
Southfield Public Schools

**Financial Report
with Supplementary Information
June 30, 2023**

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Independent Auditor's Report

To the Board of Education
Southfield Public Schools

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southfield Public Schools (the "School District") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Southfield Public Schools' basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southfield Public Schools as of June 30, 2023 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Board of Education
Southfield Public Schools

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

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

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

Required Supplementary Information

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

Other Supplementary Information

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

To the Board of Education
Southfield Public Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023 on our consideration of Southfield Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southfield Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southfield Public Schools' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is written in a cursive, flowing style.

October 26, 2023

This section of Southfield Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2023. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Southfield Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund and the 2023 Building & Site Fund. All other funds are presented in one column as nonmajor funds. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Other Supplementary Information

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

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

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

Southfield Public Schools

Management's Discussion and Analysis (Continued)

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

Reporting the School District's Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as debt service and sinking funds).

Governmental Funds

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

The School District as a Whole

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

	Governmental Activities	
	2023	2022
	(in millions)	
Assets		
Current and other assets	\$ 115.5	\$ 41.2
Capital assets	91.6	91.3
Total assets	207.1	132.5
Deferred Outflows of Resources	59.9	31.5
Liabilities		
Current liabilities	20.6	16.0
Noncurrent liabilities	116.4	47.6
Net pension liability	165.2	112.8
Net OPEB liability	9.0	7.1
Total liabilities	311.2	183.5
Deferred Inflows of Resources	45.0	78.3
Net Position (Deficit)		
Net investment in capital assets	54.6	50.9
Restricted	2.8	2.4
Unrestricted	(146.6)	(151.1)
Total net position (deficit)	\$ (89.2)	\$ (97.8)

Southfield Public Schools

Management's Discussion and Analysis (Continued)

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(89.2) million at June 30, 2023. Net investment in capital assets totaling \$54.6 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(146.6) million) was unrestricted. The \$(146.6) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations, net of the pension and OPEB liabilities.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.2	\$ 0.2
Operating grants	43.3	38.3
General revenue:		
Taxes	50.1	48.3
State aid not restricted to specific purposes	16.7	15.3
Other	2.0	3.5
Total revenue	112.3	105.6
Expenses		
Instruction	56.0	47.1
Support services	40.9	35.7
Athletics	0.5	0.5
Food services	3.6	2.5
Community services	0.5	0.4
Debt service	2.2	1.5
Total expenses	103.7	87.7
Change in Net Position	8.6	17.9
Net Position (Deficit) - Beginning of year	(97.8)	(115.7)
Net Position (Deficit) - End of year	\$ (89.2)	\$ (97.8)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$103.7 million. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions (\$43.3 million). We paid for the remaining public benefit portion of our governmental activities with \$50.1 million in taxes, \$16.7 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$8.6 million. Key reasons for the change in net position were the increase and strategic usage of operating grants, additional tax revenue, additional unrestricted state aid, and changes in pension and OPEB-related balances.

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

Southfield Public Schools

Management's Discussion and Analysis (Continued)

The School District's Funds

As the School District completed this year, the governmental funds reported a combined fund balance of \$95.3 million, which is an increase of \$70.0 million from last year. The primary reason for the increase is due to the 2023 Building & Site Fund bond issuance.

In the General Fund, our principal operating fund, fund balance decreased by \$2.6 million to \$12.2 million. The change is mainly due to higher salaries and benefits, additional operations and maintenance costs, and additional transportation costs.

Fund balance of our special revenue funds decreased by \$0.8 million to \$0.4 million. The change is mainly due to a one-time purchase of new food service equipment used throughout the district.

The fund balance of our debt service fund increased by \$0.7 million. Millage rates are reviewed and adjusted annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related obligations. Debt service fund balances are reserved since they can be used only to pay debt service obligations.

Combined, the fund balance of our capital project funds, excluding the 2023 Building & Site Fund, decreased by \$2.1 million. This decrease is primarily due to continued construction related to the 2020 bond issue. The construction project is estimated to be approximately 50 percent complete at the end of the year.

The School District also issued \$68.2 million in new voter-approved bonds during the current year. These bonds were issued in accordance with state law, and the proceeds were used to set up the 2023 Building & Site Fund.

Budgetary Highlights

Over the course of the year, the School District revises its General Fund budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2023. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

There were significant revisions made to the 2022-2023 original budget. Budgeted revenue decreased by \$9.7 million primarily due to less than expected expenditures of Elementary and Secondary School Emergency Relief Funds (ESSER). Conversely, state revenue was higher than expected. Budgeted expenditures declined by \$14.2 million primarily related to the decreased ESSER expenditures.

Actual revenue were \$5.3 million higher than the final budget due to higher than expected local property taxes and state revenue. The School District also drew down more ESSER funds than anticipated in the final budget amendment.

Actual expenditures were \$6.9 million higher than the final budget due to increased ESSER drawdowns and increased pension costs related to Section 147c(2) of the State School Aid Act. The amount of transfers to other funds was \$0.2 million and represents support provided to food service.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2023 and 2022, the School District had \$91.6 million and \$91.3 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This represents a net increase (including additions, adjustments, disposals, and depreciation) of approximately \$0.3 million from 2022 to 2023.

Southfield Public Schools

Management's Discussion and Analysis (Continued)

	2023	2022
Land	\$ 5,575,181	\$ 5,575,181
Construction in progress	2,271,843	-
Buildings and improvements	173,136,348	172,256,781
Furniture and equipment	2,810,976	2,206,487
Buses and other vehicles	715,837	715,837
Total capital assets	184,510,185	180,754,286
Less accumulated depreciation	92,877,911	89,482,297
Total capital assets - Net of accumulated depreciation	\$ 91,632,274	\$ 91,271,989

This year's additions included continuations of the replacement of the Birney roof, replacement of the chiller on the Lathrup campus, and renovation work being done at Eisenhower Elementary School related to the 2023 bond issue. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$105.3 million in bonds outstanding versus \$42.8 million in the previous year. The increase in bonds outstanding related to the 2023 Building & Site bond issuance.

The School District's general obligation bond rating continues to be A1. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$9,045,000 is significantly below the statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2023-2024 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The School District budget was adopted in June 2023 based on an estimate of students who would be enrolled in October 2023. Approximately 21 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2023-2024 school year, we anticipate that the fall student count will be below the estimates used in creating the budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of \$458 per pupil.

During 2022-2023, the School District settled a labor contract with the school administrators' union. The financial impact on operations is estimated by the School District to be \$0.2 million. In addition, the clerical and paraprofessional unions exercised their options for a wage reopener. New agreements were reached with each union, and the financial impact on operations is estimated to be \$0.3 million.

Contacting the School District's Management

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

Southfield Public Schools

Statement of Net Position

June 30, 2023

	Governmental Activities
	<u> </u>
Assets	
Cash and investments (Note 4)	\$ 21,189,744
Receivables:	
Other receivables	15,025
Due from other governments	12,234,475
Prepaid costs	94,362
Restricted assets (Note 4)	81,925,661
Capital assets: (Note 6)	
Assets not subject to depreciation	7,847,024
Assets subject to depreciation - Net	<u>83,785,250</u>
Total assets	207,091,541
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 7)	480,604
Deferred pension costs (Note 10)	47,962,961
Deferred OPEB costs (Note 10)	<u>11,480,932</u>
Total deferred outflows of resources	59,924,497
Liabilities	
Accounts payable	7,351,016
Due to other governmental units	1,787,635
Accrued liabilities and other	9,777,338
Unearned revenue (Note 5)	1,720,517
Noncurrent liabilities:	
Due within one year (Note 7)	12,977,742
Due in more than one year (Note 7)	103,488,366
Net pension liability (Note 10)	165,177,894
Net OPEB liability (Note 10)	<u>8,956,729</u>
Total liabilities	311,237,237
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the measurement date (Note 10)	11,327,586
Deferred pension cost reductions (Note 10)	11,621,328
Deferred OPEB cost reductions (Note 10)	<u>22,057,362</u>
Total deferred inflows of resources	<u>45,006,276</u>
Net Position (Deficit)	
Net investment in capital assets	54,604,765
Restricted:	
Debt service	1,776,594
Expendable trust fund	17,631
Food service	10,804
Capital projects	1,001,929
Unrestricted	<u>(146,639,198)</u>
Total net position (deficit)	<u><u>\$ (89,227,475)</u></u>

Southfield Public Schools

Statement of Activities

Year Ended June 30, 2023

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 56,004,310	\$ 51,108	\$ 22,974,311	\$ (32,978,891)
Support services	40,872,451	-	16,928,440	(23,944,011)
Athletics	527,838	28,772	-	(499,066)
Food services	3,622,140	143,894	2,971,775	(506,471)
Community services	559,009	-	403,058	(155,951)
Interest	1,814,884	-	-	(1,814,884)
Other debt costs	417,717	-	-	(417,717)
Total primary government	\$ 103,818,349	\$ 223,774	\$ 43,277,584	(60,316,991)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				41,971,304
Property taxes, levied for debt service				6,300,311
Property taxes, levied for capital projects				1,870,326
State aid not restricted to specific purposes				16,694,230
Interest and investment earnings				1,138,920
Other				908,224
Total general revenue				68,883,315
Change in Net Position				8,566,324
Net Position (Deficit) - Beginning of year				(97,793,799)
Net Position (Deficit) - End of year				\$ (89,227,475)

Southfield Public Schools

Governmental Funds Balance Sheet

June 30, 2023

	General Fund	2023 Building & Site Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 4)	\$ 18,891,744	\$ -	\$ 2,298,000	\$ 21,189,744
Receivables:				
Other receivables	15,025	-	-	15,025
Due from other governments	12,068,922	-	165,553	12,234,475
Prepaid costs	94,362	-	-	94,362
Restricted assets (Note 4)	-	74,890,536	7,035,125	81,925,661
	<u>\$ 31,070,053</u>	<u>\$ 74,890,536</u>	<u>\$ 9,498,678</u>	<u>\$ 115,459,267</u>
Total assets				
Liabilities				
Accounts payable	\$ 6,066,242	\$ 49,060	\$ 1,235,714	\$ 7,351,016
Due to other governmental units	1,787,521	-	114	1,787,635
Accrued liabilities and other	8,944,184	-	-	8,944,184
Unearned revenue (Note 5)	1,720,517	-	-	1,720,517
	<u>18,518,464</u>	<u>49,060</u>	<u>1,235,828</u>	<u>19,803,352</u>
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue (Note 5)				
	<u>312,619</u>	<u>-</u>	<u>-</u>	<u>312,619</u>
Total liabilities and deferred inflows of resources	18,831,083	49,060	1,235,828	20,115,971
Fund Balances				
Nonspendable - Prepaid costs	94,362	-	-	94,362
Restricted:				
Debt service	-	-	2,609,748	2,609,748
Capital projects	-	74,841,476	4,395,564	79,237,040
Food service	-	-	10,804	10,804
Expendable Trust Fund	-	-	17,631	17,631
Committed:				
Capital projects	-	-	835,342	835,342
Student activities	-	-	393,761	393,761
Assigned:				
Budgeted use of fund balance in subsequent year	2,618,889	-	-	2,618,889
Compensated absences	722,884	-	-	722,884
Unassigned	8,802,835	-	-	8,802,835
	<u>12,238,970</u>	<u>74,841,476</u>	<u>8,262,850</u>	<u>95,343,296</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 31,070,053</u>	<u>\$ 74,890,536</u>	<u>\$ 9,498,678</u>	<u>\$ 115,459,267</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

Fund Balances Reported in Governmental Funds	\$ 95,343,296
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	184,510,185
Accumulated depreciation	<u>(92,877,911)</u>
Net capital assets used in governmental activities	91,632,274
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	312,619
Deferred outflows related to bond refundings are not reported in the funds	480,604
Bonds payable, net of premiums or discounts on bonds, are not due and payable in the current period and are not reported in the funds	(115,743,224)
Accrued interest is not due and payable in the current period and is not reported in the funds	(833,154)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(722,884)
Net pension liability and related deferred inflows and outflows	(128,836,261)
Net OPEB liability and related deferred inflows and outflows	(19,533,159)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(11,327,586)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (89,227,475)</u></u>

Southfield Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2023

	General Fund	2023 Building & Site Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 42,832,104	\$ 591,366	\$ 8,997,435	\$ 52,420,905
State sources	39,200,971	-	90,451	39,291,422
Federal sources	11,862,899	-	2,900,463	14,763,362
Interdistrict sources	10,110,679	-	-	10,110,679
Total revenue	104,006,653	591,366	11,988,349	116,586,368
Expenditures				
Current:				
Instruction	62,150,452	-	-	62,150,452
Support services	42,597,510	27,523	351,511	42,976,544
Athletics	611,905	-	-	611,905
Food services	-	-	3,466,635	3,466,635
Community services	509,935	-	-	509,935
Debt service: (Note 7)				
Principal	-	-	5,715,000	5,715,000
Interest	-	-	1,819,010	1,819,010
Other debt costs	-	417,717	-	417,717
Capital outlay	628,756	457,444	3,006,256	4,092,456
Total expenditures	106,498,558	902,684	14,358,412	121,759,654
Excess of Expenditures Over Revenue	(2,491,905)	(311,318)	(2,370,063)	(5,173,286)
Other Financing Sources (Uses)				
Face value of debt issued (Note 7)	-	68,225,000	-	68,225,000
Proceeds from sale of capital assets	50,000	-	-	50,000
Premium on debt issued (Note 7)	-	6,927,794	-	6,927,794
Transfers in (Note 8)	-	-	172,000	172,000
Transfers out (Note 8)	(172,000)	-	-	(172,000)
Total other financing (uses) sources	(122,000)	75,152,794	172,000	75,202,794
Net Change in Fund Balances	(2,613,905)	74,841,476	(2,198,063)	70,029,508
Fund Balances - Beginning of year	14,852,875	-	10,460,913	25,313,788
Fund Balances - End of year	\$ 12,238,970	\$ 74,841,476	\$ 8,262,850	\$ 95,343,296

Southfield Public Schools

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

Year Ended June 30, 2023

Net Change in Fund Balances Reported in Governmental Funds	\$ 70,029,508
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. Also, loss on impairment of capital assets is an expenditure in the statement of activities but not in the governmental funds:	
Capitalized capital outlay	3,755,899
Depreciation expense	(3,396,850)
Net book value of assets disposed of	1,236
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	85,477
Revenue in support of pension contributions made subsequent to the measurement date	(4,338,408)
Issuing debt, net of premiums, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(75,152,794)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	6,247,910
Interest expense is recognized in the government-wide statements as it accrues	(528,784)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	11,863,130
Change in Net Position of Governmental Activities	<u>\$ 8,566,324</u>

June 30, 2023

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, no component units are required to be reported within the financial statements of the School District.

Report Presentation

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

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

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the School District's business-type activities and various other functions of the School District.

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

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 2023 Building & Site Fund is a capital projects fund used to record bond proceeds and other revenue and disbursement of invoices specifically related to remodeling buildings for safety, energy conservation, school building modernization, and security improvements; erecting, completing, equipping and furnishing additions to school buildings and a stadium building; acquiring and installing instructional technology infrastructure and equipment in school buildings and other facilities; and preparing, developing, and improving sites at school buildings and acquiring school buses. The fund operates until the purpose for which it was created is accomplished.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's nonmajor special revenue funds include the Food Service Fund, the Expendable Trust Fund, and the Student Activities Fund. The Food Service Fund is used to record all transactions of food sales to pupils at all school district buildings. The Expendable Trust Fund is used to record contributions and scholarship distributions that are directed by an outside party. Revenue sources for the Student Activity Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Capital projects funds, including the Building and Site Fund, the 2020 Building & Site Fund, and the Sinking Fund, are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The 2020 Building & Site Fund is a capital projects fund used to record bond proceeds and other revenue and disbursement of invoices specifically related to remodeling buildings for safety and security improvements; construction additions to, equipping, furnishing, reequipping, refurbishing, and remodeling buildings, including classroom, auditorium, and media center improvements; improving and developing sites, including outdoor athletic facilities, playgrounds, and structures; acquiring school buses; and acquiring and installing technology infrastructure and equipment. The Sinking Fund is a capital projects fund that is used to record revenue and the disbursement of moneys specifically designated for major remodeling and repairs. The Sinking Fund is financed by support of a 0.70 mill levy each year for 10 years beginning in 2018. The capital projects funds operate until the purpose for which they were created is accomplished.
- The Debt Retirement Fund is a debt service fund that is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Note 2 - Significant Accounting Policies (Continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the School District). The School District does not have any proprietary funds.

Interfund Activity

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

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

Basis of Accounting

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

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

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

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Investments

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

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Note 2 - Significant Accounting Policies (Continued)

Restricted Assets

The following amounts are reported as restricted assets:

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

Capital Assets

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

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

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

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

Note 2 - Significant Accounting Policies (Continued)

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

In addition, the governmental funds report unavailable revenue that is not collected during the period of availability and not available to pay current obligations.

Net Position

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Note 2 - Significant Accounting Policies (Continued)

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

The fund balance policy prescribes the minimum fund balance as 10 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year. If a fund balance declines below the 10 percent range, it shall be recovered at a rate directed by the Board of Education.

Property Tax Revenue

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

Grants and Contributions

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

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB 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. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

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

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

Upcoming Accounting Pronouncement

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

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 26, 2023, which is the date the financial statements were available to be issued.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund, except capital outlay is budgeted within functional categories but is presented separately on the statement of revenue, expenditures, and changes in fund balances. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

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

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the School District incurred expenditures in the General Fund that were in excess of the amounts budgeted as follows:

	Budget	Actual
Instruction - Basic programs	\$ 42,850,723	\$ 46,899,411
Support services - Instructional staff	4,856,996	5,423,151
Support services - Pupil transportation services	5,261,322	5,841,130
Other financing uses - Transfers out	-	122,000
Total	<u>\$ 52,969,041</u>	<u>\$ 58,285,692</u>

Note 3 - Stewardship, Compliance, and Accountability (Continued)

Capital Projects and Sinking Fund Compliance

The 2020 Building & Site Fund and 2023 Building & Site Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

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

Note 4 - Deposits and Investments

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

The School District has designated five banks (credit unions or savings and loan associations) for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a 1-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX class funds. Redemptions made on MILAF MAX class funds prior to the applicable 14-day period are subject to a penalty equal to 15 days interest on the amount so redeemed.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not currently have a policy for custodial credit risk. At year end, the School District's bank deposit balance of \$20,340,494 had bank deposits of \$19,340,494 that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the School District's cash requirements. The School District's investment policy also restricts investment maturities of commercial paper to 270 days.

Note 4 - Deposits and Investments (Continued)

At year end, the School District had interest rate risk with the MILAF Investment Pool - Term Series investment with a carrying value of \$2,000,000 and a maturity date of November 30, 2023.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2023, the credit quality ratings of the School District's investments are as follows:

Investment	Carrying Value	Rating	Rating Organization
MILAF Investment Pool - Cash Management Class	\$ 78,719,566	AAAm	S&P
MILAF Investment Pool - MAX Class	2,244,153	AAAm	S&P
MILAF Investment Pool - Term Series	<u>2,000,000</u>	AAAf	Kroll
Total	<u>\$ 82,963,719</u>		

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. At June 30, 2023, all of the School District's investments are in the Michigan Liquid Asset Fund and, therefore, are the only investment type subject to concentration of credit risk.

Foreign Currency Risk

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

Investments that Calculate Net Asset Value per Share

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

As of June 30, 2023, the net asset value of the School District's investments in the MILAF Term Series was \$2,000,000. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date upon initiation of the investment. Early redemptions are permitted, but an early termination fee would apply.

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

Note 5 - Unavailable/Unearned Revenue

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

At June 30, 2023, the School District had approximately \$313,000 of unavailable revenue related to federal grant receivables unavailable for use in the current period and approximately \$1,721,000 of unearned revenue, primarily related to grant and categorical aid payments received prior to meeting all eligibility requirements.

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 5,575,181	\$ -	\$ -	\$ -	\$ 5,575,181
Construction in progress	-	-	2,271,843	-	2,271,843
Subtotal	5,575,181	-	2,271,843	-	7,847,024
Capital assets being depreciated:					
Buildings and improvements	172,256,781	-	879,567	-	173,136,348
Furniture and equipment	2,206,487	-	604,489	-	2,810,976
Buses and other vehicles	715,837	-	-	-	715,837
Subtotal	175,179,105	-	1,484,056	-	176,663,161
Accumulated depreciation:					
Buildings and improvements	87,509,772	-	3,254,372	(1,236)	90,762,908
Furniture and equipment	1,500,147	-	101,737	-	1,601,884
Buses and other vehicles	472,378	-	40,741	-	513,119
Subtotal	89,482,297	-	3,396,850	(1,236)	92,877,911
Net capital assets being depreciated	85,696,808	-	(1,912,794)	1,236	83,785,250
Net governmental activities capital assets	<u>\$ 91,271,989</u>	<u>\$ -</u>	<u>\$ 359,049</u>	<u>\$ 1,236</u>	<u>\$ 91,632,274</u>

The depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 2,140,017
Support services	1,086,992
Community services	67,937
Food services	101,904
Total governmental activities	<u>\$ 3,396,850</u>

June 30, 2023

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:					
General obligation	\$ 42,805,000	\$ 68,225,000	\$ (5,715,000)	\$ 105,315,000	\$ 12,045,000
Unamortized bond premiums	4,118,153	6,927,794	(617,723)	10,428,224	848,649
Total bonds payable	46,923,153	75,152,794	(6,332,723)	115,743,224	12,893,649
Compensated absences	668,636	54,248	-	722,884	84,093
Total governmental activities long-term debt	\$ 47,591,789	\$ 75,207,042	\$ (6,332,723)	\$ 116,466,108	\$ 12,977,742

The School District had deferred outflows of \$480,604 related to deferred charges on bond refundings at June 30, 2023.

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District’s qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District’s property tax levy; however, the State of Michigan may withhold the School District’s state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2023 are as follows:

	Remaining Annual Installments	Interest Rate	Maturing on May 1	Outstanding
\$51,005,000 - 2017 qualified refunding bonds	\$4,380,000-\$5,260,000	5.00	2029	\$ 28,045,000
\$13,660,000 - 2020 nonqualified building and site bonds	\$1,665,000-\$1,960,000	2.05	2028	9,045,000
\$68,225,000 - 2023 qualified building and site bonds	\$1,500,000-\$9,275,000	5.00	2053	68,225,000
Total governmental activities				\$ 105,315,000

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities		
	Other Debt		
	Principal	Interest	Total
2024	\$ 12,045,000	\$ 4,964,192	\$ 17,009,192
2025	14,670,000	4,439,179	19,109,179
2026	16,030,000	3,756,554	19,786,554
2027	8,640,000	3,007,942	11,647,942
2028	7,850,000	2,631,095	10,481,095
2029-2033	11,905,000	9,889,000	21,794,000
2034-2038	7,750,000	7,781,250	15,531,250
2039-2043	8,300,000	5,786,250	14,086,250
2044-2048	8,870,000	3,659,000	12,529,000
2049-2053	9,255,000	1,393,500	10,648,500
Total	<u>\$ 105,315,000</u>	<u>\$ 47,307,962</u>	<u>\$ 152,622,962</u>

Note 8 - Transfers

Transfers from the General Fund to the Food Service Fund totaling \$172,000 were made to cover excess costs incurred in the Food Service Fund in the current year.

Note 9 - Risk Management

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

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

Note 10 - Michigan Public School Employees' Retirement System

Plan Description

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

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

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

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment health care plan.

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

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

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

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

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

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

Contributions

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

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

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

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

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

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2023 were \$19,543,456, which includes the School District's contributions required for those members with a defined contribution benefit. For the year ended June 30, 2023, the School District's required and actual pension contributions include an allocation of \$7,158,539 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate as well as \$4,169,047 of a one-time state payment received and remitted to the System for the purpose of contributing additional assets to the System.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2023 were \$3,312,737, which includes the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2023, the School District reported a liability of \$165,177,894 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the School District's proportion was 0.44 and 0.48 percent, respectively, representing a change of (7.78) percent.

June 30, 2023

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

Net OPEB Liability

At June 30, 2023, the School District reported a liability of \$8,956,729 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2023 was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the School District's proportion was 0.42 and 0.47 percent, respectively, representing a change of (9.45) percent.

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

For 2023, the School District recognized pension expense of \$15,420,879, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 1,652,355	\$ (369,320)
Changes in assumptions	28,383,481	-
Net difference between projected and actual earnings on pension plan investments	387,342	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	48,751	(11,252,008)
The School District's contributions to the plan subsequent to the measurement date	<u>17,491,032</u>	<u>-</u>
Total	<u>\$ 47,962,961</u>	<u>\$ (11,621,328)</u>

The \$11,327,586 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Amount</u>
2024	\$ 4,911,233
2025	2,892,557
2026	2,538,351
2027	<u>8,508,460</u>
Total	<u>\$ 18,850,601</u>

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

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

For the year ended June 30, 2023, the School District recognized OPEB recovery of \$4,812,476.

June 30, 2023

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (17,542,802)
Changes in assumptions	7,983,420	(650,056)
Net difference between projected and actual earnings on OPEB plan investments	700,039	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	314,464	(3,864,504)
Employer contributions to the plan subsequent to the measurement date	2,483,009	-
Total	<u>\$ 11,480,932</u>	<u>\$ (22,057,362)</u>

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

Years Ending	Amount
2024	\$ (4,404,019)
2025	(3,640,077)
2026	(3,462,751)
2027	(846,569)
2028	(612,678)
Thereafter	(93,345)
Total	<u>\$ (13,059,439)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2022 are based on the results of an actuarial valuation as of September 30, 2021 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1 graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

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

Significant assumption changes since the prior measurement date, September 30, 2021, for the pension and OPEB plan include a decrease in the discount rate used in the September 30, 2022 measurement date by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. The investment rate of return used in the September 30, 2022 measurement date decreased by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00 percent as of September 30, 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.10 %
Private equity pools	16.00	8.70
International equity pools	15.00	6.70
Fixed-income pools	13.00	(0.20)
Real estate and infrastructure pools	10.00	5.30
Absolute return pools	9.00	2.70
Real return/opportunistic pools	10.00	5.80
Short-term investment pools	2.00	(0.50)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.2 percent.

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

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

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability of the School District	\$ 217,973,455	\$ 165,177,894	\$ 121,671,973

June 30, 2023

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

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

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

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB liability of the School District	\$ 15,024,052	\$ 8,956,729	\$ 3,847,291

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

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

	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability of the School District	\$ 3,750,650	\$ 8,956,729	\$ 14,800,657

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2023, the School District reported a payable of \$2,928,492 and \$349,684 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2023.

Note 11 - Contingent Liabilities

The School District is a defendant in various litigation cases through the normal course of business. In the opinion of management, the resolution of these lawsuits will not have a material adverse effect on the financial position of the School District. The outcomes and possible ranges of loss related to these actions are not presently determinable.

Note 12 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974), personal property tax exemptions (PA 328 of 1998), and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2023, the School District's property tax revenue was reduced by approximately \$1,630,000 under these programs.

June 30, 2023

Note 12 - Tax Abatements (Continued)

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately \$1,397,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the Sinking Fund or debt service millages. There are no abatements made by the School District.

Required Supplementary Information

Southfield Public Schools

Required Supplementary Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 41,466,865	\$ 41,196,985	\$ 42,832,104	\$ 1,635,119
State sources	32,356,564	37,416,588	39,200,971	1,784,383
Federal sources	26,599,566	10,444,346	11,862,899	1,418,553
Interdistrict and other sources	7,948,646	9,675,390	10,110,679	435,289
Total revenue	108,371,641	98,733,309	104,006,653	5,273,344
Expenditures				
Current:				
Instruction:				
Basic programs	40,753,091	42,850,723	46,899,411	4,048,688
Added needs	16,886,132	14,819,915	15,383,118	563,203
Support services:				
Pupil	9,995,945	8,684,513	8,724,544	40,031
Instructional staff	8,584,541	4,856,996	5,423,151	566,155
General administration	1,360,300	1,326,532	1,447,068	120,536
School administration	4,686,505	5,037,166	5,340,585	303,419
Business	1,701,601	1,184,362	1,215,446	31,084
Operations and maintenance	16,047,396	9,447,446	10,142,684	695,238
Pupil transportation services	5,456,254	5,261,322	5,841,130	579,808
Central	6,468,035	4,754,766	4,959,581	204,815
Athletics	714,830	567,662	611,905	44,243
Community services	580,309	598,487	509,935	(88,552)
Facilities acquisition, construction, and improvements	440,000	114,214	-	(114,214)
Total expenditures	113,674,939	99,504,104	106,498,558	6,994,454
Excess of Expenditures Over Revenue	(5,303,298)	(770,795)	(2,491,905)	(1,721,110)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	50,000	50,000
Transfers out	-	-	(172,000)	(172,000)
Total	-	-	(122,000)	(122,000)
Net Change in Fund Balance	(5,303,298)	(770,795)	(2,613,905)	(1,843,110)
Fund Balance - Beginning of year	14,852,875	14,852,875	14,852,875	-
Fund Balance - End of year	<u>\$ 9,549,577</u>	<u>\$ 14,082,080</u>	<u>\$ 12,238,970</u>	<u>\$ (1,843,110)</u>

Southfield Public Schools

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

	Last Nine Plan Years								
	Plan Years Ended September 30								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.43920 %	0.47625 %	0.49128 %	0.49092 %	0.49940 %	0.52592 %	0.56362 %	0.56562 %	0.55852 %
School District's proportionate share of the net pension liability	\$ 165,177,894	\$ 112,755,298	\$ 168,758,956	\$ 162,575,549	\$ 150,128,971	\$ 136,287,154	\$ 140,619,112	\$ 138,153,850	\$ 123,023,264
School District's covered payroll	\$ 40,424,620	\$ 41,630,381	\$ 42,463,918	\$ 42,848,284	\$ 40,977,678	\$ 42,407,851	\$ 47,322,714	\$ 46,961,380	\$ 47,810,349
School District's proportionate share of the net pension liability as a percentage of its covered payroll	408.61 %	270.85 %	397.42 %	379.42 %	366.37 %	321.37 %	297.15 %	294.19 %	257.32 %
Plan fiduciary net position as a percentage of total pension liability	60.77 %	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

Southfield Public Schools

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

	Last Nine Fiscal Years Years Ended June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 19,543,456	\$ 15,139,376	\$ 14,323,537	\$ 13,457,983	\$ 13,043,027	\$ 12,534,017	\$ 12,403,543	\$ 13,032,280	\$ 10,176,968
Contributions in relation to the statutorily required contribution	19,543,456	15,139,376	14,323,537	13,457,983	13,043,027	12,534,017	12,403,543	13,032,280	10,176,968
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 41,156,102	\$ 41,042,701	\$ 41,498,801	\$ 42,501,896	\$ 42,883,212	\$ 40,737,064	\$ 42,544,343	\$ 46,428,545	\$ 47,440,096
Contributions as a Percentage of Covered Payroll	47.49 %	36.89 %	34.52 %	31.66 %	30.42 %	30.77 %	29.15 %	28.07 %	21.45 %

Southfield Public Schools

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

**Last Six Plan Years
Plan Years Ended September 30**

	2022	2021	2020	2019	2018	2017
School District's proportion of the net OPEB liability	0.42287 %	0.46700 %	0.48286 %	0.49257 %	0.48281 %	0.52728 %
School District's proportionate share of the net OPEB liability	\$ 8,956,729	\$ 7,128,230	\$ 25,868,282	\$ 35,355,658	\$ 38,378,258	\$ 46,692,805
School District's covered payroll	\$ 40,424,620	\$ 41,630,381	\$ 42,463,918	\$ 42,848,284	\$ 40,977,678	\$ 42,407,851
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	22.16 %	17.12 %	60.92 %	82.51 %	93.66 %	110.10 %
Plan fiduciary net position as a percentage of total OPEB liability	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Southfield Public Schools

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

	Last Six Fiscal Years Years Ended June 30					
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 3,312,737	\$ 3,344,652	\$ 3,453,426	\$ 3,415,282	\$ 3,368,487	\$ 2,940,350
Contributions in relation to the statutorily required contribution	<u>3,312,737</u>	<u>3,344,652</u>	<u>3,453,426</u>	<u>3,415,282</u>	<u>3,368,487</u>	<u>2,940,350</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 41,156,102	\$ 41,042,701	\$ 41,498,801	\$ 42,501,896	\$ 42,883,212	\$ 40,737,064
Contributions as a Percentage of Covered Payroll	8.05 %	8.15 %	8.32 %	8.04 %	7.86 %	7.22 %

June 30, 2023

Pension Information

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

Benefit Changes

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

The required contributions for the year ended June 30, 2023 include a one-time contribution of \$4,169,047, referred to as 147c(2), related to funding received from the State and remitted to the System for the purpose of contributing additional assets to the System.

Changes in Assumptions

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

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

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

Benefit Changes

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

Changes in Assumptions

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

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

Southfield Public Schools

Notes to Required Supplementary Information (Continued)

June 30, 2023

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplementary Information

Southfield Public Schools

Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds			Debt Service Fund	Capital Project Funds			Total
	Food Service Fund	Expendable Trust Fund	Student Activities Fund	Debt Retirement Fund	Building & Site Fund	Sinking Fund	2020 Building & Site Fund	
Assets								
Cash and investments	\$ 783,819	\$ 17,631	\$ 402,812	\$ -	\$ 1,093,738	\$ -	\$ -	\$ 2,298,000
Receivables - Due from other governments	165,553	-	-	-	-	-	-	165,553
Restricted assets	-	-	-	2,609,748	-	177,124	4,248,253	7,035,125
Total assets	<u>\$ 949,372</u>	<u>\$ 17,631</u>	<u>\$ 402,812</u>	<u>\$ 2,609,748</u>	<u>\$ 1,093,738</u>	<u>\$ 177,124</u>	<u>\$ 4,248,253</u>	<u>\$ 9,498,678</u>
Liabilities								
Accounts payable	\$ 938,568	\$ -	\$ 8,937	\$ -	\$ 258,396	\$ 29,813	\$ -	\$ 1,235,714
Due to other governmental units	-	-	114	-	-	-	-	114
Total liabilities	938,568	-	9,051	-	258,396	29,813	-	1,235,828
Fund Balances								
Restricted:								
Debt service	-	-	-	2,609,748	-	-	-	2,609,748
Capital projects	-	-	-	-	-	147,311	4,248,253	4,395,564
Food service	10,804	-	-	-	-	-	-	10,804
Expendable Trust Fund	-	17,631	-	-	-	-	-	17,631
Committed:								
Capital projects	-	-	-	-	835,342	-	-	835,342
Student activities	-	-	393,761	-	-	-	-	393,761
Total fund balances	10,804	17,631	393,761	2,609,748	835,342	147,311	4,248,253	8,262,850
Total liabilities and fund balances	<u>\$ 949,372</u>	<u>\$ 17,631</u>	<u>\$ 402,812</u>	<u>\$ 2,609,748</u>	<u>\$ 1,093,738</u>	<u>\$ 177,124</u>	<u>\$ 4,248,253</u>	<u>\$ 9,498,678</u>

Southfield Public Schools

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

Year Ended June 30, 2023

	Special Revenue Funds			Debt Service Fund	Capital Project Funds			Total
	Food Service Fund	Expendable Trust Fund	Student Activities Fund	Debt Retirement Fund	Building and Site Fund	2020 Building & Site Fund	Sinking Fund	
Revenue								
Local sources	\$ 175,898	\$ -	\$ 380,506	\$ 6,382,918	\$ -	\$ 187,787	\$ 1,870,326	\$ 8,997,435
State sources	90,451	-	-	-	-	-	-	90,451
Federal sources	2,900,463	-	-	-	-	-	-	2,900,463
Total revenue	3,166,812	-	380,506	6,382,918	-	187,787	1,870,326	11,988,349
Expenditures								
Current:								
Support services	-	-	351,511	-	-	-	-	351,511
Food services	3,466,635	-	-	-	-	-	-	3,466,635
Debt service:								
Principal	-	-	-	4,115,000	-	-	1,600,000	5,715,000
Interest	-	-	-	1,606,784	-	-	212,226	1,819,010
Capital outlay	675,662	-	-	-	496,126	1,480,401	354,067	3,006,256
Total expenditures	4,142,297	-	351,511	5,721,784	496,126	1,480,401	2,166,293	14,358,412
Excess of Revenue (Under) Over Expenditures	(975,485)	-	28,995	661,134	(496,126)	(1,292,614)	(295,967)	(2,370,063)
Other Financing Sources - Transfers in	172,000	-	-	-	-	-	-	172,000
Net Change in Fund Balances	(803,485)	-	28,995	661,134	(496,126)	(1,292,614)	(295,967)	(2,198,063)
Fund Balances - Beginning of year	814,289	17,631	364,766	1,948,614	1,331,468	5,540,867	443,278	10,460,913
Fund Balances - End of year	\$ 10,804	\$ 17,631	\$ 393,761	\$ 2,609,748	\$ 835,342	\$ 4,248,253	\$ 147,311	\$ 8,262,850

Southfield Public Schools

Other Supplementary Information Schedule of Bonded Indebtedness

June 30, 2023

Years Ending June 30	2017 Debt	2020 Debt	2023 Debt	Total
	Principal	Principal	Principal	
2024	\$ 4,380,000	\$ 1,665,000	\$ 6,000,000	\$ 12,045,000
2025	4,660,000	1,735,000	8,275,000	14,670,000
2026	4,950,000	1,805,000	9,275,000	16,030,000
2027	5,260,000	1,880,000	1,500,000	8,640,000
2028	4,390,000	1,960,000	1,500,000	7,850,000
2029	4,405,000	-	1,500,000	5,905,000
2030	-	-	1,500,000	1,500,000
2031	-	-	1,500,000	1,500,000
2032	-	-	1,500,000	1,500,000
2033	-	-	1,500,000	1,500,000
2034	-	-	1,500,000	1,500,000
2035	-	-	1,525,000	1,525,000
2036	-	-	1,550,000	1,550,000
2037	-	-	1,575,000	1,575,000
2038	-	-	1,600,000	1,600,000
2039	-	-	1,620,000	1,620,000
2040	-	-	1,640,000	1,640,000
2041	-	-	1,660,000	1,660,000
2042	-	-	1,680,000	1,680,000
2043	-	-	1,700,000	1,700,000
2044	-	-	1,720,000	1,720,000
2045	-	-	1,740,000	1,740,000
2046	-	-	1,765,000	1,765,000
2047	-	-	1,815,000	1,815,000
2048	-	-	1,830,000	1,830,000
2049	-	-	1,835,000	1,835,000
2050	-	-	1,840,000	1,840,000
2051	-	-	1,840,000	1,840,000
2052	-	-	1,865,000	1,865,000
2053	-	-	1,875,000	1,875,000
Total remaining payments	\$ 28,045,000	\$ 9,045,000	\$ 68,225,000	\$ 105,315,000
Principal payments due	May 1	May 1 and November 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	5.00%	2.05%	5.00%	
Original issue	\$ 51,005,000	\$ 13,660,000	\$ 68,225,000	\$ 132,890,000