

Mount Clemens Community School District

Financial Statements

June 30, 2024



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Mount Clemens Community School District
Members of the Board of Education and Administration
June 30, 2024

Members of the Board of Education

Earl C. Rickman, III	President
Dr. David McFadden	Vice President
Jaime Collins	Treasurer
Dontae' Walker	Secretary
Jason Monk	Trustee
Sheila Cohoon	Trustee
Jeanine Walker	Trustee

Administration

Julian Roper	Superintendent
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Independent Auditors' Report

Management and the Board of Education
Mount Clemens Community School District
Mount Clemens, Michigan

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability (asset), and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mount Clemens Community School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, 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 other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2024 on our consideration of Mount Clemens Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mount Clemens Community School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Clemens Community School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, MI
September 19, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mount Clemens Community School District

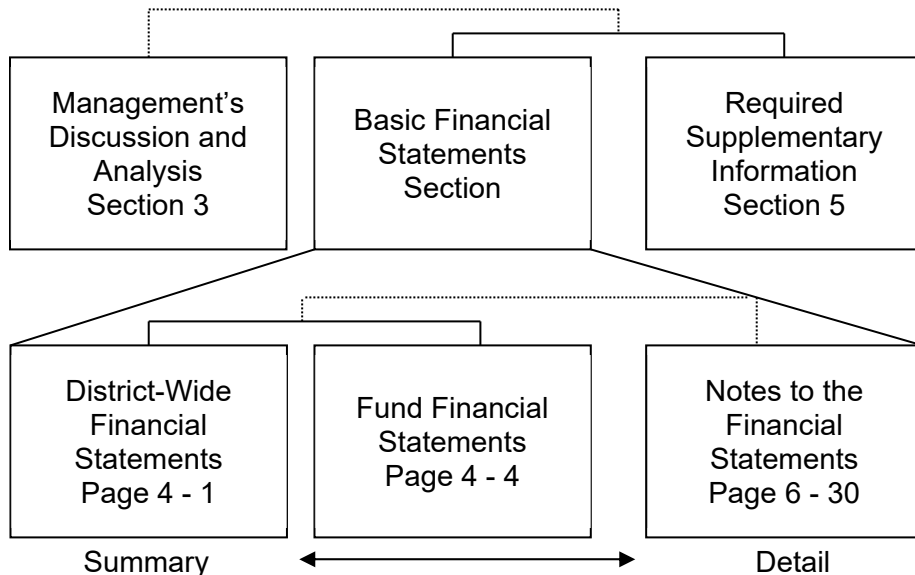
Management's Discussion and Analysis

June 30, 2024

Mount Clemens Community School District is a K-12 public school district located in Macomb County, Michigan.

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.

Figure A-1
Mount Clemens Community School District
Organization of Annual Financial Report



District - Wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to the private business sector.

The *statement of net position* presents information on all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual balance reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the district-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, community services, and food service. The School District had no business-type activities as of and for the year ended June 30, 2024.

Mount Clemens Community School District

Management's Discussion and Analysis

June 30, 2024

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: *governmental funds* and *fiduciary funds*.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmentwide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Readers may better understand the long-term impact of the government's near-term financing decisions by doing it this way. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School District maintains two major governmental funds - the general fund and the debt service fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of fund revenues, expenditures, and changes in fund balances for each fund.

The School District adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided herein to demonstrate compliance with their budgets.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPERS pension and other postemployment benefit plans immediately following the notes to the financial statements.

District - Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,022,927 at the close of the most recent fiscal year.

A portion of the School District's net position reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, equipment and furniture, and buses and other vehicles); less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students it serves; consequently, these assets are not

Mount Clemens Community School District
Management's Discussion and Analysis
June 30, 2024

available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>2024</u>	<u>2023</u>
Assets		
Current and other assets	\$ 13,954,394	\$ 12,881,829
Capital assets, net	<u>31,584,502</u>	<u>33,117,984</u>
Total assets	<u>45,538,896</u>	<u>45,999,813</u>
Deferred Outflows of Resources	<u>6,534,777</u>	<u>8,845,332</u>
Liabilities		
Current liabilities	2,612,738	3,568,683
Long-term liabilities	<u>56,202,706</u>	<u>67,686,800</u>
Total liabilities	<u>58,815,444</u>	<u>71,255,483</u>
Deferred Inflows of Resources	<u>7,199,455</u>	<u>4,696,663</u>
Net Position		
Net investment in capital assets	7,670,760	4,179,728
Restricted	912,850	952,380
Unrestricted	<u>(22,606,537)</u>	<u>(26,239,109)</u>
Total net position	<u>\$ (14,022,927)</u>	<u>\$ (21,107,001)</u>

The School District had negative net position of \$14,022,927 at June 30, 2024. The School District had net investment in capital assets of \$7,670,760, which compares the original cost, less accumulated depreciation of the School District's capital assets, plus any unspent bond proceeds to the long-term debt used to finance the acquisition of those assets and reduced for long-term indebtedness used to finance the related capital assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. In addition, net position of \$912,850 is restricted.

The remaining balance is unrestricted net position, which has a negative balance mainly due to the recording of the School District's portion of the Michigan Public School Employees Retirement System (MPERS) net pension and other postemployment benefit liabilities in accordance with GASB 68 and 75.

The negative net position of \$14,022,927 of governmental activities represents the accumulated results of all past years' operations. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year, as will changes to the net pension and other postemployment benefit liabilities.

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

Mount Clemens Community School District

Management's Discussion and Analysis

June 30, 2024

School District's Changes in Net Position

	<u>2024</u>	<u>2023</u>
Revenues		
Program revenues		
Charges for services	\$ 68,755	\$ 102,356
Operating grants and contributions	9,080,530	13,087,355
General revenues		
Property taxes	11,445,745	10,645,148
Unrestricted state aid	2,785,449	2,503,460
Other	<u>1,410,210</u>	<u>748,409</u>
Total revenue	<u>24,790,689</u>	<u>27,086,728</u>
Expenses		
Instruction	7,207,115	8,303,480
Supporting services	8,017,245	8,396,777
Food services	908,508	951,328
Community services	276,615	919,687
Interest on long-term debt	<u>1,599,388</u>	<u>1,631,161</u>
Total expenses	<u>18,008,871</u>	<u>20,202,433</u>
Change in net position	7,084,074	6,884,295
Net position - beginning	<u>(21,107,001)</u>	<u>(27,991,296)</u>
Net position - ending	<u>\$ (14,022,927)</u>	<u>\$ (21,007,001)</u>

The School District experienced an increase in net position of \$7,084,074. The primary reason for the change in net position is a reduction in long-term debt interest costs as well as a decrease in spending related to remote learning since returning to full time in-person instruction this year.

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

The School District's Funds

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

As the School District completed 2024, the governmental funds reported a combined fund balance of \$11,434,755, which is an increase of \$6,226,001 in comparison with the prior year. The primary reasons for the change are as follows:

In the general fund, our principal operating fund, the fund balance increased \$6,218,367 to a balance of \$9,746,831. The increase in fund balance was primarily related to Finding 2023-001 Material Weakness – Financial Statement Reconciliation; revenue was recognized and the proceeds from the sale of King.

The debt service fund shows a fund balance decrease of \$65,598 (from \$1,149,280 to \$1,083,682). The millage rate is 11.8 mills (funding a combined debt service fund for both the 2017 and 2019 refunding bonds). The millage rate is determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue related debt service. Debt service funds fund balances are restricted since they can only be used to pay debt service obligations.

Mount Clemens Community School District
Management's Discussion and Analysis
June 30, 2024

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A final adjustment to the 2023-2024 budget was adopted on June 19, 2024. The significant changes between the original adopted budget and the final amended budget were an increased revenue based on a projected increase grant revenue that was not included in the original budget as well as an increase in the local sources. In addition, there was an increase in expenditures that relate in part to the increase of grant expense.

The general fund actual revenue and other financing sources was \$20,733,566. That amount is less than the final budget estimate of \$21,171,740. The variance was (\$438,174) or 2.1%.

The actual expenditures of the general fund were \$15,237,862, which is below the final budget estimate of \$16,950,694. The variance was \$1,712,832, or 11.2%.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2024, the School District had \$31,259,559 invested in a broad range of capital assets, including land, buildings and improvements, site improvements, equipment and furniture and buses and other vehicles. Additional information on the School District's capital assets can be found in the notes to the financial statements.

	<u>2024</u>	<u>2023</u>
Land	\$ 680,575	\$ 680,575
Buildings and additions	29,305,569	30,920,650
Site improvements	783,330	1,046,974
Equipment and furniture	463,508	362,743
Buses and other vehicles	11,115	11,115
Right to use asset - equipment	29,068	53,862
Right to use asset - subscription arrangements	<u>22,394</u>	<u>42,065</u>
	<u>\$ 31,295,559</u>	<u>\$ 33,117,984</u>

Mount Clemens Community School District
Management's Discussion and Analysis
June 30, 2024

Debt

At the end of this 2024 fiscal year, the School District had \$27,775,000 in bonds outstanding versus \$30,490,000 in the previous year. The School District also had a school bond loan fund, capital lease, and compensated absences. A summary of the School District's debt is as follows:

	<u>2024</u>	<u>2023</u>
General obligation bonds	\$ 27,775,000	\$ 30,490,000
Premium on bonds	746,802	979,858
School Loan Revolving Fund (SLRF)	10,218,953	12,656,222
Accrued interest - SLRF	69,139	36,394
Leases	28,712	53,650
Compensated absences	<u>44,950</u>	<u>39,060</u>
	<u>\$ 38,883,556</u>	<u>\$ 44,255,184</u>

Additional information regarding the School District's long-term debt can be found in the notes to the financial statements.

Factors Bearing on the School District's Future

The following factors were considered in preparing the School District's budget for the 2024-2025 fiscal year:

- Copied both Revenue and Expenses over from preceding year with some adjustments such as:
 - The foundation allowance was projected to increase by \$302
 - Anticipated Oct. 2024 student FTE of 728 students.

The budget for the year ended June 30, 2025 was adopted in June 19, 2024.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Business Services, 155 Cass Avenue, Mount Clemens, Michigan 48043.

BASIC FINANCIAL STATEMENTS

Mount Clemens Community School District
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash	\$ 10,648,746
Due from other governmental units	2,937,233
Inventory	3,968
Investments	277,013
Prepaid items	87,434
Capital assets not being depreciated	680,575
Capital assets - net of accumulated depreciation	30,614,984
Net OPEB asset	<u>288,943</u>
 Total assets	 <u>45,538,896</u>
 Deferred Outflows of Resources	
Deferred amount on debt refunding	677,641
Deferred amount relating to the net pension liability	4,821,729
Deferred amount relating to the net OPEB asset	<u>1,035,407</u>
 Total deferred outflows of resources	 <u>6,534,777</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Statement of Net Position
June 30, 2024

	Governmental Activities
Liabilities	
Accounts payable	\$ 199,573
Due to other governmental units	183,486
Payroll deductions and withholdings	52,643
Accrued expenditures	174,800
Accrued salaries payable	1,006,888
Unearned revenue	1,077,049
Long-term liabilities	
Net pension liability	17,319,150
Due within one year	3,772,713
Due in more than one year	<u>35,110,843</u>
 Total liabilities	 <u>58,897,145</u>
 Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	4,493,489
Deferred amount relating to the net OPEB asset	<u>2,705,966</u>
 Total deferred inflows of resources	 <u>7,199,455</u>
 Net Position	
Net investment in capital assets	7,670,760
Restricted for:	
Food service	3,968
Debt service	908,882
Unrestricted	<u>(22,606,537)</u>
 Total net position	 <u><u>\$ (14,022,927)</u></u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Statement of Activities
For the Year Ended June 30, 2024

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	\$ 7,207,115	\$ -	\$ 3,958,205	\$ (3,248,910)
Supporting services	8,017,245	45,583	4,115,550	(3,856,112)
Food services	908,508	23,172	754,771	(130,565)
Community services	276,615	-	252,004	(24,611)
Interest and fiscal charges on long-term debt	<u>1,599,388</u>	<u>-</u>	<u>-</u>	<u>(1,599,388)</u>
Total governmental activities	<u>\$ 18,008,870</u>	<u>\$ 68,755</u>	<u>\$ 9,080,530</u>	<u>(8,859,585)</u>
General revenues				
Property taxes, levied for general purposes				4,635,434
Property taxes, levied for debt service				6,810,311
State aid - unrestricted				2,785,449
Interest and investment earnings				450,210
Gain on sale of capital assets				960,000
Other				<u>302,255</u>
Total general revenues				<u>15,943,659</u>
Change in net position				7,084,074
Net position - beginning				<u>(21,107,001)</u>
Net position - ending				<u>\$ (14,022,927)</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 9,609,611	\$ 451,073	\$ 588,062	\$ 10,648,746
Due from other funds	242,267	632,609	-	874,876
Due from other governmental units	2,910,636	-	26,597	2,937,233
Inventory	-	-	3,968	3,968
Investments	-	-	277,013	277,013
Prepaid items	<u>87,434</u>	<u>-</u>	<u>-</u>	<u>87,434</u>
 Total assets	 <u><u>\$ 12,849,948</u></u>	 <u><u>\$ 1,083,682</u></u>	 <u><u>\$ 895,640</u></u>	 <u><u>\$ 14,829,270</u></u>
Liabilities				
Accounts payable	\$ 150,442	\$ -	\$ 49,131	\$ 199,573
Due to other funds	714,310	-	160,566	874,876
Due to other governmental units	183,486	-	-	183,486
Payroll deductions and withholdings	52,643	-	-	52,643
Accrued salaries payable	1,006,888	-	-	1,006,888
Unearned revenue	<u>995,348</u>	<u>-</u>	<u>81,701</u>	<u>1,077,049</u>
 Total liabilities	 <u><u>3,103,117</u></u>	 <u><u>-</u></u>	 <u><u>291,398</u></u>	 <u><u>3,394,515</u></u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Non-spendable				
Inventory	\$ -	\$ -	\$ 3,968	\$ 3,968
Prepaid items	87,434	-	-	87,434
Restricted for				
Debt service	-	1,083,682	-	1,083,682
Committed				
Student and school activities	-	-	600,274	600,274
Assigned				
Budgeted excess expenditures over revenues	3,940,948	-	-	3,940,948
Unassigned	<u>5,718,449</u>	<u>-</u>	<u>-</u>	<u>5,718,449</u>
 Total fund balances	 <u>9,746,831</u>	 <u>1,083,682</u>	 <u>604,242</u>	 <u>11,434,755</u>
 Total liabilities and fund balances	 <u>\$ 12,849,948</u>	 <u>\$ 1,083,682</u>	 <u>\$ 895,640</u>	 <u>\$ 14,829,270</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2024

Total fund balances for governmental funds	\$ 11,434,755
Total net position for governmental activities in the statement of net position is different because:	
Net OPEB asset is not recorded as an asset in the governmental funds	288,943
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	680,575
Capital assets - net of accumulated depreciation	30,614,984
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	677,641
Deferred outflows of resources resulting from the net pension liability	4,821,729
Deferred outflows of resources resulting from the net OPEB asset	1,035,407
Deferred inflows of resources resulting from the net pension liability	(4,493,489)
Deferred inflows of resources resulting from the net OPEB asset	(2,705,966)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(174,800)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(17,319,150)
Compensated absences	(44,950)
Bonds payable	(28,521,802)
School bond loan payable	(10,288,092)
Other loans payable and liabilities	(28,712)
Net position of governmental activities	<u>\$ (14,022,927)</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 5,321,056	\$ 6,811,364	\$ 134,545	\$ 12,266,965
State sources	7,545,767	-	37,026	7,582,793
Federal sources	7,427,141	-	717,745	8,144,886
Interdistrict sources	<u>439,602</u>	<u>-</u>	<u>-</u>	<u>439,602</u>
Total revenues	<u>20,733,566</u>	<u>6,811,364</u>	<u>889,316</u>	<u>28,434,246</u>
Expenditures				
Current				
Education				
Instruction	7,036,322	-	-	7,036,322
Supporting services	7,783,231	-	39,390	7,822,621
Food services	-	-	884,676	884,676
Community services	268,671	-	-	268,671
Facilities acquisition	-	-	169,345	169,345
Capital outlay	124,400	-	-	124,400
Debt service				
Principal	24,938	5,119,524	-	5,144,462
Interest and other expenditures	<u>300</u>	<u>1,757,438</u>	<u>-</u>	<u>1,757,738</u>
Total expenditures	<u>15,237,862</u>	<u>6,876,962</u>	<u>1,093,411</u>	<u>23,208,235</u>
Excess (deficiency) of revenues over expenditures	<u>5,495,704</u>	<u>(65,598)</u>	<u>(204,095)</u>	<u>5,226,011</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	1,000,000	-	-	1,000,000
Transfers in	-	-	277,337	277,337
Transfers out	<u>(277,337)</u>	<u>-</u>	<u>-</u>	<u>(277,337)</u>
Total other financing sources (uses)	<u>722,663</u>	<u>-</u>	<u>277,337</u>	<u>1,000,000</u>
Net change in fund balances	6,218,367	(65,598)	73,242	6,226,011
Fund balances - beginning	<u>3,528,464</u>	<u>1,149,280</u>	<u>531,000</u>	<u>5,208,744</u>
Fund balances - ending	<u>\$ 9,746,831</u>	<u>\$ 1,083,682</u>	<u>\$ 604,242</u>	<u>\$ 11,434,755</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balances - Total governmental funds	\$ 6,226,011
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	(4,301,302)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation and amortization expense	(1,906,825)
Capital outlay	124,400
Sale of capital assets (net book value)	(40,000)
Expenses are recorded when incurred in the statement of activities.	
Interest	22,100
Compensated absences	(5,890)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	4,916,791
Net change in deferrals of resources related to the net pension liability	(4,162,339)
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB changes. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB asset	1,484,618
Net change in deferrals of resources related to the net OPEB asset	(554,202)
Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	5,144,462
Amortization of premiums	233,056
Amortization of deferred amount on debt refunding	(96,806)
Change in net position of governmental activities	<u>\$ 7,084,074</u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2024

	<u>Custodial Funds</u>
Assets	
Cash	\$ -
Net Position	
Assets held for cable television	\$ -

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2024

	<u>Custodial Funds</u>
Deductions	
Scholarships	\$ 3,729
Net position - beginning	<u>3,729</u>
Net position - ending	<u><u>\$ -</u></u>

See Accompanying Notes to the Financial Statements

Mount Clemens Community School District

Notes to the Financial Statements

June 30, 2024

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

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

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2024

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

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

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

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and Student/School Activity Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Capital Projects Fund - The 2024 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent.

Custodial Funds are related to funds held for the Macomb Cable Network (MCN), a shared service of the City of Mount Clemens and the Mount Clemens Community Schools.

Assets, Liabilities and Net Position or Equity

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2024, the rates are as follows per \$1,000 of assessed value.

General Fund

Non-principal residence exemption	17.8701
Commercial personal property	5.8701

Debt Service Funds	11.8000
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School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 100% of the School District's tax roll lies within Macomb County.

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

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2024

taxes uncollected as of March 1 are purchased by the County of Macomb and remitted to the School District by May 15.

Investments - Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

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

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

Buildings and additions	20 - 50 years
Site improvements	10 - 20 years
Equipment and furniture	5 - 10 years
Buses and other vehicles	5 - 10 years

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of

pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities (assets) in the following year.

Compensated Absences - The liability for compensated absences reported in the government-wide statements consists of earned by unused accrued vacation. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, with 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. Benefits are accrued based on various contract stipulations and lengths of service for the various bargaining units.

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

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

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2024

Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

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

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities (assets) are deferred

and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance - In the fund financial statements, governmental funds report fund balances in the following categories:

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

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

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

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

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

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

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2024

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

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

Upcoming Accounting and Reporting Changes

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

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization's vulnerabilities due to certain concentrations or constraints. This statement is effective for the year ending June 30, 2025.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization's accountability while also addressing certain application issues. This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

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

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2024

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Athletic activities	\$ 108,590	\$ 113,193	\$ 4,603
Debt - interest and fiscal charges	-	300	300

Note 3 - Deposits and Investments

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

	Governmental Activities
Cash	\$ 10,648,746
Investments	<u>277,013</u>
	<u>\$ 10,925,759</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 1,814,222
Investments in securities, mutual funds, and similar vehicles	9,109,937
Petty cash and cash on hand	<u>1,600</u>
Total	<u>\$10,925,759</u>

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	\$ 76,313	6 months average	AAAm	Standard & Poor's
MAX Class	8,756,611	6 months average	AAAm	Standard & Poor's
Mutual fund	<u>277,013</u>	N/A	N/A	N/A
	<u>\$ 9,109,937</u>			

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2024

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

As of June 30, 2024, the net asset value of the School District's investment in MILAF + Portfolio was \$8,832,924. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustees may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

As of June 30, 2024, the net asset value of the School District's investment in a mutual fund was \$277,013. The Investment Company of America (A). Capital Research and Management Company ("CRMC"), the fund's investment adviser, values the fund's investments at fair value as defined by U.S. GAAP. The net asset value per share is calculated once daily as of the close of regular trading on the New York Stock Exchange, normally 4 p.m. New York time, each day the New York Stock Exchange is open. The fund's investment adviser uses the following methods and inputs to establish the fair value of the fund's assets and liabilities. Use of particular methods and inputs may vary over time based on availability and relevance as market and economic conditions evolve. Equity securities are generally valued at the official closing price of, or the last reported sale price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the

last available bid price. Prices for each security are taken from the principal exchange or market on which the security trades. Fixed-income securities, including short-term securities, are generally valued at prices obtained from one or more pricing vendors.

Interest rate risk - In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk - State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk - The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$1,851,956 of the School District's bank balance of \$2,101,956 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2024

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

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

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

Mutual funds of \$277,013 are valued using quoted market prices (Level 1 inputs).

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 680,575	\$ -	\$ -	\$ 680,575
Capital assets being depreciated				
Buildings and additions	71,163,319	-	200,000	70,963,319
Site improvements	5,357,407	-	-	5,357,407
Equipment and furniture	2,487,730	124,400	-	2,612,130
Buses and other vehicles	111,158	-	-	111,158
Right to use asset - equipment	124,042	-	-	124,042
Right to use asset - subscription arrangements	59,014	-	-	59,014
Total capital assets being depreciated	79,302,670	124,400	200,000	79,227,070
Less accumulated depreciation for				
Buildings and additions	40,242,669	1,575,081	160,000	41,657,750
Site improvements	4,310,433	263,644	-	4,574,077
Equipment and furniture	2,124,987	23,635	-	2,148,622
Buses and other vehicles	100,043	-	-	100,043
Right to use asset - equipment	70,180	24,794	-	94,974
Right to use asset - subscription arrangements	16,949	19,671	-	36,620
Total accumulated depreciation	46,865,261	1,906,825	160,000	48,612,086
Net capital assets being depreciated	32,437,409	(1,782,425)	40,000	30,614,984
Net capital assets	\$33,117,984	\$(1,782,425)	\$ 40,000	\$31,295,559

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2024

Depreciation expense of capital assets and amortization expense of right to use assets were charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 819,935
Supporting services	934,344
Food services	114,410
Community services	<u>38,137</u>
 Total governmental activities	 <u>\$ 1,906,825</u>

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
General Fund	Debt Service Fund	\$ 632,609
Student/School Activity Fund	General Fund	29,340
Food Service Fund	General Fund	<u>131,226</u>
		<u>\$ 793,175</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

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

Interfund transfers were made during the year, between the General Fund and the Capital Projects Fund totaling \$169,345 and between the General Fund and Food Service Fund totaling \$107,992. These transfers were made to cover the costs of the School District's

programs that were in excess of revenues generated from those activities.

Note 6 - Unearned Revenue

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

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 995,348</u>
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Note 7 - Leases and Subscription Based Information Technology Arrangements

Lease Liability

During 2021 fiscal year, the School District entered into a 5 year lease agreement as a lessee for the use of copiers. An initial lease liability was recorded in the amount of \$103,608. As of June 30, 2024, the value of the lease liability was \$28,712. The School District is required to make annual principal and interest payments of \$25,238. The lease has an implied interest rate of 0.70%. The value of the right-to-use asset as of June 30, 2024 was \$124,042 and had an accumulated amortization of \$94,974.

Annual requirements to amortize lease liabilities and related interest are as follows:

Year ending June 30,	Principal	Interest
2025	\$ 25,113	\$ 125
2026	<u>3,599</u>	<u>4</u>
Total	<u>\$ 28,712</u>	<u>\$ 129</u>

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Subscription Arrangements

The School District has entered into a 3 year subscription-based information technology arrangement (SBITA) for a web based filtering software license. This arrangement commenced on July 1, 2022 and ends June 30, 2025. The School District has prepaid the total amount related to this agreement in the amount of \$10,014. Additionally, the School District entered into a 3 year subscription-based information technology arrangement (SBITA) for a web based security software license. This arrangement commenced on September 1, 2022 and ends August 31, 2025. The School District has prepaid the total amount related to this agreement in the amount of \$49,000. The School District's total SBITA asset balance was \$59,014 as of June 30, 2024 and has an accumulated amortization of \$36,620.

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. For the School Bond Loan Fund or School Loan Revolving Fund, the State may withhold state aid if the School District is in default or apply late charges in an instance of default or fails to appropriately levy debt mills. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 30,490,000	\$ -	\$ 2,715,000	\$ 27,775,000	\$ 3,715,000
Premium on bonds	979,858	-	233,056	746,802	-
Total bonds payable	<u>31,469,858</u>	<u>-</u>	<u>2,948,056</u>	<u>28,521,802</u>	<u>3,715,000</u>
Notes from direct borrowings and direct placements					
School Loan Revolving Fund (SLRF)	12,656,222	-	2,437,269	10,218,953	-
Accrued interest- SLRF	36,394	543,723	510,978	69,139	-
Total notes from direct borrowings and direct placements	<u>12,692,616</u>	<u>543,723</u>	<u>2,948,247</u>	<u>10,288,092</u>	<u>-</u>
Other liabilities					
Leases	53,650	-	24,938	28,712	25,113
Compensated absences	39,060	35,400	29,510	44,950	32,600
Total other liabilities	<u>92,710</u>	<u>35,400</u>	<u>54,448</u>	<u>73,662</u>	<u>57,713</u>
Total	<u>\$ 44,255,184</u>	<u>\$ 579,123</u>	<u>\$ 5,950,751</u>	<u>\$ 38,883,556</u>	<u>\$ 3,772,713</u>

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

General obligation bonds payable at year end, consist of the following:

\$33,420,000 2017 Refunding Bonds (Series A), due in annual installments of \$2,640,000 to \$2,715,000 through year 2031 plus interest at 3.5% to 5.0%	\$ 18,890,000
\$8,885,000 2019 Refunding Bonds, due in annual installments of \$1,000,000 to \$1,980,000 beginning in 2025 through year 2030 plus interest at 2.450% to 2.814%.	<u>8,885,000</u>
Total general obligation bonded debt	<u>\$ 27,775,000</u>

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

Year Ending June 30,	Bonds	
	Principal	Interest
2025	\$ 3,715,000	\$ 1,071,846
2026	3,900,000	911,596
2027	4,090,000	745,628
2028	4,285,000	573,662
2029	4,490,000	395,772
2030-2031	<u>7,295,000</u>	<u>350,686</u>
Total	<u>\$27,775,000</u>	<u>\$ 4,049,190</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$1,083,682 to pay this debt. Future debt and interest will be payable from future tax levies.

State School Loan Revolving Fund

The State School Loan Revolving Fund consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Loan Revolving Fund. The School District had an outstanding principal and accrued interest balance at year end of \$10,218,953 and \$69,139, respectively. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer. The principal must be repaid no later than May 1, 2037.

Compensated Absences

Accrued compensated absences at year end, consist of accrued leave benefits. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Interest expenditures for the fiscal year in the Debt Service Funds was \$1,757,438.

Deferred Amount on Refunding

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$677,641. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2031.

Note 9 - Risk Management

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

Note 10 - Pension Plan

Plan Description

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

Mount Clemens Community School District
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and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

Benefits Provided

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

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

service through repayment of the refund upon satisfaction of certain requirements.

Contributions

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

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

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2023.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.16%
Member Investment Plan	3.0 - 7.0%	20.16%
Pension Plus	3.0 - 6.4%	17.24%
Pension Plus 2	6.2%	19.95%
Defined Contribution	0.0%	13.75%

Required contributions to the pension plan from the School District were \$1,928,568 for the year ending September 30, 2023.

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

At June 30, 2024, the School District reported a liability of \$17,319,150 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 School 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 School District's proportion was .0535 percent, which was a decrease of .0056 percent from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the School District recognized pension expense of \$1,685,940 for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total pension contribution expense of \$1,890,272.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 546,713	\$ (26,530)	\$ 520,183
Changes of assumptions	2,346,824	(1,353,125)	993,699
Net difference between projected and actual earnings on pension plan investments	-	(354,406)	(354,406)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>109,088</u>	<u>(1,842,503)</u>	<u>(1,733,415)</u>
Total to be recognized in future	3,002,625	(3,576,564)	(573,939)
School District contributions subsequent to the measurement date	<u>1,819,104</u>	<u>(916,925)</u>	<u>902,179</u>
Total	<u>\$ 4,821,729</u>	<u>\$(4,493,489)</u>	<u>\$ 328,240</u>

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Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. The District will offset the contribution expense in the year ended June 30, 2025 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2024	\$ (134,028)
2025	(302,249)
2026	286,258
2027	(423,920)
	<u>\$ (573,939)</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2022
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.00% net of investment expenses
 - Pension Plus Plan: 6.00% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: PubT-2010 Male and Female 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 Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is 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.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4406 years.

Recognition period for assets is 5 years.

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Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.8%
Private Equity Pools	16.0	9.6%
International Equity	15.0	6.8%
Fixed Income Pools	13.0	1.3%
Real Estate and Infrastructure Pools	10.0	6.4%
Absolute Return Pools	9.0	4.8%
Real Return/Opportunistic Pools	10.0	7.3%
Short Term Investment Pools	2.0	0.3%
	<u>100.0%</u>	

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

Rate of Return

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

Discount Rate

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

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

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

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
\$ 23,398,121	\$ 17,319,150	\$ 12,258,187

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

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

Note 11 - Postemployment Benefits Other Than Pensions (OPEB) Plan Description

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

board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

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 with 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

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Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of

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

The schedule below summarizes OPEB contribution rates in effect for plan year 2023.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.07%
Personal Healthcare Fund (PHF)	0.0%	7.21%

Required contributions to the OPEB plan from the School District were \$397,889 for the year ended September 30, 2023.

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

At June 30, 2024, the School District reported an asset of \$288,943 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 asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The School 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 School District's proportion was .0511 percent, which was a decrease of .0054 percent from its proportion measured as of September 30, 2022.

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For the plan year ending September 30, 2023, the School District recognized OPEB expense of \$(575,628) for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total OPEB contribution expense of \$368,662.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$(2,183,401)	\$(2,183,401)
Changes of assumptions	643,237	(77,458)	565,779
Net difference between projected and actual earnings on OPEB plan investments	881	-	881
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>54,599</u>	<u>(445,107)</u>	<u>(390,508)</u>
Total to be recognized in future	698,717	(2,705,966)	(2,007,249)
School District contributions subsequent to the measurement date	<u>336,690</u>	<u>-</u>	<u>336,690</u>
Total	<u>\$ 1,035,407</u>	<u>\$(2,705,966)</u>	<u>\$(1,670,559)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as an addition to the OPEB asset 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 during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2024	\$ (597,860)
2025	(560,598)
2026	(286,924)
2027	(276,085)
2028	(193,193)
Thereafter	<u>(92,589)</u>
	<u><u>\$(2,007,249)</u></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.

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2022
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- 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 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 Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

- Opt Out Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees 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 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total OPEB liability or asset as of September 30, 2023, is 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.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 6.5099 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

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Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.8%
Private Equity Pools	16.0	9.6%
International Equity	15.0	6.8%
Fixed Income Pools	13.0	1.3%
Real Estate and Infrastructure Pools	10.0	6.4%
Absolute Return Pools	9.0	4.8%
Real Return/Opportunistic Pools	10.0	7.3%
Short Term Investment Pools	2.0	0.3%
	<u>100.0%</u>	

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

Rate of Return

For the plan year ended September 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. The money-weighted rate of return expresses investment performance, net of investment expense,

adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.95% was used to measure the total OPEB liability or asset. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability or asset.

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

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

1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$ <u>299,547</u>	\$ <u>(288,943)</u>	\$ <u>(794,692)</u>

Mount Clemens Community School District
Notes to the Financial Statements
June 30, 2024

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

The following presents the School District's proportionate share of the net OPEB liability or asset calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability or asset 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
\$ (795,953)	\$ (288,943)	\$ 259,809

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2023 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

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

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

Mount Clemens Community School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 4,479,753	\$ 5,224,628	\$ 5,321,056	\$ 96,428
State sources	5,659,771	7,800,918	7,545,767	(255,151)
Federal sources	2,052,823	7,684,877	7,427,141	(257,736)
Interdistrict sources	864,775	461,317	439,602	(21,715)
Total revenues	13,057,122	21,171,740	20,733,566	(438,174)
Expenditures				
Instruction				
Basic programs	5,507,312	5,270,440	5,163,271	(107,169)
Added needs	2,101,928	2,261,105	1,873,051	(388,054)
Supporting services				
Pupil	1,298,065	1,339,778	1,262,975	(76,803)
Instructional staff	756,329	1,183,893	987,030	(196,863)
General administration	481,846	478,165	455,502	(22,663)
School administration	595,951	680,937	628,515	(52,422)
Business	507,846	547,353	499,382	(47,971)
Operations and maintenance	1,535,593	2,583,239	2,238,670	(344,569)
Pupil transportation services	773,988	1,052,273	880,000	(172,273)
Central	1,198,119	898,100	717,964	(180,136)
Athletic activities	97,771	108,590	113,193	4,603
Community services	391,748	393,567	268,671	(124,896)
Capital outlay	207,708	125,000	124,400	(600)
Debt service				
Principal	-	28,254	24,938	(3,316)
Interest and fiscal charges	-	-	300	300
Total expenditures	15,454,204	16,950,694	15,237,862	(1,712,832)
Excess (deficiency) of revenues over expenditures	(2,397,082)	4,221,046	5,495,704	1,274,658

Mount Clemens Community School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
Transfers out	<u>(2,710,960)</u>	<u>(345,968)</u>	<u>(277,337)</u>	<u>68,631</u>
Total other financing sources (uses)	<u>(2,710,960)</u>	<u>(345,968)</u>	<u>722,663</u>	<u>1,068,631</u>
Net change in fund balances	(5,108,042)	3,875,078	6,218,367	2,343,289
Fund balance - beginning	<u>3,528,464</u>	<u>3,528,464</u>	<u>3,528,464</u>	<u>-</u>
Fund balance - ending	<u>\$ (1,579,578)</u>	<u>\$ 7,403,542</u>	<u>\$ 9,746,831</u>	<u>\$ 2,343,289</u>

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

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of the net pension liability (%)	0.0535%	0.0591%	0.0620%	0.0612%	0.0603%	0.0599%	0.0604%	0.0627%	0.0593%	0.0663%
B. School District's proportionate share of the net pension liability	\$ 17,319,150	\$ 22,235,941	\$ 14,686,715	\$ 21,015,284	\$ 19,977,337	\$ 18,018,237	\$ 15,644,021	\$ 15,638,901	\$ 14,489,891	\$ 14,599,748
C. School District's covered payroll	\$ 5,094,725	\$ 5,461,909	\$ 5,545,562	\$ 5,477,321	\$ 5,238,918	\$ 5,134,642	\$ 4,887,198	\$ 5,403,441	\$ 4,930,193	\$ 5,712,588
D. School District's proportionate share of the net pension liability as a percentage of its covered payroll	339.94%	407.11%	264.84%	383.68%	381.33%	350.92%	320.10%	289.42%	293.90%	255.57%
E. Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

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

	For the Years Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 1,890,272	\$ 2,021,115	\$ 2,015,899	\$ 1,845,488	\$ 1,684,284	\$ 1,594,696	\$ 1,712,336	\$ 1,407,580	\$ 1,081,108	\$ 1,067,786
B. Contributions in relation to statutorily required contributions	<u>1,890,272</u>	<u>2,021,115</u>	<u>2,015,899</u>	<u>1,845,488</u>	<u>1,684,284</u>	<u>1,594,696</u>	<u>1,712,336</u>	<u>1,407,580</u>	<u>1,081,108</u>	<u>1,067,786</u>
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. School District's covered payroll	\$ 4,735,653	\$ 5,076,259	\$ 5,470,553	\$ 5,475,517	\$ 5,560,710	\$ 5,180,389	\$ 5,158,056	\$ 5,096,593	\$ 5,346,717	\$ 4,961,857
E. Contributions as a percentage of covered payroll	39.92%	39.82%	36.85%	33.70%	30.29%	30.78%	33.20%	27.62%	20.22%	21.52%

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

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of the net OPEB liability (asset) (%)	0.0511%	0.0565%	0.0618%	0.0619%	0.0601%	0.0604%	0.0605%			
B. School District's proportionate share of the net OPEB liability (asset)	\$ (288,943)	\$ 1,195,675	\$ 942,559	\$ 3,317,688	\$ 4,313,373	\$ 4,799,695	\$ 5,356,091			
C. School District's covered payroll	\$ 5,094,725	\$ 5,461,909	\$ 5,545,562	\$ 5,477,321	\$ 5,238,918	\$ 5,134,642	\$ 4,887,198			
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.67%	21.89%	17.00%	60.57%	82.33%	93.48%	109.59%			
E. Plan fiduciary net position as a percentage of total OPEB liability (asset)	105.04%	83.09%	87.33%	59.44%	36.39%	42.95%	36.39%			

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

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

	For the Years Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 368,662	\$ 421,429	\$ 423,336	\$ 450,650	\$ 452,467	\$ 405,997	\$ 315,856			
B. Contributions in relation to statutorily required contributions	<u>368,662</u>	<u>421,429</u>	<u>423,336</u>	<u>450,650</u>	<u>452,467</u>	<u>405,997</u>	<u>315,856</u>			
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
D. School District's covered payroll	\$ 4,735,653	\$ 5,076,259	\$ 5,470,553	\$ 5,475,517	\$ 5,560,710	\$ 5,180,389	5,158,056			
E. Contributions as a percentage of covered payroll	7.78%	8.30%	7.74%	8.23%	8.14%	7.84%	6.12%			

OTHER SUPPLEMENTARY INFORMATION

Mount Clemens Community School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2024

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Student and School Activity	
Assets			
Cash	\$ 235,461	\$ 352,601	\$ 588,062
Due from other governmental units	26,597	-	26,597
Inventory	3,968	-	3,968
Investments	-	277,013	277,013
Total assets	<u>\$ 266,026</u>	<u>\$ 629,614</u>	<u>\$ 895,640</u>
Liabilities			
Accounts payable	\$ 49,131	\$ -	\$ 49,131
Due to other funds	131,226	29,340	160,566
Unearned revenue	81,701	-	81,701
Total liabilities	<u>262,058</u>	<u>29,340</u>	<u>291,398</u>
Fund Balances			
Non-spendable			
Inventory	3,968	-	3,968
Committed	-	600,274	600,274
Total fund balances	<u>3,968</u>	<u>600,274</u>	<u>604,242</u>
Total liabilities and fund balances	<u>\$ 266,026</u>	<u>\$ 629,614</u>	<u>\$ 895,640</u>

Mount Clemens Community School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund 2024</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Student and School Activity</u>		
Revenues				
Local sources	\$ 23,172	\$ 111,373	\$ -	\$ 134,545
State sources	37,026	-	-	37,026
Federal sources	<u>717,745</u>	<u>-</u>	<u>-</u>	<u>717,745</u>
Total revenues	<u>777,943</u>	<u>111,373</u>	<u>-</u>	<u>889,316</u>
Expenditures				
Current				
Education				
Supporting services	-	39,390	-	39,390
Food services	884,676	-	-	884,676
Facilities acquisition	<u>-</u>	<u>-</u>	<u>169,345</u>	<u>169,345</u>
Total expenditures	<u>884,676</u>	<u>39,390</u>	<u>169,345</u>	<u>1,093,411</u>
Excess (deficiency) of revenues over expenditures	<u>(106,733)</u>	<u>71,983</u>	<u>(169,345)</u>	<u>(204,095)</u>
Other Financing Sources				
Transfers in	<u>107,992</u>	<u>-</u>	<u>169,345</u>	<u>277,337</u>
Net change in fund balances	1,259	71,983	-	73,242
Fund balances - beginning	<u>2,709</u>	<u>528,291</u>	<u>-</u>	<u>531,000</u>
Fund balances - ending	<u>\$ 3,968</u>	<u>\$ 600,274</u>	<u>\$ -</u>	<u>\$ 604,242</u>