

**CITY OF FERNDALE
OAKLAND COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other
supplementary information)**

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Ferndale, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ferndale, Michigan (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension and other post-employment benefits 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maney Costeiron PC

December 8, 2023

CITY OF FERNDALE MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the *City of Ferndale, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2023.

Financial Highlights

- The total assets and deferred outflows of resources of the City equaled \$146,437,589. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the fiscal year by \$42,161,162. Of this amount, \$41,111,876 is invested in capital assets (net of related debt), \$26,626,792 is restricted for specific purposes such as public safety, highways and streets, capital projects, and other purposes. The resulting unrestricted net position is (\$25,577,506).
- The City's combined net position of primary government activities increased \$7,610,926 as a result of this year's operations. Net position of our governmental activities increased by \$7,145,399 and net position of our business-type activities increased by \$465,527.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,292,743, or 22% of total General Fund expenditures.
- The City invested over \$10.2 million in capital improvements for the year including building renovations purchase of vehicles and other equipment, continued work on street and sidewalk projects, as well as replacing water mains and a sewer project.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, community development, and operation of the Kulick Community Center. The business-type activities of the City include water distribution, sanitary sewer operations, and the municipal parking system.

**CITY OF FERNDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate authorities - the Downtown Development Authority and the Brownfield Redevelopment Authority - for which the City is financially accountable. Financial information for the *component units* are reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Streets, Debt Service, and Road and Park Bonds Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* after the *Notes to Financial Statements*.

The City adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

2. **Proprietary Funds** account for activities that operate similar to a business. The City has one type of proprietary fund which are enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer System Fund and the Auto Parking Fund, which are considered to be major funds of the City.
 - a. **Enterprise Funds** are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for both its water distribution and sanitary sewer operations, and its municipal parking system.
3. **Fiduciary Funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**CITY OF FERNDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this Management Discussion and Analysis, the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual for the General Fund, and schedules concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

The combining and individual fund statements referred to earlier in connection with nonmajor governmental, agency, pension, and component unit funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Ferndale, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$42,161,162 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$41,111,876, or 98%, reflect its investment in capital assets (e.g., land, buildings and improvements, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Ferndale's Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and other assets	\$ 45,306,984	\$ 48,058,078	\$ 4,117,234	\$ 3,391,391	\$ 49,424,218	\$ 51,449,469
Capital assets, net	40,282,861	40,650,476	54,979,116	53,977,911	95,261,977	94,628,387
TOTAL ASSETS	\$ 85,589,845	\$ 88,708,554	\$ 59,096,350	\$ 57,369,302	\$ 144,686,195	\$ 146,077,856
DEFERRED OUTFLOWS OF RESOURCES	\$ 1,692,611	\$ 4,682,211	\$ 58,783	\$ 144,568	\$ 1,751,394	\$ 4,826,779
LIABILITIES						
Current liabilities	\$ 7,108,844	\$ 8,601,936	\$ 3,497,535	\$ 3,409,071	\$ 10,606,379	\$ 12,011,007
Noncurrent liabilities	64,275,810	77,099,036	27,923,445	26,889,488	92,199,255	103,988,524
TOTAL LIABILITIES	\$ 71,384,654	\$ 85,700,972	\$ 31,420,980	\$ 30,298,559	\$ 102,805,634	\$ 115,999,531
DEFERRED INFLOWS OF RESOURCES	\$ 1,399,735	\$ 337,125	\$ 71,058	\$ 17,743	\$ 1,470,793	\$ 354,868
NET POSITION						
Net investment in capital assets	\$ 14,834,871	\$ 17,115,534	\$ 26,277,005	\$ 27,244,377	\$ 41,111,876	\$ 44,359,911
Restricted	25,168,833	22,392,006	1,457,959	1,202,615	26,626,792	23,594,621
Unrestricted	(25,505,637)	(32,154,872)	(71,869)	(1,249,424)	(25,577,506)	(33,404,296)
TOTAL NET POSITION	\$ 14,498,067	\$ 7,352,668	\$ 27,663,095	\$ 27,197,568	\$ 42,161,162	\$ 34,550,236

An additional portion of the City's net position, \$26,626,792, or 63%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of (\$25,577,506), or -61%, is the result of recognizing the City's liability for pension and OPEB benefits.

**CITY OF FERNDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City's net position in primary government activities increased \$7,610,926 during the current fiscal year. Governmental activities account for an increase of \$7,145,399, and business-type activities account for an increase of \$465,527 for the year.

City of Ferndale's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenue						
Charges for services	\$ 8,921,110	\$ 8,136,129	\$ 12,863,223	\$ 12,587,597	\$ 21,784,333	\$ 20,723,726
Operating grants and contributions	4,663,193	4,717,021	221,864	170,251	4,885,057	4,887,272
Capital grants and contributions	650,771	-	55,000	55,000	705,771	55,000
General revenues						
Property taxes	16,811,562	16,325,902	-	-	16,811,562	16,325,902
State shared revenue	3,178,952	3,141,683	-	-	3,178,952	3,141,683
Unrestricted investment earnings (loss)	660,801	(273,866)	33,152	(12,650)	693,953	(286,516)
Gain on sale of capital assets	218,187	62,160	-	-	218,187	62,160
Other	714,727	493,214	-	-	714,727	493,214
TOTAL REVENUES	35,819,303	32,602,243	13,173,239	12,800,198	48,992,542	45,402,441
EXPENSES						
General government	3,477,887	5,093,658	-	-	3,477,887	5,093,658
Judicial	1,895,947	1,781,681	-	-	1,895,947	1,781,681
Public safety	8,629,518	16,832,446	-	-	8,629,518	16,832,446
Public works	6,606,447	7,800,809	-	-	6,606,447	7,800,809
Highways and streets	5,300,373	2,476,184	-	-	5,300,373	2,476,184
Health and welfare	-	106,260	-	-	-	106,260
Recreation and culture	1,565,307	1,636,903	-	-	1,565,307	1,636,903
Community and economic development	80,141	121,510	-	-	80,141	121,510
Interest on long-term debt	918,284	660,701	-	-	918,284	660,701
Water and sewer	-	-	9,876,765	11,431,754	9,876,765	11,431,754
Auto parking	-	-	3,030,947	2,979,294	3,030,947	2,979,294
TOTAL EXPENSES	28,473,904	36,510,152	12,907,712	14,411,048	41,381,616	50,921,200
Changes in net position before transfers	7,345,399	(3,907,909)	265,527	(1,610,850)	7,610,926	(5,518,759)
Transfers	(200,000)	(681,891)	200,000	681,891	-	-
Change in net position	\$ 7,145,399	\$ (4,589,800)	\$ 465,527	\$ (928,959)	\$ 7,610,926	\$ (5,518,759)

Governmental Activities increased the City's net position by \$7,145,399 primarily due to decreases in public safety expenses related current year adjustments for the police and fire pension system as well as increases in capital grants and contributions and investment earnings.

Business-type Activities. Business-type activities increased the City's net position by \$465,527. The key elements of this increase are as follows:

- Water/Sewer expenses decreased by \$1,554,989 mainly due to decreased pension expenses in FY 2023.
- Auto Parking expenses increased by approximately \$51,600 mainly as a result of administrative expenses in the current year.
- Substantially all revenues for the Water/Sewer and the Auto Parking are derived from charges for services.

**CITY OF FERNDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$28,368,877, a decrease of \$1,053,063 in comparison with the prior year. Approximately 19% of this total amount, or \$5,292,743, constitutes *unassigned fund balance*, which is available for appropriation at the government's discretion. The remaining fund balance amounts are either not in a spendable form (i.e., inventories and prepaid insurance), are restricted as to their use by outside 3rd parties or enabling legislation, have been committed to a specific use by City Council or have been assigned by management.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, *unassigned* fund balance of the General Fund was \$5,292,743, while total fund balance was \$6,912,370. As a measure of the General Fund's liquidity and financial stability, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22% of total General Fund expenditures, while total fund balance represents 29% of the same amount.

Total fund balance of the City's General Fund increased \$257,021 during the fiscal year. Notable items affecting the fund include the following:

- Property tax revenue increased by \$745,082.
- Interest and rents increased by \$245,816.
- Fines and forfeitures decreased by \$347,747.
- Transfers in decreased by \$935,802.
- Expenditure increases were limited to less than 5% overall.

The Major Streets Fund reported an ending fund balance of \$5,346,355, an increase of \$1,325,519 for the year.

The Debt Service Fund reported an ending fund balance of \$1,903,011, an increase of \$810,682 for the year.

The Road and Park Bonds Fund reported an ending fund balance of \$6,850,219, a decrease of \$3,579,191 for the year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$2,072,365. Total net position increased \$813,615, mainly due to the decrease in pension expense. Unrestricted net position of the Auto Parking Fund at the end of the year amounted to (\$2,144,234). Total net position decreased \$348,088.

**CITY OF FERNDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund Budgetary Highlights

The difference between the original revenue and other financing sources budget and the amended revenue and other financing sources budget was an increase of \$17,444.

Actual revenues and other financing sources were \$282,500 more than budgeted revenues and other financing sources, as amended. The increase in actual revenues was realized primarily from interest and rents and property taxes.

The difference between the original and amended expenditures and other financing uses budgets was an increase of \$17,144. Actual expenditures were over the amended budget by \$25,479, primarily due to public safety, public works, and debt service expenditures.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounted to \$95,261,977 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles, and roads, highways, and other infrastructure.

Major capital asset events during the current fiscal year included continued work on street projects, infrastructure improvements, vehicles, and other equipment.

Additional information regarding the City's capital assets can be found in Note 4 to the financial statements.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$56,509,143, backed by the full faith and credit of the government. Its purpose is attributable to both governmental (\$28,755,000) and business-type activities (\$27,754,143) at year end. The City recognized an increase in debt obligations of \$473,905 during the year primarily through payment of annual debt service obligations and the issuance of \$526,020 of new installment purchase agreements for equipment and \$3,484,598 drinking water revolving loan.

In addition, the City has approximately \$1.3 million of compensated absences accrued.

Additional information regarding the City's long-term debt can be found in the Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The factors listed below are some of the key economic factors that were considered in preparing the City's budget for the 2023-2024 fiscal year. These factors are expected to continue to be an ongoing concern as the City moves forward.

- The most significant revenue source for the City remains to be derived from property tax, state-shared revenues, and fee-for-service activity. While the market value of real estate in southeastern Michigan continues to improve, the impacts of the Headlee Tax Limitation continue to hinder the City's ability to maximize its service delivery.
- The City made significant investments in the parking infrastructure, that were completed in 2020. Downtown activity has increased over the past year and it is our expectation that this trend will continue. While there is some concern about the return to the type of volume that was expected, recent analysis has shown that the project is moving toward self-sufficiency.

**CITY OF FERNDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Inconsistent and uncertain State funding continues to be a challenge for municipalities. Stagnant State Revenue Sharing must also be considered when planning future spending.
- The City appointed a resident led Task Force to assess the condition of all facilities currently in the City's portfolio. The results were as expected. Many of the facilities are in dire need of upgrades and repair. The City is incorporating the recommendations of the task force into future budgets to the extent possible.
- The City has also appointed a resident-led Task Force to evaluate the impact of the expiration of the Headlee Millage override. The override currently accounts for over 20% (or \$3.7M) of the City's Operating revenue. This body has also been tasked with coming up with a recommendation that will be presented to City Council.
- In preparing the FY 2024 budget, the aforementioned factors will impact the approach. Conservative estimates have been made for revenues. Current external factors such as legislative changes that have the potential to impact the City's revenue will also be considered. The City will continue to anticipate modest increases in expenditures, as we continue to monitor all activity as we move forward.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City Manager Joseph Gacioch, 300 East Nine Mile Road, Ferndale, Michigan 48220-1797.

BASIC FINANCIAL STATEMENTS

**CITY OF FERNDALE
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and investments	\$ 13,905,231	\$ 814,240	\$ 14,719,471	\$ 1,569,577
Receivables, net	615,729	2,853,226	3,468,955	3,425
Due from other governmental units	1,752,559	-	1,752,559	-
Internal balances	184,587	(184,587)	-	-
Inventories	158,746	-	158,746	-
Prepays	577,659	4,468	582,127	3,476
Total current assets	17,194,511	3,487,347	20,681,858	1,576,478
Noncurrent assets				
Investments	13,382,882	779,885	14,162,767	1,490,118
Noncurrent portion of receivables	-	-	-	1,119,674
Internal balances	1,607,957	(1,607,957)	-	-
Net pension asset	13,121,634	1,457,959	14,579,593	-
Capital assets not being depreciated	3,440,651	9,998,172	13,438,823	-
Capital assets, net of accumulated depreciation	36,842,210	44,980,944	81,823,154	182,824
Total noncurrent assets	68,395,334	55,609,003	124,004,337	2,792,616
TOTAL ASSETS	85,589,845	59,096,350	144,686,195	4,369,094
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	1,680,335	46,507	1,726,842	-
Deferred outflows of resources related to OPEB	12,276	12,276	24,552	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,692,611	58,783	1,751,394	-
LIABILITIES				
Current liabilities				
Accounts payable	1,226,594	1,253,304	2,479,898	44,713
Accrued liabilities	1,417,861	79,936	1,497,797	343,085
Accrued interest payable	288,912	236,033	524,945	-
Unearned revenue	887,242	-	887,242	-
Due to other governmental units	-	-	-	85,268
Current portion of compensated absences	973,740	30,536	1,004,276	4,335
Current portion of long-term debt	2,232,798	1,897,726	4,130,524	-
Current portion of uninsured claim liability	81,697	-	81,697	-
Total current liabilities	7,108,844	3,497,535	10,606,379	477,401
Noncurrent liabilities				
Noncurrent portion of compensated absences	324,580	10,178	334,758	1,445
Noncurrent portion of long-term debt	30,065,411	26,804,385	56,869,796	-
Net pension liability	12,817,054	-	12,817,054	-
Net other post-employment benefits liability	21,068,765	1,108,882	22,177,647	-
Total noncurrent liabilities	64,275,810	27,923,445	92,199,255	1,445
TOTAL LIABILITIES	71,384,654	31,420,980	102,805,634	478,846
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	49,638	-	49,638	-
Deferred inflows of resources related to OPEB	1,350,097	71,058	1,421,155	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,399,735	71,058	1,470,793	-
NET POSITION				
Net investment in capital assets	14,834,871	26,277,005	41,111,876	182,824
Restricted				
Cable TV	186,072	-	186,072	-
Indigent defense	311,707	-	311,707	-
Opioid settlement	262,353	-	262,353	-
Highways and streets	6,604,092	-	6,604,092	-
Public works	2,119,615	-	2,119,615	-
Public safety	491,748	-	491,748	-
Recreation and culture	399,487	-	399,487	-
Community and economic development	-	-	-	3,707,424
ARPA projects	58,026	-	58,026	-
Debt service	1,614,099	-	1,614,099	-
Pension benefits	13,121,634	1,457,959	14,579,593	-
Unrestricted	(25,505,637)	(71,869)	(25,577,506)	-
TOTAL NET POSITION	\$ 14,498,067	\$ 27,663,095	\$ 42,161,162	\$ 3,890,248

See accompanying notes to financial statements.

**CITY OF FERNDALE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government								
Governmental activities								
General government	\$ 3,477,887	\$ 1,486,306	\$ 601,974	\$ -	\$ (1,389,607)	\$ -	\$ (1,389,607)	\$ -
Judicial	1,895,947	1,520,566	456,454	-	81,073	-	81,073	-
Public safety	8,629,518	2,606,315	172,500	-	(5,850,703)	-	(5,850,703)	-
Public works	6,606,447	3,109,267	108,489	-	(3,388,691)	-	(3,388,691)	-
Highways and streets	5,300,373	-	2,758,987	-	(2,541,386)	-	(2,541,386)	-
Health and welfare	-	-	51,491	-	51,491	-	51,491	-
Recreation and culture	1,565,307	196,389	74,938	650,771	(643,209)	-	(643,209)	-
Community and economic development	80,141	2,267	193,958	-	116,084	-	116,084	-
Interest on long-term debt	918,284	-	244,402	-	(673,882)	-	(673,882)	-
Total governmental activities	28,473,904	8,921,110	4,663,193	650,771	(14,238,830)	-	(14,238,830)	-
Business-type activities								
Water and sewer	9,876,765	10,437,295	221,864	-	-	782,394	782,394	-
Auto parking	3,030,947	2,425,928	-	55,000	-	(550,019)	(550,019)	-
Total business-type activities	12,907,712	12,863,223	221,864	55,000	-	232,375	232,375	-
Total primary government	\$ 41,381,616	\$ 21,784,333	\$ 4,885,057	\$ 705,771	\$ (14,238,830)	\$ 232,375	\$ (14,006,455)	-
Component units								
Brownfield Redevelopment Authority	\$ 2,211,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(2,211,194)
Downtown Development Authority	663,891	-	13,780	-	-	-	-	(650,111)
Total component units	\$ 2,875,085	\$ -	\$ 13,780	\$ -	-	-	-	(2,861,305)
General revenues								
Property taxes					16,811,562	-	16,811,562	1,964,780
State shared revenue					3,178,952	-	3,178,952	-
Unrestricted investment earnings					660,801	33,152	693,953	72,312
Gain on sale of capital assets					218,187	-	218,187	-
Miscellaneous					714,727	-	714,727	2,500
Transfers					(200,000)	200,000	-	-
Total general revenues and transfers					21,384,229	233,152	21,617,381	2,039,592
Change in net position					7,145,399	465,527	7,610,926	(821,713)
Restated net position, beginning of year					7,352,668	27,197,568	34,550,236	4,711,961
Net position, end of year					\$ 14,498,067	\$ 27,663,095	\$ 42,161,162	\$ 3,890,248

See accompanying notes to financial statements.

**CITY OF FERNDALE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023**

	General	Special Revenue Major Streets	Debt Service Debt Service	Capital Projects Road and Park Bonds	Nonmajor Governmental Funds	Total
ASSETS						
Cash and investments	\$ 4,567,385	\$ 5,084,996	\$ 1,902,599	\$ 7,474,281	\$ 8,258,852	\$ 27,288,113
Accounts receivable, net	564,840	-	-	-	28,064	592,904
Accrued interest receivable	5,779	1,004	412	5,011	10,619	22,825
Due from other governmental units	1,098,614	277,112	-	-	376,833	1,752,559
Due from other funds	231,324	-	-	-	-	231,324
Advance to other funds	1,607,957	-	-	-	-	1,607,957
Inventory	158,746	-	-	-	-	158,746
Prepays	559,468	4,116	-	-	14,075	577,659
TOTAL ASSETS	\$ 8,794,113	\$ 5,367,228	\$ 1,903,011	\$ 7,479,292	\$ 8,688,443	\$ 32,232,087
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 453,832	\$ 7,345	\$ -	\$ 629,073	\$ 136,344	\$ 1,226,594
Accrued liabilities	1,366,875	13,528	-	-	37,458	1,417,861
Unearned revenue	-	-	-	-	887,242	887,242
Due to other funds	-	-	-	-	46,737	46,737
TOTAL LIABILITIES	1,820,707	20,873	-	629,073	1,107,781	3,578,434
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	61,036	-	-	-	223,740	284,776
FUND BALANCES						
Nonspendable	718,214	4,116	-	-	14,075	736,405
Restricted	12,636	5,342,239	1,903,011	6,850,219	4,849,172	18,957,277
Committed	878,994	-	-	-	-	878,994
Assigned	9,783	-	-	-	2,493,675	2,503,458
Unassigned	5,292,743	-	-	-	-	5,292,743
TOTAL FUND BALANCES	6,912,370	5,346,355	1,903,011	6,850,219	7,356,922	28,368,877
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 8,794,113	\$ 5,367,228	\$ 1,903,011	\$ 7,479,292	\$ 8,688,443	\$ 32,232,087

See accompanying notes to financial statements.

**CITY OF FERNDALE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balances - Governmental Funds \$ 28,368,877

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

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

The cost of capital assets is	\$ 120,688,404	
Accumulated depreciation is	<u>(80,405,543)</u>	
Capital assets, net		40,282,861

Other long-term assets are not available to pay for current period expenditures and, therefore, are considered unavailable in the funds. 284,776

Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, net differences between projected and actual plan investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions will be deferred over time in the government-wide financial statements. These amounts consist of:

Net pension asset	13,121,634	
Deferred outflows of resources related to pensions	1,680,335	
Deferred outflows of resources related to OPEB	12,276	
Deferred inflows of resources related to pensions	(49,638)	
Deferred inflows of resources related to OPEB	<u>(1,350,097)</u>	
		13,414,510

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Bonds payable and installment purchase agreements	(29,824,970)	
Unamortized bond premium	(2,473,239)	
Compensated absences	(1,298,320)	
Accrued interest payable	(288,912)	
Uninsured claim liability	(81,697)	
Net pension liability	(12,817,054)	
Net other post-employment benefits liability	<u>(21,068,765)</u>	
		<u>(67,852,957)</u>

Net position of governmental activities \$ 14,498,067

**CITY OF FERNDALE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2023**

	General	Special Revenue Major Streets	Debt Service Debt Service	Capital Projects Road and Park Bonds	Nonmajor Governmental Funds	Total
REVENUES						
Property taxes	\$ 12,907,909	\$ -	\$ 3,063,696	\$ -	\$ 1,325,163	\$ 17,296,768
Special assessments	272,942	-	-	-	-	272,942
Licenses and permits	1,404,053	-	-	-	-	1,404,053
Intergovernmental	4,505,889	2,108,783	244,402	-	2,120,451	8,979,525
Charges for services	2,376,289	-	-	-	1,868,616	4,244,905
Fines and forfeits	1,104,999	-	-	-	-	1,104,999
Investment earnings	172,291	99,383	33,543	202,860	152,724	660,801
Other	1,447,466	-	-	-	34	1,447,500
TOTAL REVENUES	24,191,838	2,208,166	3,341,641	202,860	5,466,988	35,411,493
Current						
General government	4,655,067	-	-	-	15,793	4,670,860
Judicial	1,543,289	-	-	-	352,658	1,895,947
Public safety	13,492,030	-	-	-	24,129	13,516,159
Public works	2,472,188	-	-	-	3,635,936	6,108,124
Highway and streets	-	999,981	-	-	736,697	1,736,678
Recreation and culture	1,465,135	-	-	-	30,940	1,496,075
Community and economic development	-	-	-	-	34,700	34,700
Debt service						
Principal	404,891	31,519	1,420,000	-	103,442	1,959,852
Interest and fees	19,904	-	1,110,959	-	5,428	1,136,291
Capital outlay	-	-	-	3,782,051	672,026	4,454,077
TOTAL EXPENDITURES	24,052,504	1,031,500	2,530,959	3,782,051	5,611,749	37,008,763
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	139,334	1,176,666	810,682	(3,579,191)	(144,761)	(1,597,270)
OTHER FINANCING SOURCES (USES)						
Transfers in	100,000	-	-	-	500	100,500
Transfers out	(200,500)	-	-	-	(100,000)	(300,500)
Issuance of debt	-	148,853	-	-	377,167	526,020
Proceeds from sale of capital assets	218,187	-	-	-	-	218,187
TOTAL OTHER FINANCING SOURCES (USES)	117,687	148,853	-	-	277,667	544,207
NET CHANGE IN FUND BALANCES	257,021	1,325,519	810,682	(3,579,191)	132,906	(1,053,063)
Fund balances, beginning of year	6,655,349	4,020,836	1,092,329	10,429,410	7,224,016	29,421,940
Fund balances, end of year	<u>\$ 6,912,370</u>	<u>\$ 5,346,355</u>	<u>\$ 1,903,011</u>	<u>\$ 6,850,219</u>	<u>\$ 7,356,922</u>	<u>\$ 28,368,877</u>

See accompanying notes to financial statements.

CITY OF FERNDALE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (1,053,063)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 5,758,589	
Depreciation expense	<u>(6,126,204)</u>	
Depreciation expense in excess of capital outlay		(367,615)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue		189,623
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current period, these amounts consist of:

Installment purchases and issuance of debt	(526,020)	
Debt principal retirement	<u>1,959,852</u>	
		1,433,832

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Decrease) in net pension asset	(59,467)	
Increase in net pension liability	428,224	
(Decrease) in deferred outflows of resources related to pensions	(1,327,287)	
(Increase) in deferred inflows of resources related to pensions	(49,638)	
(Decrease) in deferred outflows of resources related to OPEB	(1,662,313)	
(Increase) in deferred inflows of resources related to OPEB	(1,012,972)	
Decrease in unamortized bond premium	232,311	
(Increase) in compensated absences	(104,370)	
(Increase) in accrued interest payable	(14,304)	
(Increase) in uninsured claim liability	(54,205)	
Decrease in net other post-employment benefits liability	<u>10,566,643</u>	
		<u>6,942,622</u>

Change in Net Position of Governmental Activities **\$ 7,145,399**

**CITY OF FERNDALE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2023**

	Enterprise Funds		
	Water and Sewer	Auto Parking	Total
ASSETS			
Current assets			
Cash and investments	\$ 814,240	\$ -	\$ 814,240
Accounts receivable	2,853,226	-	2,853,226
Prepays	4,468	-	4,468
Total current assets	<u>3,671,934</u>	<u>-</u>	<u>3,671,934</u>
Investments	779,885	-	779,885
Net pension asset	1,457,959	-	1,457,959
Capital assets not being depreciated	9,506,769	491,403	9,998,172
Capital assets, net of accumulated depreciation	<u>22,994,453</u>	<u>21,986,491</u>	<u>44,980,944</u>
Total noncurrent assets	<u>34,739,066</u>	<u>22,477,894</u>	<u>57,216,960</u>
TOTAL ASSETS	<u>38,411,000</u>	<u>22,477,894</u>	<u>60,888,894</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	46,507	-	46,507
Deferred outflows of resources related to OPEB	<u>12,276</u>	<u>-</u>	<u>12,276</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>58,783</u>	<u>-</u>	<u>58,783</u>
LIABILITIES			
Current liabilities			
Accounts payable	1,091,408	161,896	1,253,304
Accrued liabilities	79,936	-	79,936
Accrued interest payable	49,795	186,238	236,033
Due to other funds	-	184,587	184,587
Current portion of compensated absences	27,869	2,667	30,536
Current portion of long-term debt	<u>1,476,730</u>	<u>420,996</u>	<u>1,897,726</u>
Total current liabilities	<u>2,725,738</u>	<u>956,384</u>	<u>3,682,122</u>
Noncurrent liabilities			
Advance from other funds	-	1,607,957	1,607,957
Noncurrent portion of compensated absences	9,289	889	10,178
Noncurrent portion of long-term debt	8,397,413	18,406,972	26,804,385
Net other post-employment benefits liability	<u>1,108,882</u>	<u>-</u>	<u>1,108,882</u>
Total noncurrent liabilities	<u>9,515,584</u>	<u>20,015,818</u>	<u>29,531,402</u>
TOTAL LIABILITIES	<u>12,241,322</u>	<u>20,972,202</u>	<u>33,213,524</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to OPEB	<u>71,058</u>	<u>-</u>	<u>71,058</u>
NET POSITION			
Net investment in capital assets	22,627,079	3,649,926	26,277,005
Restricted for pension benefits	1,457,959	-	1,457,959
Unrestricted	<u>2,072,365</u>	<u>(2,144,234)</u>	<u>(71,869)</u>
TOTAL NET POSITION	<u>\$ 26,157,403</u>	<u>\$ 1,505,692</u>	<u>\$ 27,663,095</u>

See accompanying notes to financial statements.

**CITY OF FERNDALE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED JUNE 30, 2023**

	Enterprise Funds		
	Water and Sewer	Auto Parking	Total
OPERATING REVENUES			
Charges for services	\$ 10,203,202	\$ -	\$ 10,203,202
Parking meter receipts	-	2,425,928	2,425,928
Water penalties	234,093	-	234,093
TOTAL OPERATING REVENUES	10,437,295	2,425,928	12,863,223
OPERATING EXPENSES			
Personnel services	263,739	29,834	293,573
General and administrative	803,528	881,438	1,684,966
Utilities	72,331	64,258	136,589
Rental expense	93,000	-	93,000
Contractual services	202,367	223,480	425,847
Water and sewer expense	5,669,367	-	5,669,367
Maintenance expense	91,877	33,617	125,494
Depreciation	2,400,466	1,078,318	3,478,784
Other	91,851	-	91,851
TOTAL OPERATING EXPENSES	9,688,526	2,310,945	11,999,471
OPERATING INCOME	748,769	114,983	863,752
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	221,864	55,000	276,864
Investment income	31,221	1,931	33,152
Interest expense	(188,239)	(720,002)	(908,241)
TOTAL NONOPERATING REVENUES (EXPENSES)	64,846	(663,071)	(598,225)
NET CHANGE IN NET POSITION BEFORE TRANSFERS	813,615	(548,088)	265,527
TRANSFERS IN	-	200,000	200,000
NET CHANGE IN NET POSITION	813,615	(348,088)	465,527
Net position, beginning of year	25,343,788	1,853,780	27,197,568
Net position, end of year	<u>\$ 26,157,403</u>	<u>\$ 1,505,692</u>	<u>\$ 27,663,095</u>

See accompanying notes to financial statements.

**CITY OF FERNDALE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

	Enterprise Funds		
	Water and Sewer	Auto Parking	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and others	\$ 10,688,249	\$ 2,428,503	\$ 13,116,752
Cash payments to employees	(238,424)	(27,892)	(266,316)
Cash payments to suppliers for goods and services	(7,974,542)	(1,223,450)	(9,197,992)
Cash payments for interfund services	(93,000)	-	(93,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,382,283	1,177,161	3,559,444
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental	221,864	-	221,864
Cash received from other funds	-	(104,523)	(104,523)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	221,864	(104,523)	117,341
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(4,479,989)	-	(4,479,989)
Proceeds from debt issuance	3,484,598	-	3,484,598
Intergovernmental	-	55,000	55,000
Interest paid	(162,074)	(764,786)	(926,860)
Payments on borrowings	(1,115,159)	(364,783)	(1,479,942)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,272,624)	(1,074,569)	(3,347,193)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	31,221	1,931	33,152
NET INCREASE IN CASH AND INVESTMENTS	362,744	-	362,744
Cash and investments, beginning of year	1,231,381	-	1,231,381
Cash and investments, end of year	<u>\$ 1,594,125</u>	<u>\$ -</u>	<u>\$ 1,594,125</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 748,769	\$ 114,983	\$ 863,752
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	2,400,466	1,078,318	3,478,784
(Increase) decrease in:			
Accounts receivable	250,954	2,575	253,529
Prepaid items	(329)	-	(329)
Net pension asset	(311,776)	-	(311,776)
Deferred outflows of resources related to pensions	9,925	-	9,925
Deferred outflows of resources related to OPEB	75,860	-	75,860
Increase (decrease) in:			
Accounts payable	(314,077)	(20,657)	(334,734)
Accrued liabilities	14,361	-	14,361
Compensated absences	10,954	1,942	12,896
Net other post-employment benefits liability	(556,139)	-	(556,139)
Deferred inflows of resources related to OPEB	53,315	-	53,315
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,382,283	\$ 1,177,161	\$ 3,559,444

See accompanying notes to financial statements.

**CITY OF FERNDALE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	Pension and Other Post-Employment Benefits Trust <u>Funds</u>	<u>Custodial Funds</u>
ASSETS		
Cash and cash equivalents	\$ 64,459	\$ 105,955
Accrued interest receivable	147,900	-
Short-term investment funds	1,211,976	-
Investments		
Debt securities	34,081,360	-
Equity securities	49,070,926	-
Real estate investment trust	3,816,522	-
	<u>88,393,143</u>	<u>105,955</u>
LIABILITIES		
Undistributed tax collections	-	17,670
Other liabilities	437,279	-
	<u>437,279</u>	<u>17,670</u>
NET POSITION		
Restricted for pension and other benefits	87,955,864	-
Restricted for individuals, organizations, and other governments	-	88,285
	<u>\$ 87,955,864</u>	<u>\$ 88,285</u>

See accompanying notes to financial statements.

**CITY OF FERNDALE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2023**

	Pension and Other Post-Employment Benefits Trust Funds	Custodial Funds
ADDITIONS		
Contributions		
Employer contributions	\$ 3,560,895	\$ -
Plan member contributions	63,980	-
	<u>3,624,875</u>	<u>-</u>
Total contributions		
Investment income		
Net change in fair value of investments	2,740,896	(702)
Interest	3,849,258	2,431
Dividends	954,692	-
Less investment expense	(304,207)	-
	<u>7,240,639</u>	<u>1,729</u>
Net investment income		
Other additions		
Tax collections for other governments	-	29,192,905
	<u>10,865,514</u>	<u>29,194,634</u>
TOTAL ADDITIONS		
DEDUCTIONS		
Payment of taxes to other governments	-	29,192,905
Benefits	7,338,389	-
Administrative expenses	62,047	-
Other	38,093	-
	<u>7,438,529</u>	<u>29,192,905</u>
TOTAL DEDUCTIONS		
CHANGE IN NET POSITION	3,426,985	1,729
Net position, beginning of year	<u>84,528,879</u>	<u>86,556</u>
Net position, end of year	<u>\$ 87,955,864</u>	<u>\$ 88,285</u>

See accompanying notes to financial statements.

**CITY OF FERNDALE
 COMPONENT UNITS
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2023**

	Brownfield Redevelopment Authority	Downtown Development Authority	Total
ASSETS			
Current assets			
Cash and investments	\$ 1,171,061	\$ 398,516	\$ 1,569,577
Accounts receivable	-	1,500	1,500
Accrued interest receivable	1,008	917	1,925
Prepays	-	3,476	3,476
Total current assets	<u>1,172,069</u>	<u>404,409</u>	<u>1,576,478</u>
Noncurrent assets			
Investments	1,111,776	378,342	1,490,118
Loans receivable	1,119,674	-	1,119,674
Capital assets, net of accumulated depreciation	<u>-</u>	<u>182,824</u>	<u>182,824</u>
Total noncurrent assets	<u>2,231,450</u>	<u>561,166</u>	<u>2,792,616</u>
TOTAL ASSETS	<u><u>3,403,519</u></u>	<u><u>965,575</u></u>	<u><u>4,369,094</u></u>
LIABILITIES			
Current liabilities			
Accounts payable	-	44,713	44,713
Accrued liabilities	339,898	3,187	343,085
Due to other governmental units	85,268	-	85,268
Current portion of compensated absences	<u>-</u>	<u>4,335</u>	<u>4,335</u>
Total current liabilities	<u>425,166</u>	<u>52,235</u>	<u>477,401</u>
Noncurrent liabilities			
Noncurrent portion of compensated absences	<u>-</u>	<u>1,445</u>	<u>1,445</u>
TOTAL LIABILITIES	<u><u>425,166</u></u>	<u><u>53,680</u></u>	<u><u>478,846</u></u>
NET POSITION			
Investment in capital assets	-	182,824	182,824
Restricted	<u>2,978,353</u>	<u>729,071</u>	<u>3,707,424</u>
TOTAL NET POSITION	<u><u>\$ 2,978,353</u></u>	<u><u>\$ 911,895</u></u>	<u><u>\$ 3,890,248</u></u>

See accompanying notes to financial statements.

**CITY OF FERDALE
 COMPONENT UNITS
 COMBINING STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenues and Changes in Net Position		
		Operating Grants and Contributions	Brownfield Redevelopment Authority	Downtown Development Authority	Total
Governmental activities					
Brownfield Redevelopment Authority	\$ 2,211,194	\$ -	\$ (2,211,194)	\$ -	\$ (2,211,194)
Downtown Development Authority	663,891	13,780	-	(650,111)	(650,111)
Totals	<u>\$ 2,875,085</u>	<u>\$ 13,780</u>	<u>(2,211,194)</u>	<u>(650,111)</u>	<u>(2,861,305)</u>
General revenues					
Property taxes			1,349,380	615,400	1,964,780
Unrestricted investment earnings			54,738	17,574	72,312
Other			-	2,500	2,500
Total general revenues			<u>1,404,118</u>	<u>635,474</u>	<u>2,039,592</u>
Change in net position			(807,076)	(14,637)	(821,713)
Net position, beginning of year			<u>3,785,429</u>	<u>926,532</u>	<u>4,711,961</u>
Net position, end of year			<u>\$ 2,978,353</u>	<u>\$ 911,895</u>	<u>\$ 3,890,248</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ferndale (the City) is located in Oakland County, Michigan, and has a population of approximately 19,100. The City operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, fire protection, highways and streets, and utilities services.

The City has five City Council members, including the Mayor, who are elected at-large every two years for overlapping four-year terms. A full-time City Manager is appointed by the City Council to carry out the policies that are established.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City of Ferndale (primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely Presented Component Units

The component units are presented in a separate column to emphasize that, while legally separate, the City remains financially accountable for these entities or the nature and significance of the relationship between the entities and the City is such that exclusion of the entity would render the financial statements misleading. The financial statements contain the following discretely presented component units:

Downtown Development Authority - The members of the governing body of the Downtown Development Authority (DDA) are appointed by the City Council. The City Council approves the DDA's annual budget and any required budget amendments. The City Council also has the ability to significantly influence operations of the DDA. The DDA's financial statements are included in the City's audited financial statements and are not audited separately.

Brownfield Redevelopment Authority - The members of the governing body of the Brownfield Redevelopment Authority are appointed by the City Council. The City Council approves the Brownfield Redevelopment Authority's annual budget and any required budget amendments. The City Council also has the ability to significantly influence operations of the Brownfield Redevelopment Authority. The Brownfield Redevelopment Authority's financial statements are included in the City's audited financial statements and are not audited separately.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Component Units

Employees' Retirement System Trust Fund - The Employees' Retirement System Trust Fund was established to account for the assets set aside to fund the City's Employees' Retirement System. The primary purpose of the System is to provide the necessary funding for the pension benefits provided to eligible City employees and their beneficiaries during retirement. The System is administered by a Board of Trustees. The assets of the System are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the City's creditors.

Policemen and Firemen Retirement System Trust Fund - The Policemen and Firemen Retirement System Trust Fund was established to account for the assets set aside to fund the City's Policemen and Firemen Retirement System. The primary purpose of the System is to provide the necessary funding for the pension benefits provided to eligible City employees and their beneficiaries during retirement. The System is administered by a Board of Trustees. The assets of the System are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the City's creditors.

Other Post-Employment Benefits Trust Fund - The Other Post-Employment Benefits Trust Fund was established to account for the assets set aside to fund the City's Other Post-Employment Benefits Plan. The primary purpose of the Plan is to provide the necessary funding for the medical insurance benefits provided to eligible City employees and their beneficiaries during retirement. The Plan is administered by the City Council. The assets of the Plan are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the City's creditors.

Joint Venture

The City is a member of the Southeastern Oakland County Resource Recovery Authority (the Authority), which consists of 14 municipalities in Oakland County and provides refuse collection and disposal services for the benefit of member municipalities. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2023, the Authority reported an increase in net position in the amount of \$670,439 resulting in ending net position of \$8,469,062. During the year ended June 30, 2023, the City expended \$2,306,670 in payments made to the Authority. The City has no explicit and measurable equity interest in the joint venture. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Southeastern Oakland County Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, Michigan 48073.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information about the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements.) For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following *Major Governmental Funds*:

- a. The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b. The *Major Streets Fund* accounts for the resources applicable to the maintenance and preservation of the City's major streets.
- c. The *Debt Service Fund* accounts for the resources applicable to the retirement of the City's outstanding bonds and loans.
- d. The *Road and Park Bonds Fund* accounts for the resources related to the acquisition, construction, repair, and equipping capital projects related to the Road and Park Bonds.

The City reports the following *Major Enterprise Funds*:

- a. The *Water and Sewer Fund* accounts for the activities of the City's water distribution, water treatment, sewage disposal, and sewage treatment systems.
- b. The *Auto Parking Fund* accounts for the activities of the City's parking system.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

Additionally, the City reports the following *Fund Types*:

- a. *Special Revenue Funds* account for revenue sources that are legally restricted by third parties outside the City or enabling legislation to expenditures for specific purposes not including major capital projects.
- b. *Capital Projects Funds* account for revenue sources and uses related to major capital project initiatives by the City.
- c. *Enterprise Funds* account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.
- d. *Pension Trust Funds* account for the activities of the Employees' Retirement System, the Policemen and Firemen Retirement System, and the Other Post-Employment Benefits Trust Fund, which accumulate resources for retirement benefits and other post-employment benefits (OPEB) including health care payments to qualified employees.
- e. *Custodial Funds* account for assets held for others in a custodial capacity.

Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes.

Governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

All proprietary (i.e., enterprise) funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the City to disburse fiduciary resources.

If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue funds. All annual appropriations lapse at year end, except for those approved by the City Council for carry forward. The legal level of budgetary control is the functional level for the General Fund and the fund level for Special Revenue funds.

The City Council requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in April, with budget adoption in May. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Council approval is required for any budgetary changes that result in an increase to net appropriations.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the City Council in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds, or notes, the total of which was not significant in relation to the original budget appropriation valuations.

Cash and Investments

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the statement of net position/balance sheet as "cash and investments". The cash and investment resources of the Employees' Retirement System, Policemen and Firemen Retirement System, and Other Post-Employment Benefits Plan are invested separately.

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

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, other obligations, and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. The United States government or federal agency obligations repurchase agreements.
- d. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Michigan Public Employees' Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the City's pension and OPEB systems to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments (continued)

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts.

Unrealized appreciation or depreciation on pension trust fund investments due to changes in fair value is recognized each year.

Receivables

Receivables consist of amounts due from various governmental units, individuals, and businesses related to charges for services, amounts owed to the City from special assessments, taxes levied that have not been collected, and interest. All trade and delinquent property tax receivables are shown net of an allowance for uncollectable amounts, as applicable.

Inventories

All inventories are valued at cost using the first-in/first-out method. Generally, inventories of governmental funds are recorded as expenditures when purchased.

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities, business-type activities, or component units columns in the government-wide financial statements. As a general rule, the City defines capital assets as assets with an initial, individual cost of more than \$5,000 for land and improvements, \$10,000 for buildings, infrastructure, and utility systems along with 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 valued at their estimated acquisition cost on the date received.

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Actual historical cost was used as available. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land Improvements	10 - 20
Buildings and Building Improvements	25 - 40
Public Domain Infrastructure	15 - 40
Water and Wastewater System Infrastructure	25 - 40
Vehicles	2 - 20
Office Equipment	3 - 10
Machinery and Equipment	5 - 10

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick, vacation, and compensatory time benefits, subject to certain limitations. All sick time pay is accrued at 50% of earned amounts and all unused leave hours are accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

Unearned Revenue

Unearned revenues are reported for resources that have been received, but not yet earned.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

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

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

The City reports deferred outflows of resources and deferred inflows of resources related to pensions and OPEB for differences between expected and actual experience, changes in assumptions, and differences between projected and actual plan investment earnings. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Fund Equity

The City classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the City Council and that do not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Used for all governmental funds, with the exception of the General Fund, for any remaining positive amounts not classified as non-spendable, restricted, or committed.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The City uses restricted or committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit this, such as a grant agreement requiring equal spending between the grantor and the City. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity (continued)

The City has established a policy to maintain a minimum unassigned fund balance for the General Fund at a level of 12% of annual expenditures. This is to provide sufficient cash flow for City operations and minimize the potential for short term tax anticipation borrowing. Should the level of unassigned fund balance for the General Fund fall below this target level, the City Council must approve and adopt a plan to restore fund balance to this minimum level within 24 months unless this plan would cause undue hardship to the City in which a longer time frame may be established.

Property Taxes

The City's property taxes are levied each July 1st on the taxable valuation of property located in the City as of the preceding December 31st, the lien date. Property taxes are payable without penalty and interest if paid in full by July 31st or if elected by the taxpayer, paid using an eight monthly installment method from July through February. As of March 1st of the succeeding year, unpaid real property taxes are sold to and collected by Oakland County. Assessed values, as established annually by the City and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Property taxes are recognized in the fiscal year in which they are levied.

The City is permitted by state statute to levy taxes up to 20 mills (\$20 per \$1,000 of assessed valuation) for general governmental services other than the payment of principal and interest on long-term debt. They are also permitted to levy additional mills specifically designated for operating, refuse, public relations, and debt service. For the year ended June 30, 2023, the City levied 16.0459 mills for general governmental services, 1.7500 mills for refuse, and 3.9370 mills for debt service, and 0.0624 mills for community promotion. The total taxable value for the 2022 levy for property within the City was \$800,765,340. The City also levies an assessment of 2.5127 mills, on \$748,728,190 of real property only, for debt service related to the City's share of George W. Kuhn drain bonds.

The Downtown Development Authority is permitted by P.A. 197 of Michigan to levy taxes up to \$2.00 per \$1,000 of assessed valuation of property in the downtown district. The Authority's current year tax rate was \$1.2763 per \$1,000 of assessed valuation. The total taxable value for the 2022 levy for property within the DDA was \$65,156,720.

Tax Abatements

The City's tax revenues have been reduced by tax abatements. There have been no significant abatements made by the City or other governmental units that significantly reduce tax revenue within the City. Management has determined these amounts to be immaterial to the financial statements.

Net Pension Liability (Asset)

The net pension liability (asset) is deemed to be a noncurrent liability (asset) and is recognized in the government-wide and proprietary fund financial statements.

Net OPEB Liability

The net OPEB liability is deemed to be a noncurrent liability and is recognized in the government-wide and proprietary fund financial statements.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimate and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interfund Transfers

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions imposed by the funding source or some other outside source, which precludes their use for unrestricted purposes.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023, the City had deposits subject to the following risks.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2023, \$996,478 of the City's bank balance of \$2,020,751 was exposed to custodial credit risk because it was not covered by federal depository insurance. The carrying value on the books for deposits at the end of the year was \$424,515.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the City does not have a policy for investment custodial credit risk. Of the investments listed below, there is no custodial credit risk, as these investments are uninsured, unregistered, and held by a counterparty in the City's name or are uncategorized as to credit risk.

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk (continued)

The City chooses to disclose its investments using the segmented time distribution method. As of June 30, 2023, the City had the following investments:

Investment Type	Weighted Average Maturity				Not Applicable	Total
	Less than 1 year	1-5	6-10	More than 10 years		
Pooled investments	\$ -	\$ -	\$ -	\$ -	\$ 13,545,212	\$ 13,545,212
U.S. Government securities	993,850	18,986,868	981,148	181,922	-	21,143,788
Corporate bonds	445,090	2,292,624	2,208,787	493,941	-	5,440,442
Foreign bonds	106,641	388,145	114,693	23,685	-	633,164
Private placements	-	24,092	-	-	-	24,092
Stocks	-	-	-	-	25,779,222	25,779,222
Asset backed securities	394	779,020	481,091	1,518,907	-	2,779,412
Municipal bonds	-	2,300,341	1,064,685	-	-	3,365,026
Mutual funds	-	-	-	-	37,369,442	37,369,442
Commercial paper	2,667,208	-	-	-	-	2,667,208
Real estate investment trusts	-	-	-	-	7,117,539	7,117,539
TOTAL	\$ 4,213,183	\$ 24,771,090	\$ 4,850,404	\$ 2,218,455	\$ 83,811,415	\$ 119,864,547

Credit Risk

State law limits investments to specific government securities, certificates of deposit, and bank accounts with qualified institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in the list of authorized investments above. In compliance with State law, the City's investments policy limits investments to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not have specific limits in excess of state law on investment credit risk. As of June 30, 2023, the City's investments in corporate bonds and corporate asset-backed securities were within these guidelines.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in Note 1. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported below.

Investment Type	Aaa	Aa1	Aa2	Aa3	A1
Pooled investments	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government securities	13,033,719	6,864,438	-	-	-
Corporate bonds	-	-	86,561	220,929	1,057,346
Foreign bonds	-	-	-	-	118,945
Private placements	-	-	-	-	-
Stocks	-	-	-	-	-
Asset backed securities	1,087,785	4,869	-	-	-
Municipal bonds	-	3,044,014	321,012	-	-
Mutual funds	-	-	-	-	-
Commercial paper	-	-	-	-	-
Real estate investment trusts	-	-	-	-	-
TOTAL	\$ 14,121,504	\$ 9,913,321	\$ 407,573	\$ 220,929	\$ 1,176,291

Investment Type	A2	A3	Baa1 and Below	Not Rated	Total
Pooled investments	\$ -	\$ -	\$ -	\$ 13,545,212	\$ 13,545,212
U.S. Government securities	-	-	-	1,245,631	21,143,788
Corporate bonds	602,932	603,746	2,681,976	186,952	5,440,442
Foreign bonds	210,163	33,519	230,368	40,169	633,164
Private placements	-	-	24,092	-	24,092
Stocks	-	-	-	25,779,222	25,779,222
Asset backed securities	-	-	695	1,686,063	2,779,412
Municipal bonds	-	-	-	-	3,365,026
Mutual funds	-	-	-	37,369,442	37,369,442
Commercial paper	2,667,208	-	-	-	2,667,208
Real estate investment trusts	-	-	-	7,117,539	7,117,539
TOTAL	\$ 3,480,303	\$ 637,265	\$ 2,937,131	\$ 86,970,230	\$ 119,864,547

Fair Value Measurement

The City is required to disclose amounts within a framework established for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3) measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used.. Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investment Type	Fair Value Measurements			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Pooled investments	\$ -	\$ 13,545,212	\$ -	\$ 13,545,212
U.S. Government securities	21,143,788	-	-	21,143,788
Corporate bonds	-	5,440,442	-	5,440,442
Foreign bonds	-	633,164	-	633,164
Private placements	-	24,092	-	24,092
Stocks	25,779,222	-	-	25,779,222
Asset backed securities	-	2,779,412	-	2,779,412
Municipal bonds	-	3,365,026	-	3,365,026
Mutual funds	37,369,442	-	-	37,369,442
Commercial paper	-	2,667,208	-	2,667,208
Real estate investment trusts	7,117,539	-	-	7,117,539
TOTAL	\$ 91,409,991	\$ 28,454,556	\$ -	\$ 119,864,547

The City participates in the Comerica J Fund, the portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium.

Comerica portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost, as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held in this fund are categorized as Level 2.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

Cash management funds are registered with the SEC. The Michigan Banking Act regulates these bank investment pools. The fair value of the position in the bank investment pools is the same as the value of the pool shares. The bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in these funds comply with the investment authority noted above.

The cash and investments referred to above have been reported as cash and investments in the basic financial statements, based upon criteria disclosed in Note 1. The cash and investments captions on the financial statements include \$4,069 in imprest cash. The following summarizes the categorization of these amounts as of June 30, 2023.

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and investments	\$ 14,719,471	\$ 1,569,577	\$ 170,414	\$ 16,459,462
Investments - noncurrent	14,162,767	1,490,118	88,180,784	103,833,669
	<u>\$ 28,882,238</u>	<u>\$ 3,059,695</u>	<u>\$ 88,351,198</u>	<u>\$ 120,293,131</u>

NOTE 3 - TAXES RECEIVABLE

In the current year the City allowed for 100% of the delinquent personal property taxes to be uncollectible. The following is detail of the amounts in the General Fund, Debt Service Fund, Sanitation Fund, and the discretely presented component units.

<u>Receivable</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Discretely Presented Component Units</u>
Delinquent property taxes - personal	\$ 65,912	\$ 31,648	\$ 26,437
Allowance for uncollectible accounts	<u>(65,912)</u>	<u>(31,648)</u>	<u>(26,437)</u>
Net receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

Primary Government

	<u>Balance July 1, 2022</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2023</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 588,892	\$ -	\$ -	\$ 588,892
Construction in progress	7,443,233	2,346,871	(6,938,345)	2,851,759
Subtotal	<u>8,032,125</u>	<u>2,346,871</u>	<u>(6,938,345)</u>	<u>3,440,651</u>
Capital assets being depreciated				
Infrastructure	79,174,039	9,296,639	-	88,470,678
Buildings	11,585,289	17,159	-	11,602,448
Equipment	6,794,504	258,009	-	7,052,513
Vehicles	9,343,858	778,256	-	10,122,114
Subtotal	<u>106,897,690</u>	<u>10,350,063</u>	<u>-</u>	<u>117,247,753</u>
Less accumulated depreciation for:				
Infrastructure	(54,389,211)	(4,813,949)	-	(59,203,160)
Buildings	(8,255,002)	(399,584)	-	(8,654,586)
Equipment	(4,922,319)	(469,558)	-	(5,391,877)
Vehicles	(6,712,807)	(443,113)	-	(7,155,920)
Subtotal	<u>(74,279,339)</u>	<u>(6,126,204)</u>	<u>-</u>	<u>(80,405,543)</u>
Net capital assets being depreciated	<u>32,618,351</u>	<u>4,223,859</u>	<u>-</u>	<u>36,842,210</u>
Capital assets, net	<u>\$ 40,650,476</u>	<u>\$ 6,570,730</u>	<u>\$ (6,938,345)</u>	<u>\$ 40,282,861</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 138,269
Public safety	630,250
Public works	1,490,492
Highways and streets	3,563,695
Recreation and culture	298,631
Community and economic development	4,867
	<u>4,867</u>
Total depreciation expense	<u>\$ 6,126,204</u>

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 454,903	\$ -	\$ -	\$ 454,903
Construction in progress	5,227,676	4,315,593	-	9,543,269
Subtotal	<u>5,682,579</u>	<u>4,315,593</u>	<u>-</u>	<u>9,998,172</u>
Capital assets being depreciated				
Infrastructure	90,620,701	23,295	-	90,643,996
Buildings	1,417,520	-	-	1,417,520
Equipment	5,509,201	15,111	-	5,524,312
Vehicles	603,192	125,990	-	729,182
Subtotal	<u>98,150,614</u>	<u>164,396</u>	<u>-</u>	<u>98,315,010</u>
Less accumulated depreciation for:				
Infrastructure	(46,626,530)	(3,138,433)	-	(49,764,963)
Buildings	(1,207,971)	(26,632)	-	(1,234,603)
Equipment	(1,671,379)	(248,972)	-	(1,920,351)
Vehicles	(349,402)	(64,747)	-	(414,149)
Subtotal	<u>(49,855,282)</u>	<u>(3,478,784)</u>	<u>-</u>	<u>(53,334,066)</u>
Net capital assets being depreciated	<u>48,295,332</u>	<u>(3,314,388)</u>	<u>-</u>	<u>44,980,944</u>
Capital assets, net	<u>\$ 53,977,911</u>	<u>\$ 1,001,205</u>	<u>\$ -</u>	<u>\$ 54,979,116</u>

Depreciation expense was charged to the following business-type activities:

Water and sewer	\$ 2,400,466
Auto parking	<u>1,078,318</u>
Total depreciation expense	<u>\$ 3,478,784</u>

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (continued)

Component Unit

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Downtown Development Authority				
Capital assets being depreciated				
Infrastructure	\$ 1,579,540	\$ 24,800	\$ -	\$ 1,604,340
Buildings	21,360	-	-	21,360
Equipment	211,811	44,815	-	256,626
Vehicles	23,140	-	-	23,140
Subtotal	<u>1,835,851</u>	<u>69,615</u>	<u>-</u>	<u>1,905,466</u>
Less accumulated depreciation for:				
Infrastructure	(1,572,178)	(12,813)	-	(1,584,991)
Buildings	(5,979)	(855)	-	(6,834)
Equipment	(83,883)	(23,794)	-	(107,677)
Vehicles	(23,140)	-	-	(23,140)
Subtotal	<u>(1,685,180)</u>	<u>(37,462)</u>	<u>-</u>	<u>(1,722,642)</u>
Capital assets, net	<u>\$ 150,671</u>	<u>\$ 32,153</u>	<u>\$ -</u>	<u>\$ 182,824</u>

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2023:

Primary Government

	Restated Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
Governmental Activities					
Direct borrowing/placements					
Installment purchase - skid steer	\$ 10,467	\$ -	\$ (10,467)	\$ -	\$ -
Installment purchase - ambulance	58,054	-	(58,054)	-	-
Installment purchase - dump trucks	57,439	-	(57,439)	-	-
Installment purchase - salt truck	48,672	-	(48,672)	-	-
Installment purchase - dump truck	84,383	-	(41,778)	42,605	42,605
Installment purchase - police utility vehicle	27,257	-	(13,514)	13,743	13,743
Installment purchase - Chevrolet Traverse	28,527	-	(9,349)	19,178	9,508
Installment purchase - CAT	163,210	-	(39,693)	123,517	40,242
Installment purchase - 2022 Ford Interceptors	109,908	-	(54,852)	55,056	27,142
Installment purchase - plow trucks	495,885	-	(98,499)	397,386	95,825
Installment purchase - plow truck	-	297,706	(63,037)	234,669	56,145
Installment purchase - streetsweeper	-	228,314	(44,498)	183,816	45,276
Total direct borrowing/placements	<u>1,083,802</u>	<u>526,020</u>	<u>(539,852)</u>	<u>1,069,970</u>	<u>330,486</u>
Bonds					
2016 Unlimited general obligation bonds	6,200,000	-	(1,000,000)	5,200,000	1,100,000
2019 Unlimited general obligation bonds	14,395,000	-	(420,000)	13,975,000	375,000
2022 Unlimited general obligation bonds	9,580,000	-	-	9,580,000	195,000
Unamortized bond premiums	2,705,550	-	(232,311)	2,473,239	232,312
Total other debt	<u>32,880,550</u>	<u>-</u>	<u>(1,652,311)</u>	<u>31,228,239</u>	<u>1,902,312</u>

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

	Restated Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
Governmental Activities (continued)					
Other long-term obligations					
Uninsured claim liability	\$ 27,492	\$ 113,278	\$ (59,073)	\$ 81,697	\$ 81,697
Compensated absences	1,193,950	1,349,154	(1,244,784)	1,298,320	973,740
Total other long-term obligations	<u>1,221,442</u>	<u>1,462,432</u>	<u>(1,303,857)</u>	<u>1,380,017</u>	<u>1,055,437</u>
Total Governmental Activities	<u>35,185,794</u>	<u>1,988,452</u>	<u>(3,496,020)</u>	<u>33,678,226</u>	<u>3,288,235</u>
Business-type Activities					
Direct borrowing/placements					
George W. Kuhn Drain Bonds	1,564,695	-	(632,462)	932,233	641,730
State Revolving Loan Fund					
2006 Michigan Municipal Bond Authority	998,451	-	(195,000)	803,451	200,000
2007 Michigan Municipal Bond Authority	849,815	-	(135,000)	714,815	140,000
2008 Michigan Municipal Bond Authority	590,000	-	(95,000)	495,000	95,000
2021 State Drinking Water Loan Fund	3,444,046	3,484,598	-	6,928,644	400,000
Installment purchase - vactor	57,697	-	(57,697)	-	-
Installment purchase - Ford Escape	19,700	-	(9,783)	9,917	9,917
Total direct borrowing/placements	<u>7,524,404</u>	<u>3,484,598</u>	<u>(1,124,942)</u>	<u>9,884,060</u>	<u>1,486,647</u>
Bonds					
2019 Capital improvement bonds (series A)	15,835,000	-	(305,000)	15,530,000	320,000
2019 Capital improvement bonds (series B)	2,400,000	-	(50,000)	2,350,000	55,000
Unamortized bond premium	974,130	-	(36,079)	938,051	36,079
Total other debt	<u>19,209,130</u>	<u>-</u>	<u>(391,079)</u>	<u>18,818,051</u>	<u>411,079</u>
Other long-term obligations					
Compensated absences	27,818	38,130	(25,234)	40,714	30,536
Total Business-type Activities	<u>26,761,352</u>	<u>3,522,728</u>	<u>(1,541,255)</u>	<u>28,742,825</u>	<u>1,928,262</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 61,947,146</u>	<u>\$ 5,511,180</u>	<u>\$ (5,037,275)</u>	<u>\$ 62,421,051</u>	<u>\$ 5,216,497</u>

The installment loans are liquidated by the General, Sanitation, and Water and Sewer Funds. The City's outstanding installment purchase agreements contain a provision that in the event of default, outstanding amounts may be subject to a judgement, which the City will be obligated to pay in full.

Component Unit

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
Downtown Development Authority					
Other long-term obligations					
Compensated absences	\$ 9,245	\$ 2,426	\$ (5,891)	\$ 5,780	\$ 4,335

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Governmental Activities

General Obligation Bonds

\$17,000,000 2016 General Obligation Unlimited Tax Bonds, dated June 15, 2016, due in annual installments ranging from \$350,000 to \$1,100,000 through April 1, 2031, with interest ranging from 2.00% to 4.00%.	\$ 5,200,000
\$15,000,000 2019 General Obligation Unlimited Tax Bonds, dated May 30, 2019, due in annual installments ranging from \$375,000 to \$2,075,000 through April 1, 2034, with interest ranging from 3.00% to 5.00%.	13,975,000
\$9,580,000 2022 General Obligation Unlimited Tax Bonds, dated May 5, 2022, due in annual installments ranging from \$195,000 to \$1,050,000 through April 1, 2033, with interest of 4.00%.	<u>9,580,000</u>
	<u><u>\$ 28,755,000</u></u>

Installment Purchase Agreement

\$208,969 Dump Truck Installment Purchase Agreement, dated May 15, 2020, due in annual installments of \$43,449 through May 15, 2024, with interest of 1.98%.	\$ 42,605
\$54,522 Police Utility Vehicle Installment Purchase Agreement, dated January 15, 2021, due in annual installments of \$13,976 through January 15, 2024, with interest of 1.70%.	13,743
\$38,273 Chevrolet Traverse Installment Purchase Agreement, dated December 10, 2021, due in annual installments of \$9,836 through January 30, 2025, with interest of 1.70%.	19,178
\$205,907 CAT Installment Purchase Agreement, dated August 25, 2021, due in annual installments of \$42,697 through August 25, 2025, with interest of 1.84%.	123,517
\$495,885 Plow Trucks Installment Purchase Agreement, dated March 1, 2022, due in annual installments of \$105,406 through September 30, 2026, with interest of 2.41%.	397,386
\$109,908 Police Vehicles Installment Purchase Agreement, dated April 1, 2022, due in annual installments of \$28,709 through April 30, 2025, with interest of 2.85%.	55,056
\$297,706 Plow Truck Installment Purchase Agreement, dated August 12, 2022, due in annual installments of \$63,037 through August 30, 2026, with interest of 2.39%.	234,669
\$228,314 Street Sweeper Installment Purchase Agreement, dated December 8, 2021, due in annual installments of \$48,493 through December 8, 2026, with interest of 1.75%.	<u>183,816</u>
	<u><u>\$ 1,069,970</u></u>

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Business-type Activities

George W. Kuhn Drain Bonds

The City is a participating community in the George W. Kuhn drain project. The project is administered by the Oakland County Drain Commission and financed through the sale of drain bonds, drawdowns from the State of Michigan Revolving Fund, Federal and State of Michigan grants, and contributions from Oakland County, Michigan. The City, along with 13 other local communities, is obligated for the payment of principal and interest of the outstanding debt. The City is obligated for varying percentages of each of the county bond issuances.

\$ 932,233

Revenue Bonds

\$3,475,000 Michigan Municipal Bond Authority Series 2006, dated September 21, 2006, due in annual installments ranging from \$198,451 to \$205,000 through April 1, 2027, with an interest rate of 2.125%.

\$ 803,451

\$2,470,000 Michigan Municipal Bond Authority Series 2007, dated September 27, 2007, due in annual installments ranging from \$140,000 to \$144,815 through April 1, 2028, with an interest rate of 2.125%.

714,815

\$1,670,000 Michigan Municipal Bond Authority Series 2008, dated June 23, 2008, due in annual installments ranging from \$95,000 to \$105,000 through April 1, 2028, with an interest rate of 2.50%.

495,000

\$9,600,000 State Drinking Water Loan, dated March 26, 2021, due in annual installments ranging from \$400,000 to \$570,000 through April 1, 2043, with an interest rate of 1.875%.

6,928,644

\$ 8,941,910

General Obligation Bonds

\$16,415,000 2019 Capital Improvement Bonds (Series A), dated April 9, 2019 due in annual installments ranging from \$320,000 to \$940,000 through October 1, 2048, with interest ranging from 3.50% to 5.00%.

\$ 15,530,000

\$2,500,000 2019 Capital Improvement Bonds (Series B), dated April 9, 2019 due in annual installments ranging from \$55,000 to \$145,000 through October 1, 2048, with interest ranging from 3.11% to 4.30%.

2,350,000

\$ 17,880,000

Installment Purchase Agreement

\$29,752 Ford Escape Installment Purchase Agreement, dated October 15, 2021, due in annual installments of \$10,052 through October 15, 2023, with interest of 1.36%.

\$ 9,917

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Business-type Activities (continued)

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/vacation time. The dollar amounts of these vested rights including related payroll taxes, which have been recorded in the government-wide financial statements, amounted to \$1,344,814 at June 30, 2023. For the governmental activities, compensated absences are generally liquidated by the General Fund.

Uninsured Claim Liability

The City estimates the liability for its self-insured coverage and includes both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared with the assistance of the City's third-party administrators for claims management. An estimated liability for workers' compensation claims, in the amount of \$81,697, is recorded in the government-wide financial statements. The General Fund is typically used to liquidate uninsured claims.

The annual requirements to pay the debt principal and interest outstanding for bonds and installment purchase agreements are as follows:

Year Ending June 30,	Governmental Activities				Business-Type Activities			
	Direct Borrowings and Direct Placements		General Obligation Bonds		Direct Borrowings and Direct Placements		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 330,486	\$ 24,934	\$ 1,670,000	\$ 1,085,650	\$ 1,086,647	\$ 67,146	\$ 375,000	\$ 732,451
2025	280,750	17,427	1,785,000	1,026,100	497,885	41,792	390,000	717,640
2026	248,792	10,841	1,895,000	972,450	514,320	30,784	400,000	702,223
2027	209,942	5,077	2,010,000	911,750	500,251	19,407	420,000	684,310
2028	-	-	2,150,000	831,050	307,628	8,278	440,000	663,710
2029-2033	-	-	13,150,000	2,643,575	48,685	1,217	2,560,000	2,969,434
2034-2038	-	-	6,095,000	463,850	-	-	3,260,000	2,264,016
2039-2043	-	-	-	-	-	-	4,075,000	1,453,095
2044-2048	-	-	-	-	-	-	4,875,000	648,333
2049-2051	-	-	-	-	-	-	1,085,000	19,568
	<u>\$ 1,069,970</u>	<u>\$ 58,279</u>	<u>\$ 28,755,000</u>	<u>\$ 7,934,425</u>	<u>\$ 2,955,416</u>	<u>\$ 168,624</u>	<u>\$ 17,880,000</u>	<u>\$ 10,854,780</u>

Outstanding principal and interest on the 2021 State DWRF loan has been excluded from the schedules above because the loan has not been drawn in full. An amortization schedule will be determined at the completion of the project.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - DETAILS OF FUND BALANCE CLASSIFICATIONS

As previously discussed in Note 1, the City reports constraints on fund balance in four different categories; Nonspendable, Restricted, Committed, and Assigned. The following schedule provides the detail related to these classifications:

	<u>General</u>	<u>Special Revenue Major Streets</u>	<u>Debt Service Debt Service</u>	<u>Capital Projects Road and Park Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances						
Nonspendable						
Inventory	\$ 158,746	\$ -	\$ -	\$ -	\$ -	\$ 158,746
Prepays	559,468	4,116	-	-	14,075	577,659
Restricted						
Cable TV	-	-	-	-	171,997	171,997
Public safety	12,636	-	-	-	479,112	491,748
Debt service	-	-	1,903,011	-	-	1,903,011
Highways and streets	-	5,342,239	-	-	1,257,737	6,599,976
Public works	-	-	-	-	2,119,615	2,119,615
Indigent defense	-	-	-	-	311,707	311,707
Opiod Settlement	-	-	-	-	51,491	51,491
ARPA projects	-	-	-	-	58,026	58,026
Recreation and culture	-	-	-	-	399,487	399,487
Capital projects	-	-	-	6,850,219	-	6,850,219
Committed						
Employee benefits	531,594	-	-	-	-	531,594
Capital projects	347,400	-	-	-	-	347,400
Assigned						
Senior memorial	9,783	-	-	-	-	9,783
Capital projects	-	-	-	-	2,493,675	2,493,675
Unassigned	5,292,743	-	-	-	-	5,292,743
TOTAL FUND BALANCES	\$ 6,912,370	\$ 5,346,355	\$ 1,903,011	\$ 6,850,219	\$ 7,356,922	\$ 28,368,877

NOTE 7 - INTERFUND BALANCES

The composition of interfund balances of the primary government as of June 30, 2023, was as follows:

Due to General Fund from:	
Auto Parking Fund	\$ 184,587
Nonmajor governmental funds	46,737
	<u>\$ 231,324</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable related to the primary government as of June 30, 2023:

Advance from General Fund to:	
Auto Parking Fund	<u><u>\$ 1,607,957</u></u>

The advance was to finance capital acquisitions.

NOTE 9 - INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	<u><u>\$ 100,000</u></u>
Transfers to Auto Parking Fund from:	
General Fund	<u><u>\$ 200,000</u></u>
Transfers to nonmajor governmental funds from:	
General Fund	<u><u>\$ 500</u></u>

Transfers are used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries, and illnesses of employees; and natural disasters. Workers' compensation is provided through purchased commercial insurance. For workers' compensation claims, the policy covers the City's claims up to \$400,000 per occurrence. The City is self-insured for the following risks up to the maximum amount per claim as follows: general liability - \$150,000, and property - \$15,000. The City is insured for those automobile claims that consist of employee injuries and City vehicle damage. There have been no significant reductions in insurance coverage from the prior year.

The City participates in the Michigan Municipal Risk Management Authority (MMRMA), a self-insured, public-entirety risk pool organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to Michigan cities, counties, townships, and special purpose governments. The City covers the first \$250,000, and the risk pool covers the next \$750,000. Excess commercial insurance is provided through the pool up to an additional \$14,000,000. Should actual losses among participants be greater than anticipated, the City will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, there will be a reduction in the City's future contribution to the pool. Settled claims have not exceeded this commercial coverage in any of the past five years.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM

Plan Administration

The Ferndale Employees Retirement System (FERS or "the Plan") is a single-employer defined benefit pension plan administered by the City that covers all full-time municipal employees. Effective July 1, 1996, FERS was closed to new hires and existing members were permitted to transfer to the new Defined Contribution Plan. FERS provides retirement, disability, and death benefits to plan members. The requirements of the State Constitution and Chapter XIXA of the City Charter assign the authority to establish and amend benefit provisions of the plan to the Board of Trustees. A separate financial statement of the Plan has not been issued.

The Board of Trustees consists of three members. One member is appointed by the City Council and the City Manager and City Finance Director serve as ex-officio members.

Summary of Significant Accounting Policies

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

Plan Membership

Membership of the FERS consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	34
Active members	<u>67</u>
	<u><u>101</u></u>

Benefits Provided

The Plan provides retirement, death, and disability benefits to plan members and their beneficiaries. Members are eligible for benefits at age 55 with 33 or more years of service or age 60 with 10 or more years of service.

Retirement benefits for plan members are calculated as total service times 2.0% of the final average salary.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM (continued)

Duty Disability

Participants are eligible for duty disability regardless of age or service time. Prior to age 60 the annual benefit is computed as regular retirement benefit plus amount paid by workers' compensation. After age 60 the annual benefit is computed by regular retirement with additional service credit granted for period in receipt of workers' compensation.

Non-Duty Disability

Participants are eligible for non-duty disability if they have 10 years of service. The annual benefit is computed as regular retirement but based upon service and final average compensation at commencement of disability. Minimum benefit to age 60 is \$720.

Duty Death

Payable upon expiration of workers' compensation to the survivor of a member who died in the line of duty. The annual benefit is the same amount that was paid by workers' compensation to spouse, unmarried children under 18, and dependent parents.

Deferred Retirement Option Program

Participants are eligible for the deferred retirement option program (DROP) if he or she has 10 or more years of service, regardless of age. The benefit begins at age 60. The annual benefit is computed as regular retirement but based on service and final average salary at time of termination. For the year ended June 30, 2023, the balance of amounts held by the Plan pursuant to the DROP is \$0.

Non-Duty Death before Retirement

Participants are eligible for non-duty death before retirement benefits if they have 10 or more years of service. The benefit is accrued straight-line pension reduced actuarially in accordance with an Option II election.

Contributions

There are no active members of the plan for the purposes of employee contributions. (See the amendment to the Plan below.) The City is not required to make a contribution. Per Chapter XIXA of the City Charter, contribution requirements of the plan members and the City are established and may be amended by the Board of Trustees. Administrative costs of FERS are financed through investment earnings.

The following Plan provisions have been reflected in the June 30, 2023, valuation:

- Providing Medicare Part B reimbursement to active employees hired prior to July 1, 1991.
- Providing disability benefits to all active General employees of the City of Ferndale. (Thus, active plan members in the valuation for purposes of disability are 62, and for purposes of pension benefits is zero - closed plan.)

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM (continued)

Net Pension Asset

The net pension asset reported at June 30, 2023 was determined using a measure of the total pension liability and the pension plan fiduciary net position as of June 30, 2023. The June 30, 2023 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension asset during the measurement year were as follows:

<u>Changes in Net Pension Asset</u>	<u>Increase (Decrease)</u>		<u>Net Pension (Asset) Liability (a)-(b)</u>
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	
Balances at June 30, 2022	\$ 5,548,815	\$ 19,876,099	\$ (14,327,284)
Service cost	52,677	-	52,677
Interest on total pension liability	260,179	-	260,179
Differences between expected and actual experience	614,327	-	614,327
Net investment income	-	1,221,739	(1,221,739)
Benefit payments, including employee refunds	(1,238,724)	(1,238,724)	-
Administrative expense	-	(27,692)	27,692
Other	-	(14,555)	14,555
Net changes	<u>(311,541)</u>	<u>(59,232)</u>	<u>(252,309)</u>
Balances at June 30, 2023	<u>\$ 5,237,274</u>	<u>\$ 19,816,867</u>	<u>\$ (14,579,593)</u>

At June 30, 2023, the plan fiduciary net position as a percentage of the total pension liability was 378.38%.

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

For the year ended June 30, 2023, the City recognized pension income of \$11,977. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings earnings on pension plan investments	<u>\$ 465,066</u>	<u>\$ -</u>

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

<u>Year Ending</u>	<u>Pension</u>
2024	\$ 68,993
2025	(98,311)
2026	536,755
2027	(42,371)

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Total Pension Liability (from actuarial valuation)

Actuarial cost method	Aggregate
Amortization method	Level dollar, open
Remaining amortization period	10 years
Asset valuation method	4 years smoothed market
Wage inflation	2.25%
Salary increases	2.75% - 10.3%, including inflation
Investment rate of return	5.25%
Mortality	Fully generational PubG-2010 Amount-weighted, General Employee, Retiree, and Disabled Retiree, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2021.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2022 through June 30, 2023.

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determine contribution rates and the member rate. Based on these assumptions, the 5.25% long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected Cash Flows

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

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM (continued)

Projected Cash Flows (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Long-term Expected Rate of Return</u>
U.S. Equities	45.00%	5.25%
U.S. Fixed Income	40.00%	5.25%
Commercial Real Estate	10.00%	5.25%
Cash Equivalents	5.00%	5.25%

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

The following presents the City's net pension asset, calculated using the discount rate of 5.25%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1% lower (4.25%) or 1% higher (6.25%) than the current rate:

	<u>1% Decrease Rate 4.25%</u>	<u>Current Discount Rate 5.25%</u>	<u>1% Increase Rate 6.25%</u>
Total pension liability	\$ 5,633,076	\$ 5,237,274	\$ 4,890,857
Plan fiduciary net position	19,816,867	19,816,867	19,816,867
City's net pension (asset)	<u>\$ (14,183,791)</u>	<u>\$ (14,579,593)</u>	<u>\$ (14,926,010)</u>

CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM

Plan Administration

The Ferndale Policemen and Firemen Retirement System (FPFRS or "the Plan") is a single-employer defined benefit pension plan administered by Comerica Bank Corporation that covers all full-time municipal police and firemen. Effective July 1, 1996, FPFRS was closed to new hires and existing members were permitted to transfer to the new Defined Contribution Plan. FPFRS provides retirement, disability, and death benefits to plan members. The requirements of the State Constitution and Chapter XIXB of the City Charter assign the authority to establish and amend benefit provisions of the plan to the Board of Trustees. A separate financial statement of the Plan has not been issued.

The Board of Trustees consists of six members. One member is a City Council member appointed by the City Council, one member is a citizen elected by the members of the Plan, two members are elected by active Plan participants, and the City Mayor and City Manager serve as ex-officio members.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM (continued)

Summary of Significant Accounting Policies

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

Plan Membership

Membership of the FPFRS consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	95
Active members	<u>11</u>
	<u><u>106</u></u>

Benefits Provided

The Plan provides retirement, death, and disability benefits to plan members and their beneficiaries. Police members are eligible for benefits with a minimum of 25 years of service regardless of age. Firefighter members are eligible for benefits with a minimum of 25 years of service regardless of age or age 50 with 10 years of service.

For firefighters hired before July 1, 2011, and police captain retirement benefits are calculated as final average compensation times 3.0% times the first 25 years of service plus 1.0% times the next 5 years of service. Firefighters hired on or after July 1, 2011, retirement benefits are calculated as final average compensation times 3.0% times the first 25 years of service.

For all other members retirement benefits are calculated as final average compensation times 2.5% times the first 30 years of service, or members have the option of final average compensation times 3.0% times the first 25 years of service plus 1.0% times the next 5 years of service by contributing an additional amount.

Duty Disability

Participants are eligible for duty disability regardless of age or service time. Prior to age 50 the annual benefit is computed as 70% of annual base pay of a patrol officer or firefighter, whichever is higher. After age 50 the annual benefit is computed by regular retirement with additional service credit granted for period in receipt of workers' compensation.

Non-Duty Disability

Participants are eligible for non-duty disability if they have 10 years of service. The annual benefit is computed as regular retirement but based upon service and final average compensation at commencement of disability. Minimum benefit to age 60 is \$720.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM (continued)

Duty Death

Payable upon expiration of workers' compensation to the survivor of a member who died in the line of duty. Spouse receives 40% of final compensation (70% of FAC for Fire); unmarried children under 18 receive an equal share of 25% of final compensation (5% of FAC for Fire); unmarried children under 18 and no spouse receive an equal share of 50% of final compensation.

Non-Duty Death before Retirement

Participants are eligible for non-duty death before retirement benefits if they have 10 or more years of service or are 55 regardless of service. The benefit is accrued straight-line pension reduced actuarially in accordance with a 100% joint and survivor election.

Deferred Retirement Option Program

Participants are eligible for the deferred retirement option program (DROP) if he or she has ten or more years of service, regardless of age. The benefit begins at age 50. The annual benefit is computed as regular retirement but based on service and final average salary at time of termination. For the year ended June 30, 2023, the balance of amounts held by the Plan pursuant to the DROP is \$0.

Contributions

Police patrol and police command members are required to contribute 1.6% of annual covered salary for the 2.5% multiplier or 5.35% of annual covered salary for the 3.0% multiplier. Police captains are required to contribute 3.75% of annual covered salary. Firefighters are required to contribute 5.35% of annual covered salary. The City was required to make a contribution of \$1,279,993 for the year ended June 30, 2023, according to the June 30, 2021, valuation received. Per Chapter XIXB of the City Charter, contribution requirements of the plan members and the City are established and may be amended by the Board of Trustees. Administrative costs of FPFERS are financed through investment earnings.

Net Pension Liability

The net pension liability reported at June 30, 2023 was determined using a measure of the total pension liability and the pension plan fiduciary net position as of June 30, 2023. The June 30, 2023 total pension liability was determined by an actuarial valuation performed as of that date.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM (continued)

Net Pension Liability (continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2022	\$ 52,687,720	\$ 39,442,442	\$ 13,245,278
Service cost	678,864	-	678,864
Interest on total pension liability	3,322,829	-	3,322,829
Differences between expected and actual experience	(365,401)	-	(365,401)
Employer contributions	-	1,274,644	(1,274,644)
Employee contributions	-	63,980	(63,980)
Net investment income	-	2,783,785	(2,783,785)
Benefit payments, including employee refunds	(3,813,414)	(3,813,414)	-
Administrative expense	-	(34,355)	34,355
Other	-	(23,538)	23,538
Net changes	(177,122)	251,102	(428,224)
Balances at June 30, 2023	\$ 52,510,598	\$ 39,693,544	\$ 12,817,054

At June 30, 2023, the plan fiduciary net position as a percentage of the total pension liability was 75.59%.

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

For the year ended June 30, 2023, the City recognized pension expense of \$1,992,938. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 49,638
Difference between projected and actual earnings on pension plan investments	1,261,776	-
	\$ 1,261,776	\$ 49,638

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM (continued)

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

Year Ending June 30,	Pension Expense
2024	\$ 212,295
2025	(201,497)
2026	1,261,806
2027	(60,466)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Individual entry-age
Amortization method	Level dollar, closed
Remaining amortization period	16
Asset valuation method	4 years smoothed market for funding
Inflation	2.50%
Salary increases	3.25% to 13.25% (including inflation)
Investment rate of return	6.50%
Mortality	Fully generational PubS-2010 Amount-Weighted, Safety, Employee, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2021.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2022 through June 30, 2023.

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determine contribution rates and the member rate. Based on these assumptions, the 6.50% long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM (continued)

Projected Cash Flows

Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all future periods of projected benefit payments to determine the total pension liability.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Long-term Expected Rate of Return</u>
U.S. Equities	45.00%	6.50%
Non U.S. Equities	10.00%	6.50%
U.S. Fixed Income	35.00%	6.50%
Commercial Real Estate	10.00%	6.50%

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

The following presents the City’s net pension liability, calculated using the discount rate of 6.50%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1% lower (5.50%) or 1% higher (7.50%) than the current rate:

	<u>1% Decrease Rate 5.50%</u>	<u>Current Discount Rate 6.50%</u>	<u>1% Increase Rate 7.50%</u>
Total pension liability	\$ 58,131,179	\$ 52,510,598	\$ 47,775,282
Plan fiduciary net position	<u>39,693,544</u>	<u>39,693,544</u>	<u>39,693,544</u>
City's net pension liability	<u>\$ 18,437,635</u>	<u>\$ 12,817,054</u>	<u>\$ 8,081,738</u>

NOTE 13 - DEFINED CONTRIBUTION PENSION PLANS

CITY OF FERNDALE DEFINED CONTRIBUTION PENSION PLAN

The City of Ferndale Defined Contribution Pension Plan is held in trust and covers approximately 148 employees of the City. The plan is available to employees upon their first day of employment and benefits are fully vested upon the fifth year of service. The third-party administrator for this plan is International City Manager’s Association - Retirement Corporation (“ICMA-RC”), which qualifies under the Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions and contribution rates are established and may be amended for union employees by contract and for non-union employees by resolution of the City Council. Unvested benefits forfeited by employees who leave employment early are used to reduce City contributions. For the year ended June 30, 2023, the City contributed \$961,247.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - DEFINED CONTRIBUTION PENSION PLANS (continued)

CITY OF FERNDALE DEFINED CONTRIBUTION PENSION PLAN (continued)

The City's contribution rate structure is as follows:

	<u>Police</u>	<u>City and Admin Hire Prior to 7/16/96</u>	<u>City Hire Subsequent to 7/16/96</u>	<u>Admin Hire Subsequent to 7/16/96</u>	<u>City Manager</u>
City Contribution	9%	6%	5%	5%	6%
Employee Contribution	0%	0%	0%	0%	0%
or					
City Contribution	14%	9%	5%	7%	9%
Employee Contribution	5.35%	3%	3%	3%	3%

43rd CITY COURT PROFIT SHARING PENSION PLAN

The 43rd City Court Profit Sharing Pension Plan is held in trust and covers current employees of the City Court. The plan is available to employees upon their first day of employment and benefits are fully vested upon the seventh year of service. The third-party administrator for this plan is John Hancock. In a profit-sharing pension plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The profit-sharing pension cost to the 43rd District Court for the fiscal year ending June 30, 2023, was \$100,883. Plan provisions and contribution rates are established and may be amended for union employees by contract and for non-union employees by resolution of the City Council. Unvested benefits forfeited by employees who leave employment early are used to reduce City Court contributions.

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Ferndale Other Postemployment Benefits Plan is a single employer defined benefit plan administered by the City. The benefits are provided in accordance with the bargaining group agreements and other requirements. Plan benefit provisions were established and may be amended under the authority of City Council. The Plan does not issue a separate stand-alone financial statement.

Benefits Provided

The City provides retiree healthcare benefits to eligible employees and their spouses, in accordance with labor contracts through the Other Post-Employment Benefits Trust Fund. Benefits are provided to general and police and fire employees.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Summary of Plan Participants

Membership in the plan at June 30, 2022, (latest actuarial report) is as follows:

Retirees and beneficiaries	157
Inactive, nonretired members	6
Active members	<u>30</u>
	<u><u>193</u></u>

Contributions

The Plan was established and is being funded under the authority of the City Council. The Plan's funding policy is that the employer will contribute amounts as able using the results of the actuarial valuation. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves.

The City provides 100% of the contributions for retiree healthcare.

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

The change in the net OPEB liability for the year ended June 30, 2023, is as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2022	\$ 58,510,767	\$ 25,210,338	\$ 33,300,429
Changes for the year			
Service cost	315,047	-	315,047
Interest	3,451,510	-	3,451,510
Experience losses	(10,134,552)	-	(10,134,552)
Change in actuarial assumptions	766,579	-	766,579
Contributions - employer	-	2,286,251	(2,286,251)
Net investment income (loss)	-	3,235,115	(3,235,115)
Benefit payments	(2,286,251)	(2,286,251)	-
Net changes	(7,887,667)	3,235,115	(11,122,782)
Balances at June 30, 2023	\$ 50,623,100	\$ 28,445,453	\$ 22,177,647

At June 30, 2023, the plan fiduciary net position as a percentage of the total OPEB liability was 56.19%.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 valuation was determined using the following assumptions applied to all periods included in the measurement.

Actuarial cost method	Entry age, normal
Amortization method	Level dollar, closed
Remaining amortization period	16 years for General and Police; 22 years for Fire
Asset valuation method	Market value
Wage inflation	N/A
Salary increases	2.75% - 13.25%
Investment rate of return	6.00%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The fully generational PubG-2010 for General (PubS-2010 for Police and Fire) Amount-Weighted, General Employee, General Healthy Retiree and Disabled Retiree, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2021.
Health care trend rates	Medical and Drug: Pre-65 Trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 3.50%. Post-65 trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 3.50%. Dental Coverage: 3.50%
Aging factors	The tables used in developing the retiree premium are based on a recent Society of Actuaries study of health costs.
Expenses	Investment and administrative expenses are net of the investment returns.

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

<u>Asset Class</u>	<u>Target</u>	<u>Long-term Expected Rate of Return</u>
Domestic equity	50.00%	6.00%
International equity	10.00%	6.00%
Fixed income	40.00%	6.00%

Discount Rate

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

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 28,735,416	\$ 22,177,647	\$ 16,799,031

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trends rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 17,089,267	\$ 22,177,647	\$ 28,135,671

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

For the year ended June 30, 2023, the City recognized OPEB income of \$6,253,040. At June 30, 2023, the City 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	\$ -	\$ 1,421,155
Changes of assumptions	107,496	-
Investment earnings (gains)/losses	138,025	-
	\$ 245,521	\$ 1,421,155

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense
2024	\$ (1,462,048)
2025	(395,931)
2026	1,026,844
2027	(344,499)

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 15 - CODE ENFORCEMENT FINANCIAL INFORMATION

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2023:

Cumulative shortfall at July 1, 2022	\$ (4,627,410)
REVENUES	
Licenses and permits	1,136,018
EXPENDITURES	
Code enforcement	<u>(1,099,156)</u>
Cumulative shortfall at June 30, 2023	<u>\$ (4,590,548)</u>

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the City implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the City’s financial statement after the adoption of GASB Statement No. 96.

NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimate be reported prospectively by recognizing the change in the current period. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 18 - NET POSITION DEFICIT

The City's Auto Parking Fund ended the year with an unrestricted net position deficit of \$(2,144,234) and total net position of \$1,505,692.

NOTE 19 - RESTATEMENT OF NET POSITION

Beginning net position for governmental activities has been adjusted to correct understated long-term debt payable as noted below.

	Governmental Activities
Beginning net position	\$ 7,958,461
Long-term debt	(605,793)
Restated beginning net position	\$ 7,352,668

NOTE 20 - SUBSEQUENT EVENT

On July 19, 2023, the City issued the Water Supply and Sanitary Sewer System Revenue Bonds, Series 2023, in the amount of \$11,415,000. The bonds were issued for the purpose of paying all or a portion of the costs of water main replacement, sanitary sewer lining, pump station improvements, lead service line replacements, and manhole improvements, together with all necessary equipment, furnishings, and all appurtenances and attachments. The principal and interest on the bonds are payable solely from the revenues of the City's water supply and sanitary sewer system.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FERNDALE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 12,825,713	\$ 12,417,247	\$ 12,907,909	\$ 490,662
Special assessments	278,000	278,000	272,942	(5,058)
Licenses and permits	1,205,390	1,465,190	1,404,053	(61,137)
Intergovernmental	4,131,855	4,634,521	4,505,889	(128,632)
Charges for services	2,366,356	2,279,176	2,376,289	97,113
Fines and forfeits	978,892	1,102,693	1,104,999	2,306
Interest and rents	563,275	80,000	172,291	92,291
Other	1,060,100	1,584,466	1,447,466	(137,000)
TOTAL REVENUES	23,409,581	23,841,293	24,191,838	350,545
EXPENDITURES				
Current				
General government				
City council	53,025	57,751	58,241	(490)
City manager	620,776	622,757	628,677	(5,920)
Budget and financial analysis	637,903	587,119	589,935	(2,816)
City clerk	267,607	229,976	226,232	3,744
City elections	185,459	126,000	125,454	546
Building and grounds	743,915	586,932	574,609	12,323
Legal services	233,800	208,800	224,951	(16,151)
Cable television	18,295	-	-	-
Central services	896,725	797,710	805,351	(7,641)
Technology and telecommunications	659,142	752,629	730,101	22,528
Human resources	365,527	471,418	481,109	(9,691)
Health and wellness	138,875	106,375	113,470	(7,095)
Other	90,260	96,937	96,937	-
Total general government	4,911,309	4,644,404	4,655,067	(10,663)
Judicial				
District court	1,874,650	1,553,249	1,543,289	9,960
Public safety				
Police department	7,444,954	7,523,509	7,429,224	94,285
Fire department	4,124,538	4,833,174	4,963,650	(130,476)
Code enforcement	1,224,771	1,062,438	1,099,156	(36,718)
Total public safety	12,794,263	13,419,121	13,492,030	(72,909)

**CITY OF FERNDALE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (continued)				
Current (continued)				
Public works				
Public services department	\$ 1,659,696	\$ 1,576,259	\$ 1,668,345	\$ (92,086)
Motor pool	338,102	363,364	370,259	(6,895)
Street lighting	482,000	482,000	433,584	48,416
Total public works	<u>2,479,798</u>	<u>2,421,623</u>	<u>2,472,188</u>	<u>(50,565)</u>
Recreation and culture				
Dream cruise car show	135,979	125,396	118,732	6,664
Parks	1,026,933	748,445	725,462	22,983
Community center	634,133	664,010	620,941	43,069
Total recreation and culture	<u>1,797,045</u>	<u>1,537,851</u>	<u>1,465,135</u>	<u>72,716</u>
Debt service				
Principal	174,633	302,221	404,891	(102,670)
Interest and fees	6,089	9,852	19,904	(10,052)
Total debt service	<u>180,722</u>	<u>312,073</u>	<u>424,795</u>	<u>(112,722)</u>
TOTAL EXPENDITURES	<u>24,037,787</u>	<u>23,888,321</u>	<u>24,052,504</u>	<u>(164,183)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(628,206)</u>	<u>(47,028)</u>	<u>139,334</u>	<u>186,362</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	800,000	145,000	100,000	(45,000)
Transfers out	(172,294)	(339,204)	(200,500)	138,704
Proceeds from sale of capital assets	500	241,232	218,187	(23,045)
TOTAL OTHER FINANCING SOURCES (USES)	<u>628,206</u>	<u>47,028</u>	<u>117,687</u>	<u>70,659</u>
NET CHANGE IN FUND BALANCE	-	-	257,021	257,021
Fund balance, beginning of year	<u>6,655,349</u>	<u>6,655,349</u>	<u>6,655,349</u>	-
Fund balance, end of year	<u>\$ 6,655,349</u>	<u>\$ 6,655,349</u>	<u>\$ 6,912,370</u>	<u>\$ 257,021</u>

**CITY OF FERNDALE
MAJOR STREETS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,969,560	# \$ 2,275,104	\$ 2,108,783	\$ (166,321)
Investment earnings	23,000	13,000	99,383	86,383
TOTAL REVENUES	<u>1,992,560</u>	<u>2,288,104</u>	<u>2,208,166</u>	<u>(79,938)</u>
EXPENDITURES				
Current				
Highway and streets	1,948,123	843,809	999,981	(156,172)
Debt service				
Principal	<u>-</u>	<u>-</u>	<u>31,519</u>	<u>(31,519)</u>
TOTAL EXPENDITURES	<u>1,948,123</u>	<u>843,809</u>	<u>1,031,500</u>	<u>(187,691)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>44,437</u>	<u>1,444,295</u>	<u>1,176,666</u>	<u>(267,629)</u>
OTHER FINANCING SOURCES				
Issuance of debt	<u>-</u>	<u>-</u>	<u>148,853</u>	<u>148,853</u>
NET CHANGE IN FUND BALANCE	44,437	1,444,295	1,325,519	(118,776)
Fund balance, beginning of year	<u>4,020,836</u>	<u>4,020,836</u>	<u>4,020,836</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,065,273</u>	<u>\$ 5,465,131</u>	<u>\$ 5,346,355</u>	<u>\$ (118,776)</u>

CITY OF FERNDALE
CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION ASSET AND RELATED RATIOS
LAST TEN FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
CHANGE IN TOTAL PENSION LIABILITY										
Service cost	\$ 52,677	\$ 49,372	\$ 36,228	\$ 32,278	\$ 23,943	\$ 21,713	\$ 18,809	\$ 14,691	\$ 15,285	\$ 16,286
Interest	260,179	255,679	346,891	352,152	405,284	487,623	513,117	522,020	539,766	581,366
Differences between expected and actual experience	614,327	1,359,745	(539,994)	262,587	76,716	(954,790)	58,126	269,959	111,044	(248,912)
Changes of assumptions	-	-	37,850	5,664	467,682	-	457,291	-	-	-
Benefit payments, including refunds of member contributions	(1,238,724)	(1,922,737)	(726,438)	(774,177)	(846,166)	(798,641)	(955,647)	(916,192)	(922,431)	(962,588)
NET CHANGE IN TOTAL PENSION LIABILITY	(311,541)	(257,941)	(845,463)	(121,496)	127,459	(1,244,095)	91,696	(109,522)	(256,336)	(613,848)
TOTAL PENSION LIABILITY, BEGINNING	5,548,815	5,806,756	6,652,219	6,773,715	6,646,256	7,890,351	7,798,655	7,908,177	8,164,513	8,778,361
TOTAL PENSION LIABILITY, ENDING (A)	\$ 5,237,274	\$ 5,548,815	\$ 5,806,756	\$ 6,652,219	\$ 6,773,715	\$ 6,646,256	\$ 7,890,351	\$ 7,798,655	\$ 7,908,177	\$ 8,164,513
CHANGE IN PLAN FIDUCIARY NET POSITION										
Net investment income (loss)	\$ 1,221,739	\$ (1,706,750)	\$ 4,265,023	\$ 272,859	\$ 1,471,813	\$ 846,306	\$ 1,301,029	\$ 846,703	\$ 675,480	\$ 2,628,765
Benefit payments, including refunds of member contributions	(1,238,724)	(1,922,737)	(726,438)	(774,177)	(846,166)	(798,641)	(955,647)	(916,192)	(922,431)	(962,588)
Administrative expenses	(27,692)	(28,568)	(14,800)	(14,800)	(14,950)	-	-	-	(5,120)	(9,000)
Other	(14,555)	(172,529)	133,750	-	(5,268)	(21,856)	(8,932)	(14,386)	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(59,232)	(3,830,584)	3,657,535	(516,118)	605,429	25,809	336,450	(83,875)	(252,071)	1,657,177
PLAN FIDUCIARY NET POSITION, BEGINNING	19,876,099	23,706,683	20,049,148	20,565,266	19,959,837	19,934,028	19,597,578	19,681,453	19,933,524	18,276,347
PLAN FIDUCIARY NET POSITION, ENDING (B)	\$ 19,816,867	\$ 19,876,099	\$ 23,706,683	\$ 20,049,148	\$ 20,565,266	\$ 19,959,837	\$ 19,934,028	\$ 19,597,578	\$ 19,681,453	\$ 19,933,524
CITY'S NET PENSION ASSET, ENDING (A)-(B)	\$ (14,579,593)	\$ (14,327,284)	\$ (17,899,927)	\$ (13,396,929)	\$ (13,791,551)	\$ (13,313,581)	\$ (12,043,677)	\$ (11,798,923)	\$ (11,773,276)	\$ (11,769,011)
Plan fiduciary net position as a percentage of the total pension liability	378.38%	358.20%	408.26%	301.39%	303.60%	300.32%	252.64%	251.29%	248.87%	244.15%
Covered payroll	\$ 4,593,855	\$ 4,091,177	\$ 3,980,552	\$ 3,680,385	\$ 3,357,932	\$ 2,927,799	\$ 2,858,250	\$ 2,505,759	\$ 2,041,236	\$ 2,194,974
City's net pension asset as a percentage of covered payroll	(317.37)%	(350.20)%	(449.68)%	(364.01)%	(410.72)%	(454.73)%	(421.37)%	(470.87)%	(576.77)%	(536.18)%

**CITY OF FERNDALE
CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,593,855	\$ 4,091,177	\$ 3,980,552	\$ 3,680,385	\$ 3,357,932	\$ 2,927,799	\$ 2,858,250	\$ 2,505,759	\$ 2,041,236	\$ 2,194,974
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate
Amortization method	Level dollar, open
Remaining amortization period	10 years
Asset valuation method	4-Year smoothed market
Wage inflation	2.75%
Salary increases	2.75% - 7.20% (including inflation)
Investment rate of return	5.25%
Municipal bond rate	3.86%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	Fully generational PubG-2010 Amount Weighted Employee, Healthy Retiree and Disabled tables for males and females with a base year of 2010 and improvement scales MP-2021.

**CITY OF FERNDALE
 CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF INVESTMENT RETURNS
 LAST TEN FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	-0.30%	-16.16%	18.24%	-2.51%	3.03%	0.13%	1.72%	-0.43%	-1.26%	9.07%

CITY OF FERNDALE
CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST TEN FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
CHANGE IN TOTAL PENSION LIABILITY										
Service cost	\$ 678,864	\$ 591,120	\$ 546,555	\$ 645,107	\$ 621,176	\$ 715,033	\$ 667,860	\$ 668,224	\$ 635,613	\$ 691,796
Interest	3,322,829	3,188,435	3,168,418	3,211,331	3,001,957	2,947,950	2,974,617	2,854,959	2,834,748	2,805,903
Changes of benefit terms	-	19,913	263,163	-	267,541	42,029	-	-	-	-
Differences between expected and actual experience	(365,401)	725,447	382,696	(726,568)	2,918,317	863,284	(597,098)	869,747	(553,767)	(597,764)
Changes of assumptions	-	1,466,085	-	24,168	-	(164,539)	4,288,227	-	-	-
Benefit payments, including refunds of member contributions	<u>(3,813,414)</u>	<u>(4,121,138)</u>	<u>(4,029,175)</u>	<u>(3,500,752)</u>	<u>(3,698,894)</u>	<u>(3,352,993)</u>	<u>(2,713,638)</u>	<u>(2,770,963)</u>	<u>(2,537,270)</u>	<u>(2,410,678)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	(177,122)	1,869,862	331,657	(346,714)	3,110,097	1,050,764	4,619,968	1,621,967	379,324	489,257
TOTAL PENSION LIABILITY, BEGINNING	52,687,720	50,817,858	50,486,201	50,832,915	47,722,818	46,672,054	42,052,086	40,430,119	40,050,795	39,561,537
TOTAL PENSION LIABILITY, ENDING (A)	\$ 52,510,598	\$ 52,687,720	\$ 50,817,858	\$ 50,486,201	\$ 50,832,915	\$ 47,722,818	\$ 46,672,054	\$ 42,052,086	\$ 40,430,119	\$ 40,050,794
CHANGE IN PLAN FIDUCIARY NET POSITION										
Contributions - employer	\$ 1,274,644	\$ 1,382,879	\$ 894,822	\$ 719,301	\$ 366,416	\$ 412,196	\$ 391,609	\$ 570,976	\$ 684,938	\$ 830,704
Contributions - member	63,980	67,358	3,553	94,136	121,255	125,944	146,961	130,680	129,221	138,439
Net investment income (loss)	2,783,785	(3,717,533)	9,781,350	332,462	2,584,629	2,134,547	3,499,049	1,881,959	1,115,049	5,247,511
Benefit payments, including refunds of member contributions	(3,813,414)	(4,121,138)	(4,029,175)	(3,500,752)	(3,698,894)	(3,352,993)	(2,713,638)	(2,770,963)	(2,537,270)	(2,410,678)
Administrative expenses	(34,355)	(28,568)	(21,425)	(19,525)	(27,725)	(25,513)	-	-	(11,029)	(13,287)
Other	<u>(23,538)</u>	<u>(21,462)</u>	<u>(490,306)</u>	<u>-</u>	<u>(9,120)</u>	<u>(41,762)</u>	<u>(15,614)</u>	<u>(28,721)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	251,102	(6,438,464)	6,138,819	(2,374,378)	(663,439)	(747,581)	1,308,367	(216,069)	(619,091)	3,792,689
PLAN FIDUCIARY NET POSITION, BEGINNING	39,442,442	45,880,906	39,742,087	42,116,465	42,779,904	43,527,485	42,219,118	42,435,187	43,054,278	39,261,589
PLAN FIDUCIARY NET POSITION, ENDING (B)	\$ 39,693,544	\$ 39,442,442	\$ 45,880,906	\$ 39,742,087	\$ 42,116,465	\$ 42,779,904	\$ 43,527,485	\$ 42,219,118	\$ 42,435,187	\$ 43,054,278
CITY'S NET PENSION LIABILITY (ASSET), ENDING (A)-(B)	\$ 12,817,054	\$ 13,245,278	\$ 4,936,952	\$ 10,744,114	\$ 8,716,450	\$ 4,942,914	\$ 3,144,569	\$ (167,032)	\$ (2,005,068)	\$ (3,003,484)
Plan fiduciary net position as a percentage of the total pension liability	75.59%	74.86%	90.29%	78.72%	82.85%	89.64%	93.26%	100.40%	104.96%	107.50%
Covered payroll	\$ 1,448,174	\$ 1,486,262	\$ 1,671,782	\$ 1,833,807	\$ 2,282,497	\$ 2,377,603	\$ 2,725,617	\$ 2,693,336	\$ 2,511,453	\$ 2,740,856
City's net pension liability (asset) as a percentage of covered payroll	885.05%	891.18%	295.31%	585.89%	381.88%	207.89%	115.37%	(6.20)%	(79.84)%	(109.58)%

**CITY OF FERNDALE
CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,279,993	\$ 1,203,824	\$ 1,247,833	\$ 719,301	\$ 525,297	\$ 450,888	\$ 383,765	\$ 484,953	\$ 684,938	\$ 830,704
Contributions in relation to the actuarially determined contribution	<u>1,274,644</u>	<u>1,382,879</u>	<u>894,822</u>	<u>719,301</u>	<u>366,416</u>	<u>412,196</u>	<u>391,609</u>	<u>570,976</u>	<u>684,938</u>	<u>830,704</u>
Contribution deficiency (excess)	<u>\$ 5,349</u>	<u>\$ (179,055)</u>	<u>\$ 353,011</u>	<u>\$ -</u>	<u>\$ 158,881</u>	<u>\$ 38,692</u>	<u>\$ (7,844)</u>	<u>\$ (86,023)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,448,174	\$ 1,486,262	\$ 1,671,782	\$ 1,833,807	\$ 2,282,497	\$ 2,377,603	\$ 2,725,617	\$ 2,693,336	\$ 2,511,453	\$ 2,740,856
Contributions as a percentage of covered payroll	88.02%	93.04%	53.53%	39.22%	16.05%	17.34%	14.37%	21.20%	27.27%	30.31%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age
Amortization method	Level percent, closed
Remaining amortization period	18 years
Asset valuation method	4 years smoothed market for funding
Wage inflation	3.25%
Salary increases	3.25% - 6.25% (including inflation)
Investment rate of return	6.50%
Municipal bond rate	3.86%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	Fully generational RP-2014 healthy annuitant mortality tables with improvement scale MP-2016.

**CITY OF FERNDALE
CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	0.64%	-14.03%	15.45%	-5.64%	-1.55%	-1.72%	3.10%	-0.51%	-1.44%	9.66%

CITY OF FERNDALE
CITY OF FERNDALE OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2023	2022	2021	2020	2019	2018	2017
CHANGE IN TOTAL OPEB LIABILITY							
Service cost	\$ 315,047	\$ 405,002	\$ 457,170	\$ 476,944	\$ 496,324	\$ 461,108	\$ 481,480
Interest	3,451,510	3,418,991	2,985,316	3,176,404	3,372,461	3,341,951	3,228,459
Differences between expected and actual experience	(10,134,552)	(1,066,312)	5,925,877	(1,156,914)	(6,557,589)	-	-
Changes of assumptions	766,579	-	-	(3,714,559)	1,255,273	4,756,833	-
Benefit payments, including refunds of member contributions	<u>(2,286,251)</u>	<u>(2,055,177)</u>	<u>(2,173,578)</u>	<u>(1,739,992)</u>	<u>(1,908,799)</u>	<u>(1,851,605)</u>	<u>(2,185,163)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(7,887,667)	702,504	7,194,785	(2,958,117)	(3,342,330)	6,708,287	1,524,776
TOTAL OPEB LIABILITY, BEGINNING	<u>58,510,767</u>	<u>57,808,263</u>	<u>50,613,478</u>	<u>53,571,595</u>	<u>56,913,925</u>	<u>50,205,638</u>	<u>48,680,862</u>
TOTAL OPEB LIABILITY, ENDING (A)	<u>\$ 50,623,100</u>	<u>\$ 58,510,767</u>	<u>\$ 57,808,263</u>	<u>\$ 50,613,478</u>	<u>\$ 53,571,595</u>	<u>\$ 56,913,925</u>	<u>\$ 50,205,638</u>
CHANGE IN PLAN FIDUCIARY NET POSITION							
Contributions/benefit payments made from operating funds	\$ 2,286,251	\$ 2,055,177	\$ 2,173,578	\$ 1,739,992	\$ 1,908,799	\$ 1,851,605	\$ 2,185,163
Net investment income (loss)	3,235,115	(5,041,404)	8,424,971	71,199	997,343	1,924,005	2,480,457
Benefit payments, including employee refunds	(2,286,251)	(2,055,177)	(2,173,578)	(1,739,992)	(1,908,799)	(1,851,605)	(2,185,163)
Administrative expenses	<u>-</u>	<u>(7,150)</u>	<u>(35,300)</u>	<u>(34,200)</u>	<u>(7,000)</u>	<u>(32,600)</u>	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	3,235,115	(5,048,554)	8,389,671	36,999	990,343	1,891,405	2,480,457
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>25,210,338</u>	<u>30,258,892</u>	<u>21,869,221</u>	<u>21,832,222</u>	<u>20,841,879</u>	<u>18,950,474</u>	<u>16,470,017</u>
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u>\$ 28,445,453</u>	<u>\$ 25,210,338</u>	<u>\$ 30,258,892</u>	<u>\$ 21,869,221</u>	<u>\$ 21,832,222</u>	<u>\$ 20,841,879</u>	<u>\$ 18,950,474</u>
CITY'S NET OPEB LIABILITY, ENDING (A)-(B)	<u>\$ 22,177,647</u>	<u>\$ 33,300,429</u>	<u>\$ 27,549,371</u>	<u>\$ 28,744,257</u>	<u>\$ 31,739,373</u>	<u>\$ 36,072,046</u>	<u>\$ 31,255,164</u>
Plan fiduciary net position as a percentage of the total OPEB liability	56.19%	43.09%	52.34%	43.21%	40.75%	36.62%	37.75%
Covered payroll	\$ 3,071,039	\$ 3,847,875	\$ 3,847,875	\$ 4,705,436	\$ 4,705,436	\$ 5,468,429	\$ 5,632,482
City's net OPEB liability as a percentage of covered payroll	722.15%	865.42%	715.96%	610.87%	674.53%	659.64%	554.91%

**CITY OF FERNDALE
CITY OF FERNDALE OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTIONS
LAST SEVEN FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined employer contributions	\$ 2,653,639	\$ 3,617,321	\$ 3,511,962	\$ 3,232,284	\$ 3,138,140	\$ 3,295,206	\$ 3,199,229
Employer contributions	<u>2,286,251</u>	<u>2,055,177</u>	<u>2,173,578</u>	<u>1,739,992</u>	<u>1,908,799</u>	<u>1,851,605</u>	<u>2,185,163</u>
Contribution deficiency (excess)	<u>\$ 367,388</u>	<u>\$ 1,562,144</u>	<u>\$ 1,338,384</u>	<u>\$ 1,492,292</u>	<u>\$ 1,229,341</u>	<u>\$ 1,443,601</u>	<u>\$ 1,014,066</u>
Covered payroll	<u>\$ 3,071,039</u>	<u>\$ 3,847,875</u>	<u>\$ 3,847,875</u>	<u>\$ 4,705,436</u>	<u>\$ 4,705,436</u>	<u>\$ 5,468,429</u>	<u>\$ 5,632,482</u>
Contributions as a percentage of covered payroll	74.45%	53.41%	56.49%	36.98%	40.57%	33.86%	38.80%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30 of even numbered years, which is 12 or 24 months prior to the beginning of the fiscal year biennium in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age, normal
Amortization method	Level dollar, closed
Remaining amortization period	16 years for General and Police; 22 years for Fire
Asset valuation method	Market value
Wage inflation	N/A
Salary increases	2.75% - 13.25%
Investment rate of return	6.00%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The fully generational PubG-2010 for General (PubS-2010 for Police and Fire) Amount-Weighted, General Employee, General Healthy Retiree and Disabled Retiree, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2021.
Health care trend rates	Medical and Drug: Pre-65 Trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 3.50%. Post-65 trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 3.50%. Dental Coverage: 3.50%
Aging factors	The tables used in developing the retiree premium are based on a recent Society of Actuaries study of health costs.
Expenses	Investment and administrative expenses are net of the investment returns.

**CITY OF FERNDALE
 CITY OF FERNDALE OTHER POSTEMPLOYMENT BENEFITS PLAN
 SCHEDULE OF INVESTMENT RETURNS
 LAST SEVEN FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**

	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	12.83%	-16.68%	38.36%	0.17%	4.75%	9.98%	15.06%

**CITY OF FERNDALE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

State statutes provide that a local government unit does not incur expenditures in excess of the amounts appropriated. The City's budgeted expenditures for the General Fund and major special revenue funds have been shown at the activity level. The approved budgets of the City have been adopted at the functional level for the General Fund and the total expenditure level for the special revenue funds.

During the year ended June 30, 2023, the City incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government	\$ 4,644,404	\$ 4,655,067	\$ 10,663
Public safety	13,419,121	13,492,030	72,909
Public works	2,421,623	2,472,188	50,565
Debt service	312,073	424,795	112,722
Major Streets Fund	843,809	1,031,500	187,691

NOTE 2 - FERNDALE EMPLOYEES RETIREMENT SYSTEM

Changes of Benefit Terms: There were no changes of benefit terms during plan year 2023.

Changes in Assumptions: There were no changes of assumptions during plan year 2023.

NOTE 3 - CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM

Changes of Benefit Terms: There were no changes of benefit terms during plan year 2023.

Changes in Assumptions: There were no changes of assumptions during plan year 2023.

NOTE 4 - CITY OF FERNDALE OTHER POST-EMPLOYMENT BENEFITS PLAN

Changes of Benefit Terms: There were no changes of benefit terms during plan year 2023.

Changes in Assumptions: Mortality tables were updated to the fully generational PubG-2010 for General (PubS-2010 for Police and Fire), Amount-Weighted Employee, Healthy Retiree and Disabled Male and Female tables, with a base year of 2010 and improvement scales MP-2021. Withdrawal rates for active General Employees were increased. Withdrawal rates for Police were increased during the first 5 years of service. Retirement rates were increased for Fire and slightly decreased for Police, Retirement rates for Police are now service-based, in accordance with rates used for the Policemen and Firemen Retirement System. The health care trend rates were reset to 7.50% trending down to 3.50% for non-Medicare benefits and 6.25% trending down to 3.50% for Medicare benefits over a period of 12 years.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF FERNDALE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023**

	Special			
	Local Streets	Sanitation	Drug Forfeiture	MI Indigent Defense Commission
ASSETS				
Cash and investments	\$ 1,160,197	\$ 2,251,002	\$ 478,363	\$ 327,477
Accounts receivable, net	217	20,906	-	-
Accrued interest receivable	563	1,651	749	-
Due from other governmental units	110,339	-	-	-
Prepays	-	-	-	-
TOTAL ASSETS	\$ 1,271,316	\$ 2,273,559	\$ 479,112	\$ 327,477
LIABILITIES				
Accounts payable	\$ 718	\$ 117,643	\$ -	\$ 15,770
Accrued liabilities	12,644	23,640	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
TOTAL LIABILITIES	13,362	141,283	-	15,770
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	217	12,661	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	1,257,737	2,119,615	479,112	311,707
Assigned	-	-	-	-
TOTAL FUND BALANCES	1,257,737	2,119,615	479,112	311,707
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,271,316	\$ 2,273,559	\$ 479,112	\$ 327,477

Community Development Block Grant	Revenue				Capital Projects	Total
	Opioid Settlement	SMART Transportation	Cable TV	ARPA Grant	Public Improvement	
\$ -	\$ 51,491	\$ 393,800	\$ 165,056	\$ 945,268	\$ 2,486,198	\$ 8,258,852
-	-	-	6,941	-	-	28,064
-	-	179	-	-	7,477	10,619
48,950	210,862	6,682	-	-	-	376,833
-	-	-	14,075	-	-	14,075
<u>\$ 48,950</u>	<u>\$ 262,353</u>	<u>\$ 400,661</u>	<u>\$ 186,072</u>	<u>\$ 945,268</u>	<u>\$ 2,493,675</u>	<u>\$ 8,688,443</u>
\$ 2,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,344
-	-	1,174	-	-	-	37,458
-	-	-	-	887,242	-	887,242
46,737	-	-	-	-	-	46,737
<u>48,950</u>	<u>-</u>	<u>1,174</u>	<u>-</u>	<u>887,242</u>	<u>-</u>	<u>1,107,781</u>
-	210,862	-	-	-	-	223,740
-	-	-	14,075	-	-	14,075
-	51,491	399,487	171,997	58,026	-	4,849,172
-	-	-	-	-	2,493,675	2,493,675
-	51,491	399,487	186,072	58,026	2,493,675	7,356,922
<u>\$ 48,950</u>	<u>\$ 262,353</u>	<u>\$ 400,661</u>	<u>\$ 186,072</u>	<u>\$ 945,268</u>	<u>\$ 2,493,675</u>	<u>\$ 8,688,443</u>

**CITY OF FERNDALE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2023**

	Special			MI Indigent Defense Commission
	Local Streets	Sanitation	Drug Forfeiture	
REVENUES				
Property taxes	\$ -	\$ 1,325,163	\$ -	\$ -
Intergovernmental	650,204	95,532	137,171	383,782
Charges for services	-	1,830,410	-	-
Investment earnings	25,222	50,942	10,585	-
Other	34	-	-	-
TOTAL REVENUES	675,460	3,302,047	147,756	383,782
EXPENDITURES				
Current				
General government	-	-	-	-
Judicial	-	-	-	352,658
Public safety	-	-	24,129	-
Public works	-	3,635,936	-	-
Highway and streets	736,697	-	-	-
Recreation and culture	-	-	-	-
Community and economic development	-	-	-	-
Debt service				
Principal	31,518	44,498	27,426	-
Interest and fees	-	4,145	1,283	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	768,215	3,684,579	52,838	352,658
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(92,755)	(382,532)	94,918	31,124
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(100,000)	-
Issuance of debt	148,853	228,314	-	-
TOTAL OTHER FINANCING SOURCES (USES)	148,853	228,314	(100,000)	-
NET CHANGE IN FUND BALANCES	56,098	(154,218)	(5,082)	31,124
Fund balances, beginning of year	1,201,639	2,273,833	484,194	280,583
Fund balances, end of year	<u>\$ 1,257,737</u>	<u>\$ 2,119,615</u>	<u>\$ 479,112</u>	<u>\$ 311,707</u>

Community Development Block Grant	Revenue				Capital Projects	
	Opioid Settlement	SMART Transportation	Cable TV	ARPA Grant	Public Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,325,163
29,600	51,491	68,094	-	704,577	-	2,120,451
-	-	2,267	35,939	-	-	1,868,616
-	-	8,177	3,399	-	54,399	152,724
-	-	-	-	-	-	34
<u>29,600</u>	<u>51,491</u>	<u>78,538</u>	<u>39,338</u>	<u>704,577</u>	<u>54,399</u>	<u>5,466,988</u>
-	-	-	15,793	-	-	15,793
-	-	-	-	-	-	352,658
-	-	-	-	-	-	24,129
-	-	-	-	-	-	3,635,936
-	-	-	-	-	-	736,697
-	-	30,940	-	-	-	30,940
34,700	-	-	-	-	-	34,700
-	-	-	-	-	-	103,442
-	-	-	-	-	-	5,428
-	-	-	-	650,771	21,255	672,026
<u>34,700</u>	<u>-</u>	<u>30,940</u>	<u>15,793</u>	<u>650,771</u>	<u>21,255</u>	<u>5,611,749</u>
<u>(5,100)</u>	<u>51,491</u>	<u>47,598</u>	<u>23,545</u>	<u>53,806</u>	<u>33,144</u>	<u>(144,761)</u>
500	-	-	-	-	-	500
-	-	-	-	-	-	(100,000)
-	-	-	-	-	-	377,167
<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,667</u>
(4,600)	51,491	47,598	23,545	53,806	33,144	132,906
4,600	-	351,889	162,527	4,220	2,460,531	7,224,016
<u>\$ -</u>	<u>\$ 51,491</u>	<u>\$ 399,487</u>	<u>\$ 186,072</u>	<u>\$ 58,026</u>	<u>\$ 2,493,675</u>	<u>\$ 7,356,922</u>

**CITY OF FERNDALE
CUSTODIAL FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	Ferndale Area District Library	Ferndale Arts and Cultural Commission	Tax Collection Fund	Total
ASSETS				
Cash and cash equivalents	\$ 79,307	\$ 8,978	\$ 17,670	\$ 105,955
LIABILITIES				
Undistributed tax collections	-	-	17,670	17,670
NET POSITION			-	
Restricted for individuals, organizations, and other governments	\$ 79,307	\$ 8,978	\$ -	\$ 88,285

**CITY OF FERNDALE
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2023**

	Ferndale Area District Library	Ferndale Arts and Cultural Commission	Tax Collection Fund	Total
ADDITIONS				
Investment income (loss)				
Net change in fair value of investments	\$ (702)	\$ -	\$ -	\$ (702)
Interest	2,431	-	-	2,431
Net investment income (loss)	1,729	-	-	1,729
Other additions				
Tax collections for other governments	-	-	29,192,905	29,192,905
TOTAL ADDITIONS	1,729	-	29,192,905	29,194,634
DEDUCTIONS				
Payment of taxes to other governments	-	-	29,192,905	29,192,905
CHANGE IN NET POSITION	1,729	-	-	1,729
Net position, beginning of year	77,578	8,978	-	86,556
Net position, end of year	\$ 79,307	\$ 8,978	\$ -	\$ 88,285

CITY OF FERNDALE
PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	Employees' Retirement System	Policemen and Firemen Retirement System	Other Post- Employment Benefits	Total
ASSETS				
Cash and cash equivalents	\$ (149,622)	\$ 333,881	\$ (119,800)	\$ 64,459
Accrued interest receivable	53,874	94,026	-	147,900
Short-term investment funds	510,510	701,466	-	1,211,976
Investments				
Debt securities	6,457,851	15,970,036	11,653,473	34,081,360
Equity securities	11,734,693	20,424,453	16,911,780	49,070,926
Real estate investment trust	1,242,162	2,574,360	-	3,816,522
TOTAL ASSETS	19,849,468	40,098,222	28,445,453	88,393,143
LIABILITIES				
Accounts payable	32,601	404,678	-	437,279
NET POSITION				
Restricted for pension and other benefits	<u>\$ 19,816,867</u>	<u>\$ 39,693,544</u>	<u>\$ 28,445,453</u>	<u>\$ 87,955,864</u>

**CITY OF FERNDALE
PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2023**

	Employees' Retirement System	Policemen and Firemen Retirement System	Other Post- Employment Benefits	Total
ADDITIONS				
Contributions				
Employer contributions	\$ -	\$ 1,274,644	\$ 2,286,251	\$ 3,560,895
Plan member contributions	-	63,980	-	63,980
Total contributions	-	1,338,624	2,286,251	3,624,875
Investment income (loss)				
Net change in fair value of investments	809,235	1,931,661	-	2,740,896
Interest	197,005	304,779	3,347,474	3,849,258
Dividends	282,600	672,092	-	954,692
Less investment expense	(67,101)	(124,747)	(112,359)	(304,207)
Net investment income (loss)	1,221,739	2,783,785	3,235,115	7,240,639
TOTAL ADDITIONS	1,221,739	4,122,409	5,521,366	10,865,514
DEDUCTIONS				
Benefits	1,238,724	3,813,414	2,286,251	7,338,389
Administrative expenses	27,692	34,355	-	62,047
Other	14,555	23,538	-	38,093
TOTAL DEDUCTIONS	1,280,971	3,871,307	2,286,251	7,438,529
CHANGE IN NET POSITION	(59,232)	251,102	3,235,115	3,426,985
Net position, beginning of year	19,876,099	39,442,442	25,210,338	84,528,879
Net position, end of year	<u>\$ 19,816,867</u>	<u>\$ 39,693,544</u>	<u>\$ 28,445,453</u>	<u>\$ 87,955,864</u>