</u> | <u>\$ 43,608,950</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 547,438 | \$ 21,542 | \$ 9,184,597 | \$ 11,463 | \$ 9,765,040 |
| Salaries and related liabilities | 3,620,539 | - | - | - | 3,620,539 |
| Due to other funds | 3,789,459 | 1,098,496 | 38,502 | 917,790 | 5,844,247 |
| Due to other governments | 722,712 | - | - | - | 722,712 |
| Unearned revenue | 595,325 | - | - | - | 595,325 |
| Total liabilities | <u>9,275,473</u> | <u>1,120,038</u> | <u>9,223,099</u> | <u>929,253</u> | <u>20,547,863</u> |
| Deferred inflows of resources | | | | | |
| Deferred lease amounts | 967,397 | - | - | - | 967,397 |
| Fund balances | | | | | |
| Nonspendable for: | | | | | |
| Prepaid items | 58,300 | - | - | - | 58,300 |
| Inventory | - | - | - | 26,449 | 26,449 |
| Restricted for: | | | | | |
| Food service | - | - | - | 989,974 | 989,974 |
| Capital projects | - | - | 12,497,697 | - | 12,497,697 |
| Debt service | - | - | - | 1,343,384 | 1,343,384 |
| Unassigned | 7,177,886 | - | - | - | 7,177,886 |
| Total fund balances | <u>7,236,186</u> | <u>-</u> | <u>12,497,697</u> | <u>2,359,807</u> | <u>22,093,690</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 17,479,056</u> | <u>\$ 1,120,038</u> | <u>\$ 21,720,796</u> | <u>\$ 3,289,060</u> | <u>\$ 43,608,950</u> |

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

REDFORD UNION SCHOOL DISTRICT #1

Reconciliation

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

| | |
|---|----------------------|
| Fund balances - total governmental funds | \$ 22,093,690 |
|---|----------------------|

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

| | |
|---------------------------------------|--------------|
| Capital assets | 113,344,737 |
| Accumulated depreciation/amortization | (54,245,409) |

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

| | |
|----------------------------------|--------------|
| Bonds payable and leases payable | (54,900,555) |
| Unamortized bond premium | (3,748,289) |
| Accrued interest payable | (352,963) |
| Compensated absences | (1,101,260) |
| Claims incurred but not reported | (398,000) |

Certain pension and other postemployment benefit-related amounts, such as the net pension liability and other postemployment benefit asset and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

| | |
|---|--------------|
| Net pension liability | (67,397,142) |
| Deferred outflows related to the net pension liability | 19,347,085 |
| Deferred inflows related to the net pension liability | (11,421,442) |
| Net other postemployment benefit asset | 1,158,275 |
| Deferred outflows related to the net other postemployment benefit asset | 4,153,170 |
| Deferred inflows related to the net other postemployment benefit asset | (10,731,032) |

| | |
|--|------------------------|
| Net position of governmental activities | \$ (44,199,135) |
|--|------------------------|

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

REDFORD UNION SCHOOL DISTRICT #1

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2024

| | General | Special Education Center | 2021 Building & Site Capital Projects | Nonmajor Funds | Totals |
|--|---------------------|--------------------------------|---|---------------------|----------------------|
| Revenues | | | | | |
| Local sources | \$ 3,507,541 | \$ - | \$ 1,755,453 | \$ 4,210,479 | \$ 9,473,473 |
| State sources | 32,828,946 | 1,231,909 | - | 88,399 | 34,149,254 |
| Federal sources | 10,197,312 | 452,392 | - | 1,679,878 | 12,329,582 |
| Payments from other districts | 961,331 | 6,349,298 | - | - | 7,310,629 |
| Total revenues | <u>47,495,130</u> | <u>8,033,599</u> | <u>1,755,453</u> | <u>5,978,756</u> | <u>63,262,938</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 23,602,042 | 5,884,808 | - | - | 29,486,850 |
| Supporting services | 18,591,624 | 4,129,303 | - | 44,653 | 22,765,580 |
| Community services | 48,438 | - | - | - | 48,438 |
| Athletics | 504,435 | - | - | - | 504,435 |
| Food service | - | - | - | 1,676,457 | 1,676,457 |
| Debt service: | | | | | |
| Principal | 101,641 | - | - | 1,895,000 | 1,996,641 |
| Interest and fiscal charges | 15,090 | - | - | 2,256,532 | 2,271,622 |
| Capital outlay | 31,165 | 439,906 | 32,556,746 | - | 33,027,817 |
| Total expenditures | <u>42,894,435</u> | <u>10,454,017</u> | <u>32,556,746</u> | <u>5,872,642</u> | <u>91,777,840</u> |
| Revenues over (under) expenditures | <u>4,600,695</u> | <u>(2,420,418)</u> | <u>(30,801,293)</u> | <u>106,114</u> | <u>(28,514,902)</u> |
| Other financing sources (uses) | | | | | |
| Issuance of bonds and other long-term liabilities | 31,165 | - | - | - | 31,165 |
| Transfers in | 1,298,238 | 3,649,627 | - | 2,043,956 | 6,991,821 |
| Transfers out | (3,898,867) | (1,229,209) | - | (1,863,745) | (6,991,821) |
| Total other financing sources (uses) | <u>(2,569,464)</u> | <u>2,420,418</u> | <u>-</u> | <u>180,211</u> | <u>31,165</u> |
| Net change in fund balances | <u>2,031,231</u> | <u>-</u> | <u>(30,801,293)</u> | <u>286,325</u> | <u>(28,483,737)</u> |
| Fund balances, beginning of year | <u>5,204,955</u> | <u>-</u> | <u>43,298,990</u> | <u>2,073,482</u> | <u>50,577,427</u> |
| Fund balances, end of year | <u>\$ 7,236,186</u> | <u>\$ -</u> | <u>\$ 12,497,697</u> | <u>\$ 2,359,807</u> | <u>\$ 22,093,690</u> |

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

REDFORD UNION SCHOOL DISTRICT #1

Reconciliation

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

Net change in fund balances - total governmental funds \$ (28,483,737)

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

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

| | |
|--|-------------|
| Purchase/acquisition of capital assets | 33,761,497 |
| Depreciation/amortization expense | (1,386,558) |

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

| | |
|---|-----------|
| Principal payments on bonds and other long-term liabilities | 1,996,641 |
| Issuance of lease payable | (31,165) |
| Amortization of bond premium | 142,740 |

Some expenses reported in the statement of activities do not require the use of
current financial resources and therefore are not reported as expenditures in the funds.

| | |
|---|-----------|
| Change in net pension liability and related deferred amounts | 2,700,880 |
| Change in net other postemployment benefit asset and related deferred amounts | 4,077,062 |
| Change in accrued interest payable on bonds and other long-term liabilities | 23,630 |
| Change in the accrual for compensated absences | (621,392) |
| Change in the accrual for incurred but not reported claims and contingent liabilities | 72,000 |

Change in net position of governmental activities \$ 12,251,598

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

REDFORD UNION SCHOOL DISTRICT #1

Statement of Revenues, Expenditures and Changes in Fund Balances

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

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|-------------------------------|--------------------|-------------------|-------------------|--|
| Revenues | | | | |
| Local sources | \$ 3,325,000 | \$ 4,629,614 | \$ 3,507,541 | \$ (1,122,073) |
| State sources | 30,856,000 | 31,734,783 | 32,828,946 | 1,094,163 |
| Federal sources | 5,075,000 | 10,192,924 | 10,197,312 | 4,388 |
| Payments from other districts | 1,450,029 | 800,731 | 961,331 | 160,600 |
| Total revenues | 40,706,029 | 47,358,052 | 47,495,130 | 137,078 |
| Expenditures | | | | |
| Instruction: | | | | |
| Basic programs | 17,841,136 | 16,090,149 | 16,793,214 | 703,065 |
| Added needs | 4,927,120 | 6,230,506 | 6,268,850 | 38,344 |
| Adult education | 552,170 | 537,734 | 539,978 | 2,244 |
| Total instruction | 23,320,426 | 22,858,389 | 23,602,042 | 743,653 |
| Supporting services: | | | | |
| Pupil | 2,689,748 | 3,156,103 | 3,090,824 | (65,279) |
| Instructional services | 1,660,240 | 1,882,415 | 2,096,055 | 213,640 |
| General administration | 543,011 | 757,214 | 738,781 | (18,433) |
| School administration | 1,923,702 | 2,382,153 | 2,480,749 | 98,596 |
| Business office | 1,324,220 | 835,741 | 926,972 | 91,231 |
| Operations and maintenance | 5,387,276 | 5,963,076 | 5,665,435 | (297,641) |
| Pupil transportation services | 1,749,121 | 2,164,212 | 2,144,134 | (20,078) |
| Central services | 1,557,479 | 1,460,495 | 1,448,565 | (11,930) |
| Other supporting services | 526 | 100 | 109 | 9 |
| Total supporting services | 16,835,323 | 18,601,509 | 18,591,624 | (9,885) |
| Community services: | | | | |
| Community service direction | 39 | 250 | - | (250) |
| Community activities | 7,941 | 44,075 | 5,899 | (38,176) |
| Non-public school pupils | 21,413 | 60,193 | 18,711 | (41,482) |
| Custody and care of children | 54,636 | 3,893 | 23,828 | 19,935 |
| Total community services | 84,029 | 108,411 | 48,438 | (59,973) |
| Athletics | 460,522 | 466,383 | 504,435 | 38,052 |

continued...

REDFORD UNION SCHOOL DISTRICT #1

Statement of Revenues, Expenditures and Changes in Fund Balances

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

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---|---------------------|----------------------|---------------------|--|
| Expenditures (continued): | | | | |
| Debt service: | | | | |
| Principal | \$ - | \$ - | \$ 101,641 | \$ 101,641 |
| Interest and fiscal charges | - | - | 15,090 | 15,090 |
| Total debt service | - | - | 116,731 | 116,731 |
| Capital outlay | - | - | 31,165 | 31,165 |
| Total expenditures | 40,700,300 | 42,034,692 | 42,894,435 | 859,743 |
| Revenues over (under) expenditures | 5,729 | 5,323,360 | 4,600,695 | (722,665) |
| Other financing sources (uses) | | | | |
| Issuance of lease payable | - | - | 31,165 | 31,165 |
| Transfers in | 950,000 | 953,778 | 1,298,238 | 344,460 |
| Transfers out | (989,981) | - | (3,898,867) | 3,898,867 |
| Total other financing sources (uses) | (39,981) | 953,778 | (2,569,464) | (3,523,242) |
| Net changes in fund balance | (34,252) | 6,277,138 | 2,031,231 | (4,245,907) |
| Fund balances, beginning of year | 5,204,955 | 5,204,955 | 5,204,955 | - |
| Fund balances, end of year | \$ 5,170,703 | \$ 11,482,093 | \$ 7,236,186 | \$ (4,245,907) |

concluded

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

REDFORD UNION SCHOOL DISTRICT #1

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Special Education Center

For the Year Ended June 30, 2024

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---|--------------------|-------------------|--------------------|--|
| Revenues | | | | |
| State sources | \$ 3,035,000 | \$ 2,500,000 | \$ 1,231,909 | \$ (1,268,091) |
| Federal sources | 350,000 | 452,392 | 452,392 | - |
| Payments from other districts | 6,275,000 | 6,472,397 | 6,349,298 | (123,099) |
| Total revenues | <u>9,660,000</u> | <u>9,424,789</u> | <u>8,033,599</u> | <u>(1,391,190)</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Basic programs | - | 2,819 | 4,136 | 1,317 |
| Added needs | 6,114,818 | 5,929,427 | 5,880,672 | (48,755) |
| Total instruction | <u>6,114,818</u> | <u>5,932,246</u> | <u>5,884,808</u> | <u>(47,438)</u> |
| Supporting services: | | | | |
| Pupil | 2,776,396 | 3,265,321 | 3,238,286 | (27,035) |
| Instructional services | 527,269 | 653,734 | 793,503 | 139,769 |
| School administration | 67 | 212 | 212 | - |
| Operations and maintenance | 30,768 | 34,584 | 97,302 | 62,718 |
| Total supporting services | <u>3,334,500</u> | <u>3,953,851</u> | <u>4,129,303</u> | <u>175,452</u> |
| Capital outlay | <u>210,682</u> | <u>442,470</u> | <u>439,906</u> | <u>(2,564)</u> |
| Total expenditures | <u>9,660,000</u> | <u>10,328,567</u> | <u>10,454,017</u> | <u>125,450</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>(903,778)</u> | <u>(2,420,418)</u> | <u>(1,516,640)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 989,981 | 903,778 | 3,649,627 | 2,745,849 |
| Transfers out | (989,981) | - | (1,229,209) | 1,229,209 |
| Total other financing sources (uses) | <u>-</u> | <u>903,778</u> | <u>2,420,418</u> | <u>1,516,640</u> |
| Net changes in fund balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Redford Union School District #1 (the "District") has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be included in its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the current year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for expenditure-driven grants, which use a period of one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

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

The District reports the following major governmental funds:

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

The *special education center special revenue fund* is used to account for financial resources restricted for expenditures within the Special Education Center Program.

The *2021 building and site capital projects fund* is used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

Additionally, the District reports the following fund types:

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

The *debt service funds* are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

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

Amounts reported as 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investments in the Michigan Liquid Asset Fund (MILAF) cash management pool are recorded at amortized cost, which approximates fair value. The remaining investments are reported at fair value.

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

Statutory Authority

The District's investment policy allows for the following types of investments which are all in accordance with the State law:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- b. Certificates of deposit insured by a State or national bank, organized and authorized to operate in this State or certificates of deposits issued by a State or Federal savings and loan association, organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Surplus funds investment pools under P.A. 1982, No. 367.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Inventory and Prepaids

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

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

Capital Assets

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

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

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

| Assets | Years |
|----------------------------|-------|
| Buildings and improvements | 50 |
| Equipment and furniture | 5-10 |
| Vehicles and buses | 5-12 |

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit asset. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of accrued sick time and severance pay. A liability for these amounts is reported in governmental funds only if they have matured, such as for employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations

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

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

Leases

Lessee. The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the District is reasonably certain to exercise.

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

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

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

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

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to net pension liability and net other postemployment benefit asset. Additionally, the statement of net position and governmental funds balance sheets report deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. If applicable, *committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or his/her designee. *Unassigned fund balance* is the residual classification for the general fund. The District has no assigned fund balances.

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

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

Pensions and Other Postemployment Benefits

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

Use of Estimates

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

2. BUDGETARY INFORMATION

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

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

3. COMPLIANCE AND ACCOUNTABILITY

During the year, the District incurred certain expenditures in excess of the amounts appropriated as follows:

| | Final Budget | Actual | Over Final Budget |
|--------------------------------------|-----------------|---------------|----------------------|
| General fund | | | |
| Instruction - | | | |
| Basic programs | \$ 16,090,149 | \$ 16,793,214 | \$ 703,065 |
| Added needs | 6,230,506 | 6,268,850 | 38,344 |
| Adult education | 537,734 | 539,978 | 2,244 |
| Supporting services: | | | |
| Instructional services | 1,882,415 | 2,096,055 | 213,640 |
| School administration | 2,382,153 | 2,480,749 | 98,596 |
| Business office | 835,741 | 926,972 | 91,231 |
| Other supporting services | 100 | 109 | 9 |
| Community services - | | | |
| Custody and care of children | 3,893 | 23,828 | 19,935 |
| Athletics | 466,383 | 504,435 | 38,052 |
| Debt service: | | | |
| Principal | - | 101,641 | 101,641 |
| Interest | - | 15,090 | 15,090 |
| Capital outlay | - | 31,165 | 31,165 |
| Transfers out | - | 3,898,867 | 3,898,867 |
| Special education center fund | | | |
| Instruction - | | | |
| Basic programs | 2,819 | 4,136 | 1,317 |
| Supporting services: | | | |
| Instructional services | 653,734 | 793,503 | 139,769 |
| Operations and maintenance | 34,584 | 97,302 | 62,718 |
| Transfers out | - | 1,229,209 | 1,229,209 |
| Food service fund | | | |
| Food service | 1,581,353 | 1,676,457 | 95,104 |
| Transfer out | 50,000 | 69,029 | 19,029 |

2021 Building and Site Capital Projects Fund

The 2021 Building and Site Capital Projects Fund includes capital project activities funded with bonds. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the Revised School Code. These funds are not yet considered substantially complete and a subsequent year audit is expected.

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

4. DEPOSITS AND INVESTMENTS

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

| | |
|---|----------------------|
| Statement of Net Position | |
| Cash and investments | <u>\$ 30,291,386</u> |
| Deposits and investments | |
| Bank deposits (checking/savings accounts) | \$ 8,108,180 |
| Investments | <u>22,183,206</u> |
| Total | <u>\$ 30,291,386</u> |

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$8,788,301 of the District's bank balance of \$9,357,172 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. For the investments listed below, there is no custodial credit risk as these investments are uncategorized as to risk.

| Investment | Maturity | Fair Value/ Amortized Cost/Net Asset Value | Rating |
|--|----------|---|---------------|
| U.S. agencies | <1 year | \$ 13,079,431 | Moody's - Aaa |
| Money market funds | n/a | 8,298,355 | S&P - AAAM |
| Michigan Liquid Asset Fund (MILAF) Portfolio | n/a | <u>805,420</u> | S&P - AAAM |
| | | <u>\$ 22,183,206</u> | |

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

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturities for each investment are identified on the previous page for investments held at year end.

Fair Value Measurement

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

The District had the following recurring fair value measurements as of June 30, 2024:

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------------|---------|----------------------|
| Investments measured at fair value | | | | |
| U.S. agencies | \$ - | \$ 13,079,431 | \$ - | \$ 13,079,431 |
| Investments measured at net asset value | | | | |
| Money market funds | | | | 8,298,355 |
| Investments measured at amortized cost | | | | |
| Michigan Liquid Assets Fund (MILAF) | | | | 805,420 |
| | | | | <u>\$ 22,183,206</u> |

5. RECEIVABLES

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

| | General Fund | Nonmajor Funds | Total |
|--|---------------------|------------------|---------------------|
| Due from other governments | \$ 7,144,671 | \$ 18,210 | \$ 7,162,881 |
| Leases receivable | 225,687 | - | 225,687 |
| | <u>\$ 7,370,358</u> | <u>\$ 18,210</u> | <u>\$ 7,388,568</u> |
| Amounts not expected to be collected within one year | \$ 213,655 | \$ - | \$ 213,655 |

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

| | Due From | Due To |
|---|---------------------|---------------------|
| General fund | \$ 2,054,788 | \$ 3,789,459 |
| Special education center | 1,120,038 | 1,098,496 |
| 2021 building and site capital projects fund | 343,010 | 38,502 |
| Nonmajor governmental funds | <u>2,326,411</u> | <u>917,790</u> |
| | <u>\$ 5,844,247</u> | <u>\$ 5,844,247</u> |

The District reports interfund balances between certain funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

At June 30, 2024, interfund transfers consisted of the following:

| | Transfers In | Transfers Out |
|-----------------------------|---------------------|---------------------|
| General fund | \$ 1,298,238 | \$ 3,898,867 |
| Special education center | 3,649,627 | 1,229,209 |
| Nonmajor governmental funds | <u>2,043,956</u> | <u>1,863,745</u> |
| | <u>\$ 6,991,821</u> | <u>\$ 6,991,821</u> |

For the year ending June 30, 2024, the District transferred funds to support the operations of the special education center, to charge allowable indirect costs to the food service fund, and to re-allocate resources between debt service funds.

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

7. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2024:

| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
|--|----------------------|---------------|-----------|-----------|-------------------|
| Capital assets not being depreciated/amortized: | | | | | |
| Land | \$ 29,623 | \$ - | \$ - | \$ - | \$ 29,623 |
| Construction in progress | 16,074,878 | 31,741,444 | - | - | 47,816,322 |
| Total capital assets not being depreciated/amortized | 16,104,501 | 31,741,444 | - | - | 47,845,945 |
| Capital assets being depreciated/amortized: | | | | | |
| Buildings and improvements | 56,134,154 | 187,170 | - | - | 56,321,324 |
| Equipment and furniture | 6,778,223 | 1,801,718 | - | - | 8,579,941 |
| Vehicles and buses | 49,589 | - | - | - | 49,589 |
| Lease equipment (Note 10) | 516,773 | 31,165 | - | - | 547,938 |
| | 63,478,739 | 2,020,053 | - | - | 65,498,792 |
| Less accumulated depreciation/ amortization for: | | | | | |
| Buildings and improvements | (47,350,296) | (784,917) | - | - | (48,135,213) |
| Equipment and furniture | (5,377,926) | (487,094) | - | - | (5,865,020) |
| Vehicles and buses | (27,274) | (4,959) | - | - | (32,233) |
| Lease equipment (Note 10) | (103,355) | (109,588) | - | - | (212,943) |
| | (52,858,851) | (1,386,558) | - | - | (54,245,409) |
| Total capital assets being depreciated/amortized, net | 10,619,888 | 633,495 | - | - | 11,253,383 |
| Governmental activities capital assets, net | \$ 26,724,389 | \$ 32,374,939 | \$ - | \$ - | \$ 59,099,328 |

Depreciation/amortization expense of \$1,386,558 was reported as "unallocated depreciation/amortization", and was not allocated to specific functions, as the District considers its assets to impact multiple activities and allocation is not practical.

As of June 30, 2024, the District had \$13.4 million in construction commitments related to contracts entered into by the District for which the work has not yet been completed.

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

8. PAYABLES

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

| | General | Special Education Center | 2021 Building & Site Capital Projects | Nonmajor Governmental Funds | Total |
|---|---------------------|--------------------------------|---|-----------------------------------|----------------------|
| Fund Financial Statements | | | | | |
| Accounts payable | \$ 547,438 | \$ 21,542 | \$ 9,184,597 | \$ 11,463 | \$ 9,765,040 |
| Salaries and related liabilities | 3,620,539 | - | - | - | 3,620,539 |
| Due to other governments | 722,712 | - | - | - | 722,712 |
| | <u>\$ 4,890,689</u> | <u>\$ 21,542</u> | <u>\$ 9,184,597</u> | <u>\$ 11,463</u> | <u>14,108,291</u> |
| Government-wide Financial Statements | | | | | |
| Accrued interest on long-term debt | | | | | <u>352,963</u> |
| | | | | | <u>\$ 14,461,254</u> |

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

9. BONDS AND OTHER LONG-TERM LIABILITIES

The following is a summary of bonds and other long-term liability transactions of the District for the year ended June 30, 2024:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------------|----------------------|-------------------|-----------------------|----------------------|------------------------|
| General obligation bonds | \$ 56,405,000 | \$ - | \$ (1,895,000) | \$ 54,510,000 | \$ 1,720,000 |
| Leases payable (Note 10) | 461,031 | 31,165 | (101,641) | 390,555 | 107,705 |
| Unamortized bond premium | 3,891,029 | - | (142,740) | 3,748,289 | 142,740 |
| Compensated absences | 479,868 | 825,945 | (204,553) | 1,101,260 | 440,504 |
| | <u>\$ 61,236,928</u> | <u>\$ 857,110</u> | <u>\$ (2,343,934)</u> | <u>\$ 59,750,104</u> | <u>\$ 2,410,949</u> |

Bonds payable at June 30, 2024, are comprised of the following issues:

General obligation bonds

2021 Building and Site Bonds - Unlimited Tax General
Obligation - \$27,655,000 term bonds due in annual
installments of \$185,000 to \$1,070,000 through
November 1, 2050; interest at 2.00% to 5.00%.

\$ 26,085,000

2023 Building and Site Bonds - Unlimited Tax General
Obligation - \$28,425,000 term bonds due in annual
installments of \$225,000 to \$950,000 through
May 1, 2051; interest at 4.125% to 5.00%.

28,425,000

Total general obligation bonds payable

\$ 54,510,000

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

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

| Year Ended June 30 | Principal | Interest | Total |
|-----------------------|----------------------|----------------------|----------------------|
| 2025 | \$ 1,720,000 | \$ 2,080,406 | \$ 3,800,406 |
| 2026 | 2,055,000 | 1,988,531 | 4,043,531 |
| 2027 | 1,405,000 | 1,893,906 | 3,298,906 |
| 2028 | 1,480,000 | 1,829,906 | 3,309,906 |
| 2029 | 1,555,000 | 1,754,781 | 3,309,781 |
| 2030-2034 | 8,810,000 | 7,575,155 | 16,385,155 |
| 2035-2039 | 10,350,000 | 5,600,505 | 15,950,505 |
| 2040-2044 | 11,690,000 | 3,589,324 | 15,279,324 |
| 2045-2049 | 12,565,000 | 1,623,154 | 14,188,154 |
| 2050-2051 | 2,880,000 | 108,282 | 2,988,282 |
| | <u>\$ 54,510,000</u> | <u>\$ 28,043,950</u> | <u>\$ 82,553,950</u> |

The District's compensated absences are generally liquidated by the general fund.

10. LEASES

Lessee - The District is involved in two agreements as a lessee that qualifies as a long-term lease agreement for the use of District copiers. Below is a summary of the nature of this agreement. These agreements qualify as intangible, right-to-use asset and not a financed purchase, as the District will not own the asset at the end of the contract term and the noncancelable term of the agreements is greater than one year. The present values are discounted using an interest rate of 3.0 to 3.5 percent based on the District's incremental borrowing rate.

The right-to-use-assets and the related activity are included in Note 7, Capital Assets. The lease liability and related activity are presented in Note 9, Bonds and Other Long-term Liabilities.

| Asset Type | Remaining Term of Agreements |
|------------|---------------------------------|
| Equipment | 5 years |

The net present value of future minimum payments as of June 30, 2024, were as follows:

| Year Ended June 30, | Principal | Interest |
|------------------------|-------------------|------------------|
| 2025 | \$ 107,705 | \$ 11,827 |
| 2026 | 111,505 | 8,027 |
| 2027 | 115,439 | 4,093 |
| 2028 | 53,127 | 598 |
| 2029 | <u>2,779</u> | <u>21</u> |
| Total | <u>\$ 390,555</u> | <u>\$ 24,566</u> |

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

Lessor - The District is involved in two agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. The agreements qualify as long-term lease agreements as the District will not surrender control of the assets at the end of the term and the noncancelable term of the agreements surpasses one year. Total lease revenue for the year ended June 30, 2024 was \$60,824. On March 29, 2024, the District entered into a lease modification for one of the agreements that included a single, upfront payment of \$750,000 for the use of land for the next 40 years.

| | Remaining Term of Agreements |
|------------|------------------------------|
| Asset Type | |
| Land | 10-40 years |

11. CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District. Also, as is the case with other entities, the District faces exposure from potential claims and legal proceedings involving various matters. Management believes that any adverse ruling against the District, if any, would not have a significant impact on the financial position of the District.

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers’ compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance to satisfy any claims related to general liability, vehicle liability, property and casualty, athletic participation, employee health and accident and errors, and omissions. The District participates in MESSA for employees' health care. The shared risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan.

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

Disability Compensation Act Claim

The District is currently in non-binding facilitation regarding a claim made by an inactive employee. This claim represents a potential unfavorable outcome to the District which could result in a potential loss in excess of the District's coverage against such claims. As the District and its legal counsel believe the unfavorable outcome to be both estimable and probable, the District estimated for the potential loss in the amount of \$230,000, which is included in the reserve for workers compensation claims.

The District is partially self-insured for workers compensation and has insurance coverage after a stop loss amount. An independent third party administers the District’s self-insurance program.

Changes in the balances of claims liabilities during the past two years are as follows:

| | 2024 | 2023 |
|------------------------------------|--------------------------|--------------------------|
| Accrued claims, beginning of year | \$ 240,000 | \$ 233,000 |
| Incurred claims | 186,130 | 105,429 |
| Claim payments | <u>(28,130)</u> | <u>(98,429)</u> |
| Accrued claims, end of year | <u>\$ 398,000</u> | <u>\$ 240,000</u> |

13. PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied by the Charter Township of Redford on July 1, of each fiscal year. All levies become delinquent on February 14. The Delinquent Tax Revolving Funds of Wayne County advance delinquent real taxes to the District.

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

14. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

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

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

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

Pension Benefits Provided

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

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

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

Other Postemployment Benefits Provided

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

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

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

Contributions

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

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

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

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

For the year ended June 30, 2024, required and actual contributions from the District to the pension plan were \$8,676,606, which included \$3,985,240, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

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

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

For the year ended June 30, 2024, required and actual contributions from the District to the OPEB plan were \$1,778,056.

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

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

For the year ended June 30, 2024, required and actual contributions from the District for those members with a defined contribution benefit were \$382,841.

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

At June 30, 2024, the District reported a liability of \$67,397,142 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was .20823%, which was a decrease of .00363% from its proportion measured as of September 30, 2022.

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

For the year ended June 30, 2024, the District recognized pension expense of \$5,789,117. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows (Inflows) of Resources |
|---|--------------------------------------|-------------------------------------|---|
| Differences between expected and actual experience | \$ 2,127,522 | \$ 103,242 | \$ 2,024,280 |
| Changes in assumptions | 9,132,619 | 5,265,661 | 3,866,958 |
| Net difference between projected and actual earnings on pension plan investments | - | 1,379,164 | (1,379,164) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 4,673,375 | (4,673,375) |
| | 11,260,141 | 11,421,442 | (161,301) |
| District contributions subsequent to the measurement date | 8,086,944 | - | 8,086,944 |
| Total | <u>\$ 19,347,085</u> | <u>\$ 11,421,442</u> | <u>\$ 7,925,643</u> |

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

| Year Ended June 30, | Amount |
|------------------------|---------------------|
| 2025 | \$ (1,020,141) |
| 2026 | (442,716) |
| 2027 | 2,409,635 |
| 2028 | (1,108,079) |
| Total | <u>\$ (161,301)</u> |

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

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

At June 30, 2024, the District reported an asset of \$1,158,275 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was .20475% which was a decrease of .00656% from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the District recognized an OPEB benefit of \$2,376,540. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows (Inflows) of Resources |
|---|--------------------------------------|-------------------------------------|---|
| Differences between expected and actual experience | \$ - | \$ 8,752,524 | \$ (8,752,524) |
| Changes in assumptions | 2,578,523 | 310,503 | 2,268,020 |
| Net difference between projected and actual earnings on OPEB plan investments | 3,532 | - | 3,532 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 37,583 | 1,668,005 | (1,630,422) |
| | <u>2,619,638</u> | <u>10,731,032</u> | <u>(8,111,394)</u> |
| District contributions subsequent to the measurement date | <u>1,533,532</u> | <u>-</u> | <u>1,533,532</u> |
| Total | <u><u>\$ 4,153,170</u></u> | <u><u>\$ 10,731,032</u></u> | <u><u>\$ (6,577,862)</u></u> |

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

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

| Year Ended June 30, | Amount |
|------------------------|------------------------------|
| 2025 | \$ (2,705,565) |
| 2026 | (2,469,460) |
| 2027 | (1,141,754) |
| 2028 | (841,634) |
| 2029 | (631,123) |
| Thereafter | <u>(321,858)</u> |
| Total | <u>\$ (8,111,394)</u> |

Actuarial Assumptions

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

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

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

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

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

Long-term Expected Return on Pension and OPEB Plan Assets

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

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

Rate of Return

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

Discount Rate

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

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

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

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 91,053,341 | \$ 67,397,142 | \$ 47,702,500 |

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

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

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net OPEB (asset) liability | \$ 1,200,784 | \$ (1,158,275) | \$ (3,185,655) |

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

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

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|----------------|--|--------------|
| District's proportionate share of the net OPEB (asset) liability | \$ (3,190,710) | \$ (1,158,275) | \$ 1,041,485 |

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Financial Statements

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2024, the District reported a payable of \$1,249,477 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2024.

Payable to the OPEB Plan

At June 30, 2024, the District reported a payable of \$189,280 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2024.

15. NET INVESTMENT IN CAPITAL ASSETS

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

| | |
|---|-----------------------------|
| Capital assets, net | \$ 59,099,328 |
| Bonds payable | (54,510,000) |
| Leases payable | (390,555) |
| Unamortized bond premium | (3,748,289) |
| Unexpended bond proceeds | <u>12,497,697</u> |
| Net investment in capital assets | <u>\$ 12,948,181</u> |

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REQUIRED SUPPLEMENTARY INFORMATION

REDFORD UNION SCHOOL DISTRICT #1

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

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

| | Year Ended June 30, | | | |
|--|---------------------|---------------|---------------|---------------|
| | 2024 | 2023 | 2022 | 2021 |
| District's proportionate share of the net pension liability | \$ 67,397,142 | \$ 79,676,524 | \$ 52,207,208 | \$ 82,441,584 |
| District's proportion of the net pension liability | 0.20823% | 0.21186% | 0.22051% | 0.23999% |
| District's covered payroll | \$ 20,300,923 | \$ 20,350,711 | \$ 18,919,729 | \$ 20,787,034 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 331.99% | 391.52% | 275.94% | 396.60% |
| Plan fiduciary net position as a percentage of the total pension liability | 65.91% | 60.77% | 72.60% | 59.72% |

See notes to required supplementary information.

| |
|--|
| |
|--|

| Year Ended June 30, | | | | | |
|---------------------|---------------|---------------|---------------|---------------|---------------|
| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| \$ 82,388,174 | \$ 73,136,843 | \$ 58,906,928 | \$ 52,533,626 | \$ 49,411,722 | \$ 44,508,043 |
| 0.24878% | 0.24329% | 0.22732% | 0.21056% | 0.20230% | 0.20207% |
| \$ 21,341,157 | \$ 21,586,306 | \$ 19,504,630 | \$ 18,098,526 | \$ 16,721,314 | \$ 17,106,398 |
| 386.05% | 338.81% | 302.02% | 290.26% | 295.50% | 260.18% |
| 60.31% | 62.36% | 64.21% | 63.27% | 63.17% | 66.20% |

REDFORD UNION SCHOOL DISTRICT #1

Required Supplementary Information

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

| | Year Ended June 30, | | | |
|--|---------------------|--------------------|--------------------|--------------------|
| | 2024 | 2023 | 2022 | 2021 |
| Statutorily required contribution | \$ 8,676,606 | \$ 7,471,313 | \$ 7,089,742 | \$ 6,301,283 |
| Contributions in relation to the statutorily required contribution | <u>(8,676,606)</u> | <u>(7,471,313)</u> | <u>(7,089,742)</u> | <u>(6,301,283)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 22,424,430 | \$ 20,492,246 | \$ 19,472,729 | \$ 18,782,015 |
| Contributions as a percentage of covered payroll | 38.69% | 36.46% | 36.41% | 33.55% |

See notes to required supplementary information.



| Year Ended June 30, | | | | | |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| \$ 6,467,110 | \$ 8,419,166 | \$ 6,722,784 | \$ 3,631,814 | \$ 4,877,875 | \$ 3,777,283 |
| <u>(6,467,110)</u> | <u>(8,419,166)</u> | <u>(6,722,784)</u> | <u>(3,631,814)</u> | <u>(4,877,875)</u> | <u>(3,777,283)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 21,162,639 | \$ 21,337,358 | \$ 21,188,419 | \$ 19,320,577 | \$ 16,656,975 | \$ 16,813,295 |
| 30.56% | 39.46% | 31.73% | 18.80% | 29.28% | 22.47% |

REDFORD UNION SCHOOL DISTRICT #1

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

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

| | Year Ended June 30, | | | |
|---|---------------------|---------------|---------------|---------------|
| | 2024 | 2023 | 2022 | 2021 |
| District's proportionate share of the net OPEB (asset) liability | \$ (1,158,275) | \$ 4,475,759 | \$ 3,213,892 | \$ 12,626,013 |
| District's proportion of the net OPEB asset/liability | 0.20475% | 0.21131% | 0.21056% | 0.23568% |
| District's covered payroll | \$ 20,300,923 | \$ 20,350,711 | \$ 18,919,729 | \$ 20,787,034 |
| District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | -5.71% | 21.99% | 16.99% | 60.74% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 105.04% | 83.09% | 87.33% | 59.44% |

See notes to required supplementary information.

| Year Ended June 30, | | |
|---------------------|---------------|---------------|
| 2020 | 2019 | 2018 |
| \$ 17,556,231 | \$ 20,143,412 | \$ 20,009,292 |
| 0.24459% | 0.25341% | 0.22595% |
| \$ 21,341,157 | \$ 21,586,306 | \$ 19,504,630 |
| 82.26% | 93.32% | 102.59% |
| 48.46% | 42.95% | 36.39% |

GIBRALTAR SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

| | Year Ended June 30, | | | |
|--|---------------------|--------------------|--------------------|--------------------|
| | 2024 | 2023 | 2022 | 2021 |
| Statutorily required contribution | \$ 1,778,056 | \$ 1,580,382 | \$ 1,687,646 | \$ 1,559,198 |
| Contributions in relation to the statutorily required contribution | <u>(1,778,056)</u> | <u>(1,580,382)</u> | <u>(1,687,646)</u> | <u>(1,559,198)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 22,424,430 | \$ 20,492,246 | \$ 19,472,729 | \$ 18,782,015 |
| Contributions as a percentage of covered payroll | 7.93% | 7.71% | 8.67% | 8.30% |

See notes to required supplementary information.



| Year Ended June 30, | | |
|---------------------|--------------------|--------------------|
| 2020 | 2019 | 2018 |
| \$ 1,784,881 | \$ 2,683,665 | \$ 1,630,000 |
| <u>(1,784,881)</u> | <u>(2,683,665)</u> | <u>(1,630,000)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 21,162,639 | \$ 21,337,358 | \$ 21,188,419 |
| 8.43% | 12.58% | 7.69% |

REDFORD UNION SCHOOL DISTRICT #1

Notes to Required Supplementary Information

Pension Information

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

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

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to Required Supplementary Information

OPEB Information

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

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

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

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

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COMBINING FUND FINANCIAL STATEMENTS

REDFORD UNION SCHOOL DISTRICT #1

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2024

| | Special Revenue | | Debt Service | | | Totals |
|--|---------------------|-------------------------|-------------------|-------------|---------------------|---------------------|
| | Food Service | Student/School Activity | 1997 Bond | 2009 Bond | 2021 Bond | |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 200 | \$ 68,871 | \$ 848,919 | \$ - | \$ - | \$ 917,990 |
| Due from other funds | 983,027 | - | - | - | 1,343,384 | 2,326,411 |
| Due from other governments | 18,210 | - | - | - | - | 18,210 |
| Inventory | 26,449 | - | - | - | - | 26,449 |
| Total assets | <u>\$ 1,027,886</u> | <u>\$ 68,871</u> | <u>\$ 848,919</u> | <u>\$ -</u> | <u>\$ 1,343,384</u> | <u>\$ 3,289,060</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 11,463 | \$ - | \$ - | \$ - | \$ - | \$ 11,463 |
| Due to other funds | - | 68,871 | 848,919 | - | - | 917,790 |
| Total liabilities | <u>11,463</u> | <u>68,871</u> | <u>848,919</u> | <u>-</u> | <u>-</u> | <u>929,253</u> |
| Fund balances | | | | | | |
| Nonspendable | 26,449 | - | - | - | - | 26,449 |
| Restricted | 989,974 | - | - | - | 1,343,384 | 2,333,358 |
| Total fund balances | <u>1,016,423</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,343,384</u> | <u>2,359,807</u> |
| Total liabilities and fund balances | <u>\$ 1,027,886</u> | <u>\$ 68,871</u> | <u>\$ 848,919</u> | <u>\$ -</u> | <u>\$ 1,343,384</u> | <u>\$ 3,289,060</u> |

REDFORD UNION SCHOOL DISTRICT #1

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2024

| | Special Revenue | | Debt Service | | | |
|---|---------------------|-------------------------|--------------------|--------------------|---------------------|---------------------|
| | Food Service | Student/School Activity | 1997 Bond | 2009 Bond | 2021 Bond | Totals |
| Revenues | | | | | | |
| Local sources | \$ 115,600 | \$ 44,653 | \$ 2,138,046 | \$ - | \$ 1,912,180 | \$ 4,210,479 |
| State sources | 88,399 | - | - | - | - | 88,399 |
| Federal sources | 1,632,069 | - | - | 47,809 | - | 1,679,878 |
| Total revenues | <u>1,836,068</u> | <u>44,653</u> | <u>2,138,046</u> | <u>47,809</u> | <u>1,912,180</u> | <u>5,978,756</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Supporting services | - | 44,653 | - | - | - | 44,653 |
| Food service | 1,676,457 | - | - | - | - | 1,676,457 |
| Debt service: | | | | | | |
| Principal | - | - | - | 1,710,000 | 185,000 | 1,895,000 |
| Interest and fiscal charges | - | - | 645,864 | 132,525 | 1,478,143 | 2,256,532 |
| Total expenditures | <u>1,676,457</u> | <u>44,653</u> | <u>645,864</u> | <u>1,842,525</u> | <u>1,663,143</u> | <u>5,872,642</u> |
| Revenues over (under) expenditures | <u>159,611</u> | <u>-</u> | <u>1,492,182</u> | <u>(1,794,716)</u> | <u>249,037</u> | <u>106,114</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | - | 249,240 | 1,794,716 | - | 2,043,956 |
| Transfers out | (69,029) | - | (1,794,716) | - | - | (1,863,745) |
| Total other financing sources (uses) | <u>(69,029)</u> | <u>-</u> | <u>(1,545,476)</u> | <u>1,794,716</u> | <u>-</u> | <u>180,211</u> |
| Net change in fund balances | <u>90,582</u> | <u>-</u> | <u>(53,294)</u> | <u>-</u> | <u>249,037</u> | <u>286,325</u> |
| Fund balances, beginning of year | <u>925,841</u> | <u>-</u> | <u>53,294</u> | <u>-</u> | <u>1,094,347</u> | <u>2,073,482</u> |
| Fund balances, end of year | <u>\$ 1,016,423</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,343,384</u> | <u>\$ 2,359,807</u> |

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SINGLE AUDIT ACT COMPLIANCE

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

November 1, 2024

Board of Education
Redford Union School District #1
Redford, MI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Redford Union School District #1** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 1, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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REDFORD UNION SCHOOL DISTRICT #1

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

| Federal Agency / Cluster / Program Title | Assistance Listing Number | Passed Through | Pass-through / Grantor Number | Approved Awards Amount |
|---|---------------------------|----------------|-------------------------------|------------------------|
| U.S. Department of Agriculture | | | | |
| Local Foods for Schools | 10.185 | MDE | 230985-2023 | \$ 8,453 |
| Local Foods for Schools | 10.185 | MDE | 230985-2024 | 2,278 |
| Child Nutrition Cluster: | | | | |
| National School Breakfast Program: | | | | |
| 2022-2023 | 10.553 | MDE | 231970 | 421,067 |
| 2023-2024 | 10.553 | MDE | 241970 | 376,466 |
| Entitlement commodities (non-cash assistance) | 10.555 | MDE | n/a | 94,589 |
| Bonus commodities (non-cash assistance) | 10.555 | MDE | n/a | 841 |
| National School Lunch Program: | | | | |
| Supply Chain Assistance | | | | |
| 2021-2022 | 10.555 | MDE | 220910 | 81,642 |
| 2022-2023 | 10.555 | MDE | 230910 | 22,966 |
| 2023-2024 | 10.555 | MDE | 240910 | 53,925 |
| National School Lunch Program: | | | | |
| 2022-2023 | 10.555 | MDE | 231960 | 932,729 |
| 2023-2024 | 10.555 | MDE | 241960 | 804,785 |
| National School Lunch Program - After School Snack: | | | | |
| 2023-2024 | 10.555 | MDE | 241980 | 2,611 |
| Summer Food Service - Children: | | | | |
| 2023-2024 | 10.559 | MDE | 230900 | 19,261 |
| Fresh Fruit and Vegetable Program: | | | | |
| 2022-2023 | 10.582 | MDE | 230950 | 75,264 |
| 2023-2024 | 10.582 | MDE | 240950 | 57,360 |
| Total Child Nutrition Cluster | | | | |
| Child and Adult Care Food Program: | | | | |
| 2022-2023 | 10.558 | MDE | 231920 | 3,277 |
| 2023-2024 | 10.558 | MDE | 241920 | 4,294 |
| Total U.S. Department of Agriculture | | | | |

| Accrued (Unearned) Revenue at July 1, 2023 | Federal Funds / Payments In-Kind Received | (Memo Only) Prior Year(s) Expenditures | Adjustments | Federal Expenditures | Accrued (Unearned) Revenue at June 30, 2024 |
|---|--|--|-------------|-------------------------|--|
| \$ 8,453 | \$ 8,453 | \$ 8,453 | \$ - | \$ - | \$ - |
| - | 2,278 | - | - | 2,278 | - |
| 8,453 | 10,731 | 8,453 | - | 2,278 | - |
| - | 52,626 | 368,441 | - | 52,626 | - |
| - | 376,466 | - | - | 376,466 | - |
| - | 429,092 | 368,441 | - | 429,092 | - |
| - | 94,589 | - | - | 94,589 | - |
| - | 841 | - | - | 841 | - |
| (22,062) | - | 59,580 | - | 22,062 | - |
| (22,966) | - | - | - | 22,966 | - |
| - | 53,925 | - | - | 53,925 | - |
| - | 117,963 | 814,766 | - | 117,963 | - |
| - | 804,785 | - | - | 804,785 | - |
| - | 2,611 | - | - | 2,611 | - |
| (45,028) | 1,074,714 | 874,346 | - | 1,119,742 | - |
| - | 19,261 | - | - | 19,261 | - |
| 35,560 | 35,560 | 75,264 | - | - | - |
| - | 57,360 | - | - | 57,360 | - |
| 35,560 | 92,920 | 75,264 | - | 57,360 | - |
| (9,468) | 1,615,987 | 1,318,051 | - | 1,625,455 | - |
| - | 42 | 3,235 | - | 42 | - |
| - | 4,294 | - | - | 4,294 | - |
| - | 4,336 | 3,235 | - | 4,336 | - |
| (1,015) | 1,631,054 | 1,329,739 | - | 1,632,069 | - |

continued...

REDFORD UNION SCHOOL DISTRICT #1

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

| Federal Agency / Cluster / Program Title | Assistance Listing Number | Passed Through | Pass-through / Grantor Number | Approved Awards Amount |
|--|---------------------------|----------------|-------------------------------|------------------------|
| U.S. Department of Education | | | | |
| Title I, Part A: | | | | |
| 2021-22 | 84.010 | MDE | 221530 | \$ 1,297,961 |
| 2022-23 | 84.010 | MDE | 231530 | 1,901,421 |
| 2023-24 | 84.010 | MDE | 241530 | 1,443,529 |
| Special Education Cluster (IDEA): | | | | |
| IDEA Flowthrough: | | | | |
| 2021-22 | 84.027 | WCRESA | 220450 | 784,595 |
| 2022-23 | 84.027 | WCRESA | 230450 | 851,816 |
| 2023-24 | 84.027 | WCRESA | 240450 | 702,870 |
| IDEA CPO: | | | | |
| 2022-23 | 84.027 | WCRESA | 230450 | 337,512 |
| 2023-24 | 84.027 | WCRESA | 240450 | 452,392 |
| IDEA PBS: | | | | |
| 2022-23 | 84.027 | WCRESA | 230450 | 4,120 |
| 2023-24 | 84.027 | WCRESA | 240450 | 10,809 |
| IDEA Preschool: | | | | |
| 2021-22 | 84.173 | WCRESA | 220460 | 31,369 |
| 2022-23 | 84.173 | WCRESA | 230460 | 33,285 |
| 2023-24 | 84.173 | WCRESA | 240460 | 39,057 |
| COVID-19 - American Rescue Plan 2022 | 84.173X | WCRESA | 221285 | 18,821 |
| Total Special Education Cluster (IDEA) | | | | |
| Title II, Part A: | | | | |
| 2022-23 | 84.367A | MDE | 230520 | 298,208 |
| 2023-24 | 84.367A | MDE | 240520 | 280,500 |

| Accrued (Unearned) Revenue at July 1, 2023 | Federal Funds / Payments In-Kind Received | (Memo Only) Prior Year(s) Expenditures | Adjustments | Federal Expenditures | Accrued (Unearned) Revenue at June 30, 2024 |
|---|--|--|-------------|-------------------------|--|
| \$ - | \$ (75,012) | \$ 1,058,580 | \$ (75,012) | \$ - | \$ - |
| 592,252 | 726,485 | 1,234,445 | - | 134,233 | - |
| - | 646,679 | - | - | 1,026,902 | 380,223 |
| 592,252 | 1,298,152 | 2,293,025 | (75,012) | 1,161,135 | 380,223 |
| 13,632 | 13,632 | 784,595 | - | - | - |
| 192,397 | 206,485 | 837,728 | - | 14,088 | - |
| - | 561,948 | - | - | 702,870 | 140,922 |
| 87,869 | 87,869 | 337,512 | - | - | - |
| - | 304,139 | - | - | 452,392 | 148,253 |
| 4,120 | 4,120 | 4,120 | - | - | - |
| - | 3,494 | - | - | 10,809 | 7,315 |
| 298,018 | 1,181,687 | 1,963,955 | - | 1,180,159 | 296,490 |
| 10,102 | 10,102 | 31,369 | - | - | - |
| 33,285 | 33,285 | 33,285 | - | - | - |
| - | 19,956 | - | - | 39,057 | 19,101 |
| 5,389 | 5,389 | 18,821 | - | - | - |
| 48,776 | 68,732 | 83,475 | - | 39,057 | 19,101 |
| 346,794 | 1,250,419 | 2,047,430 | - | 1,219,216 | 315,591 |
| 63,297 | 73,344 | 157,679 | - | 10,047 | - |
| - | 177,782 | - | - | 279,409 | 101,627 |
| 63,297 | 251,126 | 157,679 | - | 289,456 | 101,627 |

continued...

REDFORD UNION SCHOOL DISTRICT #1

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

| Federal Agency / Cluster / Program Title | Assistance Listing Number | Passed Through | Pass-through / Grantor Number | Approved Awards Amount |
|---|---------------------------|----------------|-------------------------------|------------------------|
| U.S. Department of Education (continued) | | | | |
| Title IV, Part A: | | | | |
| 2022-23 | 84.424A | MDE | 230750 | \$ 158,413 |
| 2023-24 | 84.424A | MDE | 240750 | 135,727 |
| COVID-19 - Education Stabilization Fund: | | | | |
| GEER II Teacher & Support Staff Payments | 84.425C | MDE | 211202 | 48,500 |
| Elementary and Secondary School Emergency Relief (ESSER) Fund - | | | | |
| ESSER III Funds - Formula | 84.425U | MDE | 213713 | 9,453,250 |
| Education for Homeless Children and Youth | | | | |
| COVID-19 - American Rescue Plan - Homeless II | 84.425W | MDE | 211012 | 28,682 |
| Total U.S. Department of Education | | | | |
| U.S. Department of Health and Human Services | | | | |
| Medicaid Cluster: | | | | |
| Medicaid Outreach 2023-24 | 93.778 | WCRESA | n/a | 249,434 |
| Total Federal Financial Assistance | | | | |

See notes to the schedule of expenditures of federal awards.



| Accrued (Unearned) Revenue at July 1, 2023 | Federal Funds / Payments In-Kind Received | (Memo Only) Prior Year(s) Expenditures | Adjustments | Federal Expenditures | Accrued (Unearned) Revenue at June 30, 2024 |
|---|--|--|-------------|-------------------------|--|
| \$ 51,896 | \$ 51,896 | \$ 113,295 | \$ - | \$ - | \$ - |
| - | 131,260 | - | - | 131,726 | 466 |
| 51,896 | 183,156 | 113,295 | - | 131,726 | 466 |
| - | 43,180 | - | 43,180 | - | - |
| 359,677 | 7,916,064 | 1,896,863 | - | 7,556,387 | - |
| 1,570 | 1,570 | 1,570 | - | 27,112 | 27,112 |
| 361,247 | 7,960,814 | 1,898,433 | 43,180 | 7,583,499 | 27,112 |
| 1,415,486 | 10,943,667 | 6,509,862 | (31,832) | 10,385,032 | 825,019 |
| - | 249,434 | - | - | 249,434 | - |
| \$ 1,414,471 | \$ 12,824,155 | \$ 7,839,601 | \$ (31,832) | \$ 12,266,535 | \$ 825,019 |

concluded

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Redford Union School District #1 (the "District") under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

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

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts on the Grant Auditor Reports reconcile with this Schedule. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities. Spoilage and pilferage are included in expenditure amounts reported.

2. 10% DE MINIMIS COST RATE

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

REDFORD UNION SCHOOL DISTRICT #1

Notes to the Schedule of Expenditures of Federal Awards

3. RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

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

| | |
|---|-----------------------------|
| Federal revenues as reported in the financial statements | \$ 12,329,582 |
| Less: | |
| Build America bond revenue | (47,809) |
| E-Rate funding not subject to the requirements of 2 CFR 200 subpart F | (47,070) |
| Adjustments to prior year revenue for funds recaptured by Michigan Department of Education | <u>31,832</u> |
| Expenditures per schedule of expenditures of federal awards | <u><u>\$ 12,266,535</u></u> |

4. PASS-THROUGH AGENCIES

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

| Pass-through Agency Abbreviation | Pass-through Agency Name |
|--|--|
| MDE | Michigan Department of Education |
| WCRESA | Wayne County Regional Educational Service Agency |

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

November 1, 2024

Board of Education
Redford Union School District #1
Redford, MI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Redford Union School District #1** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and -002, that we consider to be material weaknesses.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Redford Union School District #1's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

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

November 1, 2024

Board of Education
Redford Union School District #1
Redford, MI

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the compliance of **Redford Union School District #1** (the "District") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Independent Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-003. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of finding and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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REDFORD UNION SCHOOL DISTRICT #1

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes

 no

Significant deficiency(ies) identified?

 yes

 X none reported

Noncompliance material to financial statements noted?

 yes

 X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 yes

 X no

Significant deficiency(ies) identified?

 yes

 X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X yes

 no

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

Assistance Listing Number

Name of Federal Program or Cluster

Type of Report

84.425U; 84.425W

Education Stabilization Fund

Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:

 \$ 750,000

Auditee qualified as low-risk auditee?

 yes

 X no

REDFORD UNION SCHOOL DISTRICT #1

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

2024-001 – Timely Year End Close and Material Adjustments (Repeat)

Finding Type. Material Weakness in Internal Controls over Financial Reporting

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. Certain year-end reconciliations, including capital assets schedule and payable accruals, and closing entries were not complete at the start of the audit. Reconciliations and journal entries necessary to adjust the District's general ledger to the appropriate balances were being completed through October 2024.

Cause. The District did not have documented processes in place to ensure reconciliations and closing entries were being completed in preparation for the audit.

Effect. As a result of these conditions, management was unable to timely close the accounting records and prepare for the audit. Additionally, we identified certain discrepancies in account reconciliations that needed to be addressed by management prior to starting certain audit areas. Management was able to subsequently adjust the District's general ledger to the appropriate balances.

Recommendation. For the current year, no further action is required as the adjustments have been posted. In future periods, we recommend that the District develop and adhere to (with appropriate oversight) a written plan with detailed tasks for the timely completion of year end closing procedures to ensure timely issuance of the financial statements.

View of Responsible Officials. Management concurs. The District will work with the audit team prior to the next audit and develop clear timelines for both staff and auditors to complete the necessary testing.

Responsible Official. Chief Financial Officer

Anticipated Completion Date: June 30, 2025

REDFORD UNION SCHOOL DISTRICT #1

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

2024-002 – Budgetary Control (Repeat)

Finding Type. Material Weakness in Internal Controls over Financial Reporting

Criteria. The State of Michigan requires that school districts adopt budgets for the general fund and all special revenue funds. Expenditures may not be incurred in any of those funds prior to formal authorization through the approval or amendment of the budget. Additionally, through the *Uniform Budgeting and Accounting Act, Act 2 of 1968*, the State of Michigan Department of Treasury requires that the total estimated expenditures, including an accrued deficit, in the budget shall not exceed the total estimated revenues plus fund balance.

Condition. We noted that the original and amended budgets as recorded in the District's accounting software did not agree by department or in total to the budgets approved by the Board of Education. The District uses the accounting system to generate budget vs. actual reports regularly, and as such is tracking its budgetary compliance using inaccurate amounts.

Cause. The District did not follow the required financial policies and procedures.

Effect. As a result of the condition, the District is exposed to an increased risk that appropriations in excess of budgeted amounts may be incurred which is a violation of State law.

Recommendation. We recommend that the District implement procedures to ensure that approved budgets are entered into the financial reporting system in a timely fashion and that the budget is reconciled against the approved original budget resolution and any approved amendments throughout the year.

View of Responsible Officials. Management concurs and will work to ensure that the approved budgets match system amounts.

Responsible Official. Chief Financial Officer

Estimated Completion Date. June 30, 2025

REDFORD UNION SCHOOL DISTRICT #1

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS

2024-003 – Written Policies Required by the Uniform Grant Guidance (Repeat)

Finding Type. Immaterial noncompliance

Federal program(s)

U.S. Department of Education -

- COVID-19 - Education Stabilization Fund (ALN 84.425D and 84.425W); Passed through the Michigan Department of Education; All project numbers.

Criteria. The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to: 1) Payments (draws of federal funds and how to minimize the time lapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients) (§200.302(6)); 2) Allowability of costs charged to federal programs (§200.302(7)); and 3) Compensation (personnel and benefits policy) (§200.430 and §200.431).

Condition. Although the District has processes in place to cover these areas, there are no formal written policies covering payments, allowability of costs, and compensation.

Cause. This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect. As a result of this condition, the District did not fully comply with the Uniform Guidance applicable to the above noted grants.

Questioned Costs. No costs have been questioned as a result of this finding.

Recommendation. We are aware that the District is evaluating options using internal and external resources to take corrective action. We recommend that the District proceed with its selected option as soon as practical, but no later than the end of the next fiscal year.

View of Responsible Officials. As noted, the District has processes in place that cover all grant guidelines related to federal funds. However, upon bringing it to our attention that these policies should be in writing, we are making every endeavor to comply. The District is currently working on drafting policies that will meet the criteria set out in the Uniform Guidance and plan to have those in place by the end of the fiscal year.

Responsible Official. Chief Financial Officer

Estimated Completion Date. June 30, 2025

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REDFORD UNION SCHOOL DISTRICT #1

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2024

2023-001 - Material Audit Adjustments

Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP). During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances, which also included a restatement of the prior year net position of governmental activities. This finding has been repeated as finding 2024-001.

2023-002 - Budgetary Control

During our audit, we noted that the original and amended budgets as recorded in the District's accounting software did not agree by department or in total to the budgets approved by the Board of Education. The District uses the accounting system to generate budget vs. actual reports regularly, and as such is tracking its budgetary compliance using inaccurate amounts. Additionally, the District budgeted for an ending fund balance deficit in the Special Education Center special revenue fund. This finding has been partially resolved by the District related to the deficit budget in the Special Education Center. The original and amended budgets discrepancy in the accounting software was repeated as finding 2024-002.

2023-003 - Special Tests and Provisions - Wage Requirements

The contracts tested that were subject to the Wage Rate Requirements did not include the required provision, and the District did not obtain the required certified payrolls. This finding was resolved as there were no federal funds spent on construction projects.

2023-004 - Written Policies Required by the Uniform Grant Guidance

Although the District has processes in place to cover these areas, there are no formal written policies covering payments, allowability of costs, and compensation. This finding has been repeated as finding 2024-003.

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