

**CITY OF FERNDALE
OAKLAND COUNTY, MICHIGAN**

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

YEAR ENDED JUNE 30, 2025

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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, 2025, 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, 2025, 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.

Changes in Accounting Principles

As discussed in Note 17 to the financial statements, in 2025 the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. Our opinions are not modified with respect to this matter.

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 11, 2025, 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 Costeiran PC

December 11, 2025

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, 2025.

Financial Highlights

- The total assets of the City equaled \$166,710,189. Assets exceeded liabilities and deferred inflows of resources at the close of the fiscal year by \$76,597,233. Of this amount, \$37,613,614 is invested in capital assets (net of related debt), \$36,904,888 is restricted for specific purposes such as public safety, highways and streets, capital projects, and other purposes. The resulting unrestricted net position is \$2,078,731.
- The City's combined net position of primary government activities increased \$28,372,978 as a result of this year's operations. Net position of our governmental activities increased by \$25,867,016 and net position of our business-type activities increased by \$2,505,962.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,718,069, or 30.37% of total General Fund expenditures.
- The City invested over \$15.3 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 sewer projects.

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, and community development. 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, and Debt Service 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 business-type activities of 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 \$76,597,233 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$37,613,614, or 49%, 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	
	2025	2024*	2025	2024*	2025	2024*
ASSETS						
Current and other assets	\$ 52,426,513	\$ 47,224,823	\$ 11,816,872	\$ 15,330,699	\$ 64,243,385	\$ 62,555,522
Capital assets, net	41,971,280	40,540,093	60,495,524	57,562,733	102,466,804	98,102,826
TOTAL ASSETS	\$ 94,397,793	\$ 87,764,916	\$ 72,312,396	\$ 72,893,432	\$ 166,710,189	\$ 160,658,348
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES						
Current liabilities	\$ 7,092,884	\$ 7,666,823	\$ 4,649,044	\$ 5,113,176	\$ 11,741,928	\$ 12,779,999
Noncurrent liabilities	36,700,872	57,237,388	37,121,985	39,841,263	73,822,857	97,078,651
TOTAL LIABILITIES	\$ 43,793,756	\$ 64,904,211	\$ 41,771,029	\$ 44,954,439	\$ 85,564,785	\$ 109,858,650
DEFERRED INFLOWS OF RESOURCES	\$ 4,350,907	\$ 2,650,007	\$ 197,264	\$ 116,846	\$ 4,548,171	\$ 2,766,853
NET POSITION						
Net investment in capital assets	\$ 14,032,187	\$ 13,147,033	\$ 23,581,427	\$ 25,127,902	\$ 37,613,614	\$ 38,274,935
Restricted	35,086,303	31,427,077	1,818,585	1,603,566	36,904,888	33,030,643
Unrestricted	(2,865,360)	(24,363,412)	4,944,091	1,090,679	2,078,731	(23,272,733)
TOTAL NET POSITION	\$ 46,253,130	\$ 20,210,698	\$ 30,344,103	\$ 27,822,147	\$ 76,597,233	\$ 48,032,845

*The 2024 numbers have not been updated for the adoption of GASB 101.

An additional portion of the City's net position, \$36,904,888, or 48%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$2,078,731, or 3%, 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 \$28,372,978 during the current fiscal year. Governmental activities account for an increase of \$25,867,016, and business-type activities account for an increase of \$2,505,962 for the year.

City of Ferndale's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024*	2025	2024*	2025	2024*
REVENUES						
Program revenue						
Charges for services	\$ 9,128,552	\$ 8,766,920	\$ 14,882,438	\$ 13,485,592	\$ 24,010,990	\$ 22,252,512
Operating grants and contributions	5,840,869	5,825,147	102,390	354,831	5,943,259	6,179,978
Capital grants and contributions	355,429	-	55,000	55,000	410,429	55,000
General revenues						
Property taxes	19,113,911	18,104,886	-	-	19,113,911	18,104,886
State shared revenue	3,283,253	3,277,777	-	-	3,283,253	3,277,777
Unrestricted investment earnings	1,810,225	1,972,858	278,538	417,091	2,088,763	2,389,949
Gain on sale of capital assets	210,571	15,887	-	-	210,571	15,887
Other	554,051	546,961	-	-	554,051	546,961
TOTAL REVENUES	40,296,861	38,510,436	15,318,366	14,312,514	55,615,227	52,822,950
EXPENSES						
General government	825,539	3,475,548	-	-	825,539	3,475,548
Judicial	2,030,251	1,898,719	-	-	2,030,251	1,898,719
Public safety	(297,495)	12,833,171	-	-	(297,495)	12,833,171
Public works	5,009,075	6,905,029	-	-	5,009,075	6,905,029
Highways and streets	5,618,030	5,189,125	-	-	5,618,030	5,189,125
Health and welfare	2,665	-	-	-	2,665	-
Recreation and culture	1,270,633	1,370,872	-	-	1,270,633	1,370,872
Community and economic development	(1,110,133)	59,688	-	-	(1,110,133)	59,688
Interest on long-term debt	831,280	865,653	-	-	831,280	865,653
Water and sewer	-	-	10,133,981	11,461,592	10,133,981	11,461,592
Auto parking	-	-	2,928,423	2,891,870	2,928,423	2,891,870
TOTAL EXPENSES	14,179,845	32,597,805	13,062,404	14,353,462	27,242,249	46,951,267
Changes in net position before transfers	26,117,016	5,912,631	2,255,962	(40,948)	28,372,978	5,871,683
Transfers	(250,000)	(200,000)	250,000	200,000	-	-
Change in net position	\$ 25,867,016	\$ 5,712,631	\$ 2,505,962	\$ 159,052	\$ 28,372,978	\$ 5,871,683

*The 2024 numbers have not been updated for the adoption of GASB 101.

Governmental Activities increased the City's net position by \$25,867,016 primarily due to adjustment for the City's net OPEB liability (asset). Public safety expenses decreased by \$13,130,666 primarily due to adjustments related to defined benefit OPEB.

Business-type Activities. Business-type activities increased the City's net position by \$2,505,962. The key elements of this increase are as follows:

- Water/Sewer operating revenues increased by \$1,520,503 and operating expenses decreased by \$1,347,041 mainly due to the adjustment for the City's pension and OPEB benefits.
- Auto Parking operating revenues decreased by approximately \$124,000 and operating expenses increased by approximately \$57,000 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 \$28,430,735, an increase of \$246,871 in comparison with the prior year. Approximately 31% of this total amount, or \$8,718,069, 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 \$8,718,069, while total fund balance was \$10,004,226. 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 30% of total General Fund expenditures, while total fund balance represents 35% of the same amount.

Total fund balance of the City's General Fund increased \$1,295,950.

The Major Streets Fund reported an ending fund balance of \$4,515,965, a decrease of \$1,460,966 for the year due to current year expenditures in excess of intergovernmental revenues and investment earnings.

The Debt Service Fund reported an ending fund balance of \$3,209,016, an increase of \$434,963 for the year due to property tax revenue received in excess of the current year debt service.

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 \$6,732,415. Total net position increased \$2,986,533, mainly due to increased utility usage fees. Unrestricted net position of the Auto Parking Fund at the end of the year amounted to (\$1,788,324). Total net position decreased \$480,571.

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 \$1,036,683.

Actual revenues and other financing sources were \$23,021 more than budgeted revenues and other financing sources, as amended. The increase in actual revenues was realized primarily from issuance of debt.

The difference between the original and amended expenditures and other financing uses budgets was an increase of \$1,036,683. Actual expenditures and other financing uses were under the amended budget by \$1,272,929, primarily due to transfers out, recreation and culture, and public safety expenditures.

CITY OF FERNDALE MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2025, amounted to \$102,466,804 (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 \$62,610,120, backed by the full faith and credit of the government. Its purpose is attributable to both governmental (\$25,300,000) and business-type activities (\$37,310,120) at year end. The City recognized a decrease in debt obligations of \$2,521,329 during the year primarily through payment of annual debt service obligations and the issuance of \$123,831 of new installment purchase agreements for equipment as well as a \$1,325,000 note payable to the OPEB Trust.

In addition, the City has approximately \$1.2 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 2025-2026 fiscal year. These factors are expected to continue to be an ongoing concern as the City moves forward.

- The City's primary revenue sources are property tax, state-shared revenues, and fees for services. Although real estate values in southeastern Michigan are rising, the State's Headlee and Proposal A Tax Limitation restricts the City's property tax revenue growth.
- Inconsistent and uncertain state funding remains a significant challenge for municipalities. Specifically, State budget constraints place significant risk on future State Revenue Sharing allocations to the City.
- In developing its fiscal year 2025-2026 budget, the City included expenditure reductions beginning in fiscal year 2026-2027 in the event voters did not renew the City's additional voted operating millage set to expire June 30, 2026. However, on May 6, 2025, Ferndale voters approved the City's proposed Headlee override ballot measure that renews the City's additional voted operating levy for an additional 10 years, beginning July 1, 2026, and restores it to its previous 2015 level of 5.4452 mills. This will provide continued property tax stability.

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 Colleen O'Toole, 300 East Nine Mile Road, Ferndale, Michigan 48220-1797.

BASIC FINANCIAL STATEMENTS

CITY OF FERNDALE
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and investments	\$ 19,332,668	\$ 5,094,495	\$ 24,427,163	\$ 3,771,470
Receivables, net	598,809	4,131,711	4,730,520	14,605
Due from other governmental units	1,988,455	-	1,988,455	-
Internal balances	747,809	(747,809)	-	-
Inventories	178,572	-	178,572	-
Prepays	217,360	24,193	241,553	2,563
Total current assets	<u>23,063,673</u>	<u>8,502,590</u>	<u>31,566,263</u>	<u>3,788,638</u>
Noncurrent assets				
Investments	9,191,554	2,307,712	11,499,266	1,705,770
Noncurrent portion of receivables	-	-	-	1,119,674
Internal balances	812,015	(812,015)	-	-
Net pension asset	15,880,657	1,635,500	17,516,157	-
Net other post-employment benefits asset	3,478,614	183,085	3,661,699	-
Capital assets not being depreciated	6,284,107	16,278,450	22,562,557	-
Capital assets, net of accumulated depreciation	<u>35,687,173</u>	<u>44,217,074</u>	<u>79,904,247</u>	<u>159,750</u>
Total noncurrent assets	<u>71,334,120</u>	<u>63,809,806</u>	<u>135,143,926</u>	<u>2,985,194</u>
TOTAL ASSETS	<u>94,397,793</u>	<u>72,312,396</u>	<u>166,710,189</u>	<u>6,773,832</u>
LIABILITIES				
Current liabilities				
Accounts payable	1,523,493	2,398,452	3,921,945	865,725
Accrued liabilities	1,856,831	92,380	1,949,211	18,095
Accrued interest payable	286,769	345,846	632,615	-
Unearned revenue	531,813	-	531,813	-
Due to other governmental units	188,343	-	188,343	259,030
Current portion of compensated absences	32,077	2,561	34,638	939
Current portion of long-term debt	2,571,089	1,809,805	4,380,894	-
Current portion of uninsured claim liability	<u>102,469</u>	<u>-</u>	<u>102,469</u>	<u>-</u>
Total current liabilities	<u>7,092,884</u>	<u>4,649,044</u>	<u>11,741,928</u>	<u>1,143,789</u>
Noncurrent liabilities				
Noncurrent portion of compensated absences	1,097,331	34,030	1,131,361	12,477
Noncurrent portion of long-term debt	26,699,563	37,087,955	63,787,518	-
Net pension liability	<u>8,903,978</u>	<u>-</u>	<u>8,903,978</u>	<u>-</u>
Total noncurrent liabilities	<u>36,700,872</u>	<u>37,121,985</u>	<u>73,822,857</u>	<u>12,477</u>
TOTAL LIABILITIES	<u>43,793,756</u>	<u>41,771,029</u>	<u>85,564,785</u>	<u>1,156,266</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	2,037,110	75,485	2,112,595	-
Deferred inflows of resources related to OPEB	<u>2,313,797</u>	<u>121,779</u>	<u>2,435,576</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,350,907</u>	<u>197,264</u>	<u>4,548,171</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	14,032,187	23,581,427	37,613,614	159,750
Restricted				
Cable TV	171,969	-	171,969	-
Indigent defense	300,590	-	300,590	-
Opioid settlement	544,593	-	544,593	-
Highways and streets	6,543,097	-	6,543,097	-
Public works	3,160,045	-	3,160,045	-
Public safety	528,317	-	528,317	-
Community and economic development	166,589	-	166,589	5,457,816
ARPA projects	58,026	-	58,026	-
Debt service	2,922,247	-	2,922,247	-
Capital projects	1,331,559	-	1,331,559	-
Pension and OPEB benefits	19,359,271	1,818,585	21,177,856	-
Unrestricted	<u>(2,865,360)</u>	<u>4,944,091</u>	<u>2,078,731</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 46,253,130</u>	<u>\$ 30,344,103</u>	<u>\$ 76,597,233</u>	<u>\$ 5,617,566</u>

See accompanying notes to financial statements.

**CITY OF FERNDALE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 825,539	\$ 593,142	\$ 622,414	\$ 355,429	\$ 745,446	\$ -	\$ 745,446	\$ -
Judicial	2,030,251	1,980,697	516,579	-	467,025	-	467,025	-
Public safety	(297,495)	2,992,464	1,077,860	-	4,367,819	-	4,367,819	-
Public works	5,009,075	3,195,520	209,410	-	(1,604,145)	-	(1,604,145)	-
Highways and streets	5,618,030	-	2,573,503	-	(3,044,527)	-	(3,044,527)	-
Health and welfare	2,665	-	31,349	-	28,684	-	28,684	-
Recreation and culture	1,270,633	366,729	79,748	-	(824,156)	-	(824,156)	-
Community and economic development	(1,110,133)	-	530,927	-	1,641,060	-	1,641,060	-
Interest on long-term debt	831,280	-	199,079	-	(632,201)	-	(632,201)	-
Total governmental activities	14,179,845	9,128,552	5,840,869	355,429	1,145,005	-	1,145,005	-
Business-type activities								
Water and sewer	10,133,981	12,739,586	102,390	-	-	2,707,995	2,707,995	-
Auto parking	2,928,423	2,142,852	-	55,000	-	(730,571)	(730,571)	-
Total business-type activities	13,062,404	14,882,438	102,390	55,000	-	1,977,424	1,977,424	-
Total primary government	\$ 27,242,249	\$ 24,010,990	\$ 5,943,259	\$ 410,429	1,145,005	1,977,424	3,122,429	-
Component units								
Brownfield Redevelopment Authority	\$ 2,222,299	\$ 90,815	\$ -	\$ -	-	-	-	(2,131,484)
Downtown Development Authority	716,437	-	225,812	-	-	-	-	(490,625)
Total component units	\$ 2,938,736	\$ 90,815	\$ 225,812	\$ -	-	-	-	(2,622,109)
General revenues								
Property taxes					19,113,911	-	19,113,911	2,606,762
State shared revenue					3,283,253	-	3,283,253	-
Unrestricted investment earnings					1,810,225	278,538	2,088,763	284,391
Gain on sale of capital assets					210,571	-	210,571	-
Miscellaneous					554,051	-	554,051	-
Transfers					(250,000)	250,000	-	-
Total general revenues and transfers					24,722,011	528,538	25,250,549	2,891,153
Change in net position					25,867,016	2,505,962	28,372,978	269,044
Net position, beginning of year as previously presented					20,210,698	27,822,147	48,032,845	5,354,905
Adjustment to beginning net position					175,416	15,994	191,410	(6,383)
Net position, beginning of year, as restated					20,386,114	27,838,141	48,224,255	5,348,522
Net position, end of year					\$ 46,253,130	\$ 30,344,103	\$ 76,597,233	\$ 5,617,566

See accompanying notes to financial statements.

**CITY OF FERNDALE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025**

	General	Special Revenue Major Streets	Debt Service Debt Service	Nonmajor Governmental Funds	Total
ASSETS					
Cash and investments	\$ 9,142,178	\$ 4,298,476	\$ 3,208,604	\$ 11,874,964	\$ 28,524,222
Accounts receivable, net	565,452	-	-	10,533	575,985
Accrued interest receivable	5,779	1,004	412	15,629	22,824
Due from other governmental units	1,109,943	279,371	-	599,141	1,988,455
Due from other funds	747,809	-	-	-	747,809
Advance to other funds	812,015	-	-	-	812,015
Inventory	178,572	-	-	-	178,572
Prepays	206,172	6,796	-	4,392	217,360
TOTAL ASSETS	\$ 12,767,920	\$ 4,585,647	\$ 3,209,016	\$ 12,504,659	\$ 33,067,242
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 679,027	\$ 50,527	\$ -	\$ 793,939	\$ 1,523,493
Accrued liabilities	1,778,304	19,155	-	59,372	1,856,831
Unearned revenue	-	-	-	531,813	531,813
Due to other governmental units	188,343	-	-	-	188,343
TOTAL LIABILITIES	2,645,674	69,682	-	1,385,124	4,100,480
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	118,020	-	-	418,007	536,027
FUND BALANCES					
Nonspendable	384,744	6,796	-	4,392	395,932
Restricted	12,636	4,509,169	3,209,016	7,878,367	15,609,188
Committed	878,994	-	-	-	878,994
Assigned	9,783	-	-	2,818,769	2,828,552
Unassigned	8,718,069	-	-	-	8,718,069
TOTAL FUND BALANCES	10,004,226	4,515,965	3,209,016	10,701,528	28,430,735
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 12,767,920	\$ 4,585,647	\$ 3,209,016	\$ 12,504,659	\$ 33,067,242

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, 2025

Total Fund Balances - Governmental Funds **\$ 28,430,735**

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	\$ 135,260,397	
Accumulated depreciation is	<u>(93,289,117)</u>	
Capital assets, net		41,971,280

Other long-term assets are not available to pay for current period expenditures and, therefore, are considered unavailable in the funds.	536,027
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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, and net differences between projected and actual plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Net pension asset	15,880,657	
Net other post-employment benefits asset	3,478,614	
Deferred inflows of resources related to pensions	(2,037,110)	
Deferred inflows of resources related to OPEB	<u>(2,313,797)</u>	
		15,008,364

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	(27,262,037)	
Unamortized bond premium	(2,008,615)	
Compensated absences	(1,129,408)	
Accrued interest payable	(286,769)	
Uninsured claim liability	(102,469)	
Net pension liability	<u>(8,903,978)</u>	
		<u>(39,693,276)</u>
Net position of governmental activities		<u><u>\$ 46,253,130</u></u>

**CITY OF FERNDALE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025**

	General	Special Revenue Major Streets	Debt Service Debt Service	Formerly Major Capital Projects Road and Park Bonds	Nonmajor Governmental Funds	Total
REVENUES						
Taxes	\$ 14,720,825	\$ -	\$ 2,881,133		\$ 1,512,688	\$ 19,114,646
Special assessments	216,110	-	-		-	216,110
Licenses and permits	1,677,784	-	-		-	1,677,784
Intergovernmental	5,809,550	1,874,902	199,079		2,200,838	10,084,369
Charges for services	2,381,449	-	-		2,177,966	4,559,415
Fines and forfeits	1,537,236	-	-		-	1,537,236
Investment earnings	463,287	322,962	167,351		857,772	1,811,372
Other	1,050,538	1,500	-		48	1,052,086
TOTAL REVENUES	27,856,779	2,199,364	3,247,563		6,749,312	40,053,018
Current						
General government	6,546,000	-	-		21,420	6,567,420
Judicial	1,484,770	-	-		555,481	2,040,251
Public safety	15,060,875	-	-		165,309	15,226,184
Public works	2,737,599	-	-		3,523,456	6,261,055
Highway and streets	-	2,828,811	-		854,734	3,683,545
Health and welfare	-	-	-		2,665	2,665
Recreation and culture	2,618,480	-	-		-	2,618,480
Community and economic development	-	-	-		73,287	73,287
Debt service						
Principal	241,163	28,897	1,785,000		74,965	2,130,025
Interest and fees	15,696	2,622	1,027,600		5,047	1,050,965
Capital outlay	-	-	-		1,851,024	1,851,024
TOTAL EXPENDITURES	28,704,583	2,860,330	2,812,600		7,127,388	41,504,901
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(847,804)	(660,966)	434,963		(378,076)	(1,451,883)
OTHER FINANCING SOURCES (USES)						
Transfers in	445,000	-	-		800,000	1,245,000
Transfers out	(250,000)	(800,000)	-		(445,000)	(1,495,000)
Issuance of debt	1,448,831	-	-		-	1,448,831
Proceeds from sale of capital assets	499,923	-	-		-	499,923
TOTAL OTHER FINANCING SOURCES (USES)	2,143,754	(800,000)	-		355,000	1,698,754
NET CHANGE IN FUND BALANCES	1,295,950	(1,460,966)	434,963		(23,076)	246,871
Fund balances, beginning of year, as previously reported	8,708,276	5,976,931	2,774,053	2,791,098	7,933,506	28,183,864
Adjustments to beginning fund balances	-	-	-	(2,791,098)	2,791,098	-
Fund balances, beginning of year, as restated	8,708,276	5,976,931	2,774,053		10,724,604	28,183,864
Fund balances, end of year	\$ 10,004,226	\$ 4,515,965	\$ 3,209,016		\$ 10,701,528	\$ 28,430,735

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, 2025

Net Change in Fund Balances - Total Governmental Funds **\$ 246,871**

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	\$ 8,955,559	
Depreciation expense	(7,235,020)	
Net effect of disposal of capital assets	<u>(289,352)</u>	
		1,431,187

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	33,272
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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:

Issuance of debt	(1,448,831)	
Debt principal retirement	<u>2,130,025</u>	
		681,194

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:

Increase in net pension asset	1,448,568	
Decrease in net pension liability	2,451,781	
(Increase) in deferred inflows of resources related to pensions	(1,029,105)	
(Increase) in deferred inflows of resources related to OPEB	(671,795)	
Decrease in unamortized bond premium	232,312	
(Increase) in compensated absences	(42,051)	
Decrease in accrued interest payable	(12,628)	
(Increase) in uninsured claim liability	(98,999)	
Increase in net other post-employment benefits asset	3,478,614	
Decrease in net other post-employment benefits liability	<u>17,717,795</u>	
		<u>23,474,492</u>

Change in Net Position of Governmental Activities	<u>\$ 25,867,016</u>
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See accompanying notes to financial statements.

**CITY OF FERNDALE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Enterprise Funds		
	Water and Sewer	Auto Parking	Total
ASSETS			
Current assets			
Cash and investments	\$ 5,025,434	\$ 69,061	\$ 5,094,495
Accounts receivable	4,112,606	19,105	4,131,711
Prepays	24,193	-	24,193
Total current assets	9,162,233	88,166	9,250,399
Noncurrent assets			
Investments	2,272,915	34,797	2,307,712
Net pension asset	1,635,500	-	1,635,500
Net other post-employment benefits asset	183,085	-	183,085
Capital assets not being depreciated	15,787,047	491,403	16,278,450
Capital assets, net of accumulated depreciation	24,279,188	19,937,886	44,217,074
Total noncurrent assets	44,157,735	20,464,086	64,621,821
TOTAL ASSETS	53,319,968	20,552,252	73,872,220
LIABILITIES			
Current liabilities			
Accounts payable	2,224,510	173,942	2,398,452
Accrued liabilities	92,380	-	92,380
Accrued interest payable	168,325	177,521	345,846
Due to other funds	-	747,809	747,809
Current portion of compensated absences	2,561	-	2,561
Current portion of long-term debt	1,373,726	436,079	1,809,805
Total current liabilities	3,861,502	1,535,351	5,396,853
Noncurrent liabilities			
Advance from other funds	-	812,015	812,015
Noncurrent portion of compensated absences	34,030	-	34,030
Noncurrent portion of long-term debt	19,543,141	17,544,814	37,087,955
Total noncurrent liabilities	19,577,171	18,356,829	37,934,000
TOTAL LIABILITIES	23,438,673	19,892,180	43,330,853
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	75,485	-	75,485
Deferred inflows of resources related to OPEB	121,779	-	121,779
TOTAL DEFERRED INFLOWS OF RESOURCES	197,264	-	197,264
NET POSITION			
Net investment in capital assets	21,133,031	2,448,396	23,581,427
Restricted for pension and OPEB benefits	1,818,585	-	1,818,585
Unrestricted	6,732,415	(1,788,324)	4,944,091
TOTAL NET POSITION	\$ 29,684,031	\$ 660,072	\$ 30,344,103

See accompanying notes to financial statements.

**CITY OF FERNDALE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025**

	Enterprise Funds		
	Water and Sewer	Auto Parking	Total
OPERATING REVENUES			
Charges for services	\$ 12,433,849	\$ -	\$ 12,433,849
Parking meter receipts	-	2,142,852	2,142,852
Water penalties	305,737	-	305,737
TOTAL OPERATING REVENUES	12,739,586	2,142,852	14,882,438
OPERATING EXPENSES			
Personnel services	(204,929)	231	(204,698)
General and administrative	786,863	959,266	1,746,129
Utilities	74,244	65,846	140,090
Rental expense	38,529	-	38,529
Contractual services	168,986	118,306	287,292
Water and sewer expense	5,899,176	-	5,899,176
Maintenance expense	198,416	10,122	208,538
Depreciation	2,333,701	1,087,965	3,421,666
Other	185,347	-	185,347
TOTAL OPERATING EXPENSES	9,480,333	2,241,736	11,722,069
OPERATING INCOME (LOSS)	3,259,253	(98,884)	3,160,369
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	102,390	55,000	157,390
Investment income	278,538	-	278,538
Interest expense	(653,648)	(686,687)	(1,340,335)
TOTAL NONOPERATING REVENUES (EXPENSES)	(272,720)	(631,687)	(904,407)
NET CHANGE IN NET POSITION BEFORE TRANSFERS	2,986,533	(730,571)	2,255,962
TRANSFERS IN	-	250,000	250,000
NET CHANGE IN NET POSITION	2,986,533	(480,571)	2,505,962
Net position, beginning of year, as previously presented	26,686,814	1,135,333	27,822,147
Adjustments to beginning net position	10,684	5,310	15,994
Net position, beginning of year, as restated	26,697,498	1,140,643	27,838,141
Net position, end of year	\$ 29,684,031	\$ 660,072	\$ 30,344,103

See accompanying notes to financial statements.

**CITY OF FERNDALE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025**

	Enterprise Funds		
	Water and Sewer	Auto Parking	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and others	\$ 11,761,303	\$ 2,121,999	\$ 13,883,302
Cash payments to employees	(843,774)	(231)	(844,005)
Cash payments to suppliers for goods and services	(7,819,076)	(1,135,154)	(8,954,230)
Cash payments for interfund services	(38,529)	-	(38,529)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,059,924	986,614	4,046,538
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash paid to other funds	-	252,364	252,364
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(6,236,773)	(117,684)	(6,354,457)
Intergovernmental	102,390	55,000	157,390
Interest paid	(703,283)	(727,930)	(1,431,213)
Payments on borrowings	(1,294,412)	(390,000)	(1,684,412)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(8,132,078)	(1,180,614)	(9,312,692)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	278,538	-	278,538
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(4,793,616)	58,364	(4,735,252)
Cash and investments, beginning of year	12,091,965	45,494	12,137,459
Cash and investments, end of year	<u>\$ 7,298,349</u>	<u>\$ 103,858</u>	<u>\$ 7,402,207</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 3,259,253	\$ (98,884)	\$ 3,160,369
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	2,333,701	1,087,965	3,421,666
(Increase) decrease in:			
Accounts receivable	(978,283)	(20,853)	(999,136)
Prepaid items	(12,548)	231	(12,317)
Net pension asset	(31,934)	-	(31,934)
Net other post-employment benefits asset	(183,085)	-	(183,085)
Increase (decrease) in:			
Accounts payable	(493,496)	18,155	(475,341)
Accrued liabilities	9,780	-	9,780
Compensated absences	8,634	-	8,634
Net other post-employment benefits liability	(932,516)	-	(932,516)
Deferred inflows of resources related to pensions	75,485	-	75,485
Deferred inflows of resources related to OPEB	4,933	-	4,933
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,059,924	\$ 986,614	\$ 4,046,538

See accompanying notes to financial statements.

**CITY OF FERNDALE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025**

	Pension and Other Post- Employment Benefits Trust	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 77,696	\$ 225,752
Accrued interest receivable	219,783	-
Short-term investment funds	2,065,474	-
Advance to City of Ferndale	1,325,000	-
Investments		
Debt securities	29,541,112	-
Equity securities	65,828,384	-
Real estate investment trust	3,720,140	-
	<u>102,777,589</u>	<u>225,752</u>
TOTAL ASSETS		
LIABILITIES		
Undistributed tax collections	-	126,991
Other liabilities	955,625	-
	<u>955,625</u>	<u>126,991</u>
TOTAL LIABILITIES		
NET POSITION		
Restricted for pension and other benefits	101,821,964	-
Restricted for individuals, organizations, and other governments	-	98,761
	<u>\$ 101,821,964</u>	<u>\$ 98,761</u>
TOTAL NET POSITION		

See accompanying notes to financial statements.

**CITY OF FERNDALE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025**

	Pension and Other Post- Employment Benefits Trust	Custodial Funds
ADDITIONS		
Contributions		
Employer contributions	\$ 2,714,188	\$ -
Plan member contributions	45,750	-
Total contributions	<u>2,759,938</u>	<u>-</u>
Investment income		
Net change in fair value of investments	6,734,132	127
Interest	3,022,317	5,532
Dividends	835,701	-
Less investment expense	<u>(298,224)</u>	<u>-</u>
Net investment income	<u>10,293,926</u>	<u>5,659</u>
Other additions		
Other	240	-
Collections for other governments	<u>-</u>	<u>33,776,761</u>
Total other additions	<u>240</u>	<u>33,776,761</u>
TOTAL ADDITIONS	<u>13,054,104</u>	<u>33,782,420</u>
DEDUCTIONS		
Payments to other governments	-	33,777,310
Benefits	5,953,698	-
Administrative expenses	202,720	-
Other	<u>-</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>6,156,418</u>	<u>33,777,310</u>
CHANGE IN NET POSITION	6,897,686	5,110
Net position, beginning of year	<u>94,924,278</u>	<u>93,651</u>
Net position, end of year	<u><u>\$ 101,821,964</u></u>	<u><u>\$ 98,761</u></u>

See accompanying notes to financial statements.

**CITY OF FERNDALE
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2025**

	Brownfield Redevelopment Authority	Downtown Development Authority	Total
ASSETS			
Current assets			
Cash and investments	\$ 2,798,381	\$ 973,089	\$ 3,771,470
Accounts receivable	-	12,680	12,680
Accrued interest receivable	1,008	917	1,925
Prepays	-	2,563	2,563
Total current assets	<u>2,799,389</u>	<u>989,249</u>	<u>3,788,638</u>
Noncurrent assets			
Investments	1,265,659	440,111	1,705,770
Loans receivable	1,119,674	-	1,119,674
Capital assets, net of accumulated depreciation	-	159,750	159,750
Total noncurrent assets	<u>2,385,333</u>	<u>599,861</u>	<u>2,985,194</u>
TOTAL ASSETS	<u>5,184,722</u>	<u>1,589,110</u>	<u>6,773,832</u>
LIABILITIES			
Current liabilities			
Accounts payable	843,526	22,199	865,725
Accrued liabilities	-	18,095	18,095
Due to other governmental units	259,030	-	259,030
Current portion of compensated absences	-	939	939
Total current liabilities	<u>1,102,556</u>	<u>41,233</u>	<u>1,143,789</u>
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	12,477	12,477
TOTAL LIABILITIES	<u>1,102,556</u>	<u>53,710</u>	<u>1,156,266</u>
NET POSITION			
Investment in capital assets	-	159,750	159,750
Restricted	4,082,166	1,375,650	5,457,816
TOTAL NET POSITION	<u>\$ 4,082,166</u>	<u>\$ 1,535,400</u>	<u>\$ 5,617,566</u>

See accompanying notes to financial statements.

**CITY OF FERNDALE
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Brownfield Redevelopment Authority	Downtown Development Authority	Total
Governmental activities						
Brownfield Redevelopment Authority	\$ 2,222,299	\$ 90,815	\$ -	\$ (2,131,484)	\$ -	\$ (2,131,484)
Downtown Development Authority	716,437	-	225,812	-	(490,625)	(490,625)
Totals	<u>\$ 2,938,736</u>	<u>\$ 90,815</u>	<u>\$ 225,812</u>	<u>(2,131,484)</u>	<u>(490,625)</u>	<u>(2,622,109)</u>
General revenues						
Property taxes				1,759,987	846,775	2,606,762
Unrestricted investment earnings				205,845	78,546	284,391
Total general revenues				<u>1,965,832</u>	<u>925,321</u>	<u>2,891,153</u>
Change in net position				<u>(165,652)</u>	<u>434,696</u>	<u>269,044</u>
Net position, beginning of year, as previously presented				4,247,818	1,107,087	5,354,905
Adjustments to beginning net position				-	(6,383)	(6,383)
Net position, beginning of year, as restated				<u>4,247,818</u>	<u>1,100,704</u>	<u>5,348,522</u>
Net position, end of year				<u>\$ 4,082,166</u>	<u>\$ 1,535,400</u>	<u>\$ 5,617,566</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 12 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, 2025, the City expended \$2,496,529 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.

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. *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.
- d. *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.

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.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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.

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.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments (continued)

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.

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.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Prepays

Prepaid expenditures/expenses in the governmental and proprietary funds, such as memberships, software agreements and insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. Prepaid expenditures in the governmental funds are reported using the consumption method.

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.

Land and construction in progress, if any, are not depreciated. The other 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

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide and proprietary funds financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements.

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and sick time. The liability for compensated absences includes salary-related benefits, where applicable.

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.

Deferred Outflows/Inflows of Resources

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

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources (continued)

The City will report 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. The City will also report deferred inflows of resources in the governmental funds for unavailable revenue. 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.

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.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2025, the City levied 15.6952 mills for general governmental services, 1.7117 mills for refuse, 3.1279 mills for debt service, and 0.0524 mills for community promotion. The total taxable value for the 2024 levy for property within the City was \$952,696,480. The City also levies an assessment of 1.6182 mills, on \$896,401,440 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 \$1.2620 per \$1,000 of assessed valuation. The total taxable value for the 2024 levy for property within the DDA was \$74,541,750.

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 Asset

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

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.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2025, 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, 2025, \$10,346,939 of the City's bank balance of \$11,261,722 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 \$11,246,969.

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, 2025, 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	\$ -	\$ -	\$ -	\$ -	\$ 19,246,226	\$ 19,246,226
U.S. Government securities	-	19,579,892	7,315,627	630,542	-	27,526,061
Corporate bonds	215,096	3,500,228	1,691,102	309,591	-	5,716,017
Foreign bonds	30,084	530,469	161,982	-	-	722,535
Stocks	-	-	-	-	30,492,166	30,492,166
Asset backed securities	-	1,050,342	415,211	954,961	-	2,420,514
Mutual funds	-	-	-	-	41,767,520	41,767,520
Real estate investment trusts	-	-	-	-	3,720,164	3,720,164
TOTAL	\$ 245,180	\$ 24,660,931	\$ 9,583,922	\$ 1,895,094	\$ 95,226,076	\$ 131,611,203

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, 2025, the City's investments in corporate bonds and corporate asset-backed securities were within these guidelines.

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	11,366,094	8,930,049	346,989	-	-
Corporate bonds	-	-	-	34,514	344,106
Foreign bonds	-	-	-	-	30,084
Stocks	-	-	-	-	-
Asset backed securities	445,100	10,056	-	-	-
Mutual funds	-	-	-	-	-
Real estate investment trusts	-	-	-	-	-
TOTAL	\$ 11,811,194	\$ 8,940,105	\$ 346,989	\$ 34,514	\$ 374,190

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk (continued)

Investment Type	A2	A3	Baa1 and Below	Not Rated	Total
Pooled investments	\$ -	\$ -	\$ -	\$ 19,246,226	\$ 19,246,226
U.S. Government securities	-	-	-	6,882,929	27,526,061
Corporate bonds	80,574	100,159	825,034	4,331,630	5,716,017
Foreign bonds	-	-	25,793	666,658	722,535
Stocks	-	-	-	30,492,166	30,492,166
Asset backed securities	-	-	496	1,964,862	2,420,514
Mutual funds	-	-	-	41,767,520	41,767,520
Real estate investment trusts	-	-	-	3,720,164	3,720,164
TOTAL	\$ 80,574	\$ 100,159	\$ 851,323	\$ 109,072,155	\$ 131,611,203

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.

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.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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	\$ -	\$ 19,246,226	\$ -	\$ 19,246,226
U.S. Government securities	27,526,061	-	-	27,526,061
Corporate bonds	-	5,716,017	-	5,716,017
Foreign bonds	-	722,535	-	722,535
Stocks	30,492,166	-	-	30,492,166
Asset backed securities	-	2,420,514	-	2,420,514
Mutual funds	41,767,520	-	-	41,767,520
Real estate investment trusts	3,720,164	-	-	3,720,164
TOTAL	\$ 103,505,911	\$ 28,105,292	\$ -	\$ 131,611,203

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.

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.

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.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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 \$4,055 in imprest cash. The following summarizes the categorization of these amounts as of June 30, 2025.

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and investments	\$ 24,427,163	\$ 3,771,470	\$ 2,368,922	\$ 30,567,555
Investments - noncurrent	11,499,266	1,705,770	99,089,636	112,294,672
	<u>\$ 35,926,429</u>	<u>\$ 5,477,240</u>	<u>\$ 101,458,558</u>	<u>\$ 142,862,227</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, nonmajor governmental funds, and the discretely presented component units.

Receivable	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Discretely Presented Component Units
Delinquent property taxes - personal	\$ 102,130	\$ 25,060	\$ 11,478	\$ 39,148
Allowance for uncollectible accounts	<u>(102,130)</u>	<u>(25,060)</u>	<u>(11,478)</u>	<u>(39,148)</u>
Net receivable	<u>\$ -</u>	<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, 2025, was as follows:

Primary Government

	Balance July 1, 2024	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 588,892	\$ 1,209,978	\$ -	\$ 1,798,870
Construction in progress	7,602,840	3,202,449	(6,320,052)	4,485,237
Subtotal	8,191,732	4,412,427	(6,320,052)	6,284,107
Capital assets being depreciated				
Infrastructure	89,265,412	9,025,434	-	98,290,846
Buildings	11,659,047	77,233	-	11,736,280
Equipment	7,809,143	545,611	-	8,354,754
Vehicles	10,344,016	1,214,906	(964,512)	10,594,410
Subtotal	119,077,618	10,863,184	(964,512)	128,976,290
Less accumulated depreciation for:				
Infrastructure	(64,074,876)	(5,758,516)	-	(69,833,392)
Buildings	(9,059,623)	(351,167)	-	(9,410,790)
Equipment	(5,947,184)	(622,716)	-	(6,569,900)
Vehicles	(7,647,574)	(502,621)	675,160	(7,475,035)
Subtotal	(86,729,257)	(7,235,020)	675,160	(93,289,117)
Net capital assets being depreciated	32,348,361	3,628,164	(289,352)	35,687,173
Capital assets, net	<u>\$ 40,540,093</u>	<u>\$ 8,040,591</u>	<u>\$ (6,609,404)</u>	<u>\$ 41,971,280</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 208,734
Public safety	770,706
Public works	1,515,218
Highways and streets	4,345,670
Recreation and culture	389,825
Community and economic development	4,867
Total depreciation expense	<u>\$ 7,235,020</u>

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2024	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2025
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 454,903	\$ -	\$ -	\$ 454,903
Construction in progress	15,065,555	4,655,174	(3,897,182)	15,823,547
Subtotal	15,520,458	4,655,174	(3,897,182)	16,278,450
Capital assets being depreciated				
Infrastructure	90,851,164	5,472,385	-	96,323,549
Buildings	1,417,520	57,084	-	1,474,604
Equipment	5,689,855	66,996	-	5,756,851
Vehicles	864,660	-	-	864,660
Subtotal	98,823,199	5,596,465	-	104,419,664
Less accumulated depreciation for:				
Infrastructure	(52,829,884)	(3,018,214)	-	(55,848,098)
Buildings	(1,256,165)	(32,978)	-	(1,289,143)
Equipment	(2,202,432)	(292,180)	-	(2,494,612)
Vehicles	(492,443)	(78,294)	-	(570,737)
Subtotal	(56,780,924)	(3,421,666)	-	(60,202,590)
Net capital assets being depreciated	42,042,275	2,174,799	-	44,217,074
Capital assets, net	<u>\$ 57,562,733</u>	<u>\$ 6,829,973</u>	<u>\$ (3,897,182)</u>	<u>\$ 60,495,524</u>

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

Water and sewer	\$ 2,333,701
Auto parking	<u>1,087,965</u>
Total depreciation expense	<u>\$ 3,421,666</u>

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (continued)

Component Unit

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Downtown Development Authority				
Capital assets being depreciated				
Infrastructure	\$ 1,604,340	\$ -	\$ -	\$ 1,604,340
Buildings	21,360	-	-	21,360
Equipment	306,207	-	-	306,207
Vehicles	23,140	-	-	23,140
Subtotal	1,955,047	-	-	1,955,047
Less accumulated depreciation for:				
Infrastructure	(1,589,460)	(4,960)	-	(1,594,420)
Buildings	(7,688)	(854)	-	(8,542)
Equipment	(140,586)	(28,609)	-	(169,195)
Vehicles	(23,140)	-	-	(23,140)
Subtotal	(1,760,874)	(34,423)	-	(1,795,297)
Capital assets, net	\$ 194,173	\$ (34,423)	\$ -	\$ 159,750

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, 2025:

Primary Government

	Restated Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amounts Due Within One Year
Governmental Activities					
Direct borrowing/placements					
Installment purchase - Chevrolet Traverse	\$ 9,670	\$ -	\$ (9,670)	\$ -	\$ -
Installment purchase - CAT	83,093	-	(41,168)	41,925	41,925
Installment purchase - 2022 Ford Interceptors	27,914	-	(27,914)	-	-
Installment purchase - plow trucks	301,561	-	(98,135)	203,426	100,501
Installment purchase - plow truck	178,524	-	(57,794)	120,730	59,491
Installment purchase - streetsweeper	138,540	-	(46,068)	92,472	46,875
Installment purchase - 2023 Dodge Durangos	118,929	-	(37,956)	80,973	39,619
Installment purchase - 2024 Dodge Durangos	-	123,831	(26,320)	97,511	22,866
Note payable - OPEB Trust	-	1,325,000	-	1,325,000	132,500
Total direct borrowing/placements	858,231	1,448,831	(345,025)	1,962,037	443,777
Bonds					
2016 Unlimited general obligation bonds	4,100,000	-	(1,100,000)	3,000,000	1,025,000
2019 Unlimited general obligation bonds	13,600,000	-	(425,000)	13,175,000	540,000
2022 Unlimited general obligation bonds	9,385,000	-	(260,000)	9,125,000	330,000
Unamortized bond premiums	2,240,927	-	(232,312)	2,008,615	232,312
Total other debt	29,325,927	-	(2,017,312)	27,308,615	2,127,312

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

	Restated Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amounts Due Within One Year
Governmental Activities (continued)					
Other long-term obligations					
Uninsured claim liability	\$ 3,470	\$ 166,819	\$ (67,820)	\$ 102,469	\$ 102,469
Compensated absences*	1,087,357	42,051	-	1,129,408	32,077
Total other long-term obligations	1,090,827	208,870	(67,820)	1,231,877	134,546
Total Governmental Activities	31,274,985	1,657,701	(2,430,157)	30,502,529	2,705,635
Business-type Activities					
Direct borrowing/placements					
George W. Kuhn Drain Bonds	290,503	-	(62,885)	227,618	64,320
State Revolving Loan Fund					
2006 Michigan Municipal Bond Authority	603,451	-	(200,000)	403,451	205,000
2007 Michigan Municipal Bond Authority	579,815	-	(140,000)	439,815	145,000
2008 Michigan Municipal Bond Authority	400,000	-	(95,000)	305,000	100,000
2021 State Drinking Water Loan Fund	8,624,236	-	(405,000)	8,219,236	415,000
Installment purchase - backhoe	81,987	-	(26,527)	55,460	27,390
Total direct borrowing/placements	10,579,992	-	(929,412)	9,650,580	956,710
Bonds					
2019 Capital improvement bonds (series A)	15,210,000	-	(335,000)	14,875,000	345,000
2019 Capital improvement bonds (series B)	2,295,000	-	(55,000)	2,240,000	55,000
2023 Water Supply and Sanitary Sewer System Revenue Bonds	10,965,000	-	(365,000)	10,600,000	380,000
Unamortized bond premiums	1,605,275	-	(73,095)	1,532,180	73,095
Total other debt	30,075,275	-	(828,095)	29,247,180	853,095
Other long-term obligations					
Compensated absences*	27,957	8,634	-	36,591	2,561
Total Business-type Activities	40,683,224	8,634	(1,757,507)	38,934,351	1,812,366
TOTAL PRIMARY GOVERNMENT	\$ 71,958,209	\$ 1,666,335	\$ (4,187,664)	\$ 69,436,880	\$ 4,518,001

*The change in compensated absences liability is presented as a net change.

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

	Restated Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amounts Due Within One Year
Downtown Development Authority					
Other long-term obligations					
Compensated absences*	\$ 13,344	\$ 72	\$ -	\$ 13,416	\$ 939

*The change in compensated absences liability is presented as a net change.

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 \$1,025,000 through April 1, 2031, with interest ranging from 2.00% to 2.75%.	\$ 3,000,000
\$15,000,000 2019 General Obligation Unlimited Tax Bonds, dated May 30, 2019, due in annual installments ranging from \$540,000 to \$2,075,000 through April 1, 2034, with interest ranging from 3.00% to 5.00%.	13,175,000
\$9,580,000 2022 General Obligation Unlimited Tax Bonds, dated May 5, 2022, due in annual installments ranging from \$330,000 to \$1,050,000 through April 1, 2033, with interest of 4.00%.	<u>9,125,000</u>
	<u><u>\$ 25,300,000</u></u>

Notes Payable and Installment Purchase Agreements

\$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%.	41,925
\$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%.	203,426
\$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%.	120,730
\$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%.	92,472
\$162,095 Police Vehicles Installment Purchase Agreement, dated August 3, 2023, due in annual installments of \$43,166 through January 30, 2027, with interest of 4.38%.	80,973
\$123,831 Police Vehicles Installment Purchase Agreement, dated July 10, 2024, due in annual installments of \$27,044 through August 30, 2028, with interest of 4.28%.	97,511
\$1,325,000 OPEB Trust Note Payable, dated August 12, 2024, due in annual installments of \$132,500 through August 12, 2034, with interest of 4.00%.	<u>1,325,000</u>
	<u><u>\$ 1,962,037</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.

\$ 227,618

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%.

\$ 403,451

\$2,470,000 Michigan Municipal Bond Authority Series 2007, dated September 27, 2007, due in annual installments ranging from \$144,815 to \$145,000 through April 1, 2028, with an interest rate of 2.125%.

439,815

\$1,670,000 Michigan Municipal Bond Authority Series 2008, dated June 23, 2008, due in annual installments ranging from \$100,000 to \$105,000 through April 1, 2028, with an interest rate of 2.50%.

305,000

\$9,600,000 State Drinking Water Loan, dated March 26, 2021, due in annual installments ranging from \$415,000 to \$554,235 through April 1, 2043, with an interest rate of 1.875%.

8,219,236

\$ 9,367,502

General Obligation Bonds

\$16,415,000 2019 Capital Improvement Bonds (Series A), dated April 9, 2019 due in annual installments ranging from \$345,000 to \$940,000 through October 1, 2048, with interest ranging from 3.375% to 5.00%.

\$ 14,875,000

\$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 3.50% to 4.30%.

2,240,000

\$11,415,000 Water Supply and Sewer System, dated July 19, 2023, due in annual installments ranging from \$380,000 to \$835,000 through April 1, 2043, with an interest rate of 5%.

10,600,000

\$ 27,715,000

Installment Purchase Agreement

\$135,478 Backhoe Installment Purchase Agreement, dated December 8, 2022, due in annual installments of \$29.192 through December 8, 2026, with interest of 1.12%.

\$ 55,460

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, multiple types of leave qualify for recognition as a compensated absences liability. The dollar amounts of these liabilities, including salary related benefits, which have been accrued in the government-wide financial statements, amounted to \$1,179,415 at June 30, 2025.

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 \$102,469, 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
2026	\$ 443,777	\$ 49,427	\$ 1,895,000	\$ 972,450	\$ 541,710	\$ 32,586	\$ 780,000	\$ 702,223
2027	407,461	40,948	2,010,000	911,750	528,321	20,529	820,000	684,310
2028	157,368	33,037	2,150,000	831,050	307,628	8,278	860,000	663,710
2029	158,431	31,973	2,300,000	738,950	53,685	1,217	905,000	642,023
2030	132,500	30,861	2,460,000	638,500	-	-	950,000	619,248
2031-2035	662,500	154,305	12,465,000	1,607,975	-	-	5,505,000	4,350,251
2036-2040	-	-	2,020,000	122,000	-	-	7,000,000	2,854,440
2041-2045	-	-	-	-	-	-	6,775,000	1,341,913
2046-2049	-	-	-	-	-	-	4,120,000	303,877
	<u>\$ 1,962,037</u>	<u>\$ 340,551</u>	<u>\$ 25,300,000</u>	<u>\$ 5,822,675</u>	<u>\$ 1,431,344</u>	<u>\$ 62,610</u>	<u>\$ 27,715,000</u>	<u>\$ 12,161,995</u>

Outstanding principal and interest on the 2021 State DWRP 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 fund balance in five different categories; Nonspendable, Restricted, Committed, Assigned, and Unassigned. The following schedule provides the detail related to these classifications:

	General	Special Revenue Major Streets	Debt Service Debt Service	Nonmajor Governmental Funds	Total
Fund balances					
Nonspendable					
Inventory	\$ 178,572	\$ -	\$ -	\$ -	\$ 178,572
Prepays	206,172	6,796	-	4,392	217,360
Restricted					
Cable TV	-	-	-	171,969	171,969
Public safety	12,636	-	-	515,681	528,317
Debt service	-	-	3,209,016	-	3,209,016
Highways and streets	-	4,509,169	-	2,024,923	6,534,092
Public works	-	-	-	3,157,862	3,157,862
Indigent defense	-	-	-	300,590	300,590
Opioid Settlement	-	-	-	151,168	151,168
ARPA projects	-	-	-	58,026	58,026
Community and economic development	-	-	-	166,589	166,589
Capital projects	-	-	-	1,331,559	1,331,559
Committed					
Employee benefits	531,594	-	-	-	531,594
Capital projects	347,400	-	-	-	347,400
Assigned					
Senior memorial	9,783	-	-	-	9,783
Capital projects	-	-	-	2,818,769	2,818,769
Unassigned	8,718,069	-	-	-	8,718,069
TOTAL FUND BALANCES	\$ 10,004,226	\$ 4,515,965	\$ 3,209,016	\$ 10,701,528	\$ 28,430,735

NOTE 7 - INTERFUND BALANCES

The composition of interfund balances of the primary government as of June 30, 2025, was as follows:

Due to General Fund from:	
Auto Parking Fund	<u>\$ 747,809</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.

NOTE 8 - ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable related to the primary government as of June 30, 2025:

Advance from General Fund to:	
Auto Parking Fund	<u>\$ 812,015</u>

The advance was to finance capital acquisitions.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

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>\$ 445,000</u>
Transfers to Auto Parking Fund from:	
General Fund	<u>\$ 250,000</u>
Transfers to nonmajor governmental funds from:	
Major Streets Fund	<u>\$ 800,000</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 \$750,000 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-entity 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.

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.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

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, 2025, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	31
Active members	<u>61</u>
	<u><u>92</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.

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.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM (continued)

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, 2025, 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, 2025, 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.)

Net Pension Asset

The net pension asset reported at June 30, 2025, was determined using a measure of the total pension liability and the pension plan fiduciary net position as of June 30, 2025. The June 30, 2025 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 EMPLOYEES' RETIREMENT SYSTEM (continued)

Net Pension Asset (continued)

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

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a)-(b)
Balances at June 30, 2024	\$ 4,960,830	\$ 20,996,485	\$ (16,035,655)
Service cost	52,340	-	52,340
Interest on total pension liability	241,367	-	241,367
Differences between expected and actual experience	183,823	-	183,823
Net investment income	-	2,051,407	(2,051,407)
Benefit payments, including employee refunds	(779,056)	(779,056)	-
Administrative expense	-	(93,615)	93,615
Other	-	240	(240)
Net changes	(301,526)	1,178,976	(1,480,502)
Balances at June 30, 2025	\$ 4,659,304	\$ 22,175,461	\$ (17,516,157)

At June 30, 2025, the plan fiduciary net position as a percentage of the total pension liability was 475.94%.

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

For the year ended June 30, 2025, the City recognized pension benefit of \$976,303. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 808,444

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
2026	\$ 167,278
2027	(411,848)
2028	(369,475)
2029	(194,399)
	<u>\$ (808,444)</u>

**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, 2025, 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	2.75%
Salary increases	4.60% - 10.30%, 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, 2025, valuation were based on the results of an actuarial experience study for the period July 1, 2024 through June 30, 2025.

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 determined 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:

Asset Class	Target	Long-term Expected Rate of Return
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:

	1% Decrease Rate 4.25%	Current Discount Rate 5.25%	1% Increase Rate 6.25%
Total pension liability	\$ 4,993,406	\$ 4,659,304	\$ 4,365,091
Plan fiduciary net position	<u>22,175,461</u>	<u>22,175,461</u>	<u>22,175,461</u>
City's net pension (asset)	<u><u>\$ (17,182,055)</u></u>	<u><u>\$ (17,516,157)</u></u>	<u><u>\$ (17,810,370)</u></u>

Changes in Assumptions

There were no changes in assumptions during the plan year 2025.

Changes in Benefit Terms

There were no changes in benefit terms during plan year 2025.

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 XLXB 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.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM (continued)

Plan Administration (continued)

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.

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 FPFERS consisted of the following at June 30, 2025, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	95
Active members	<u>7</u>
	<u><u>102</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.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM (continued)

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. 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, 2025, 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 \$1,629,261 for the year ended June 30, 2025, according to the June 30, 2023, valuation received. Per Chapter XLXB 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, 2025, was determined using a measure of the total pension liability and the pension plan fiduciary net position as of June 30, 2025. The June 30, 2025 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, 2024	\$ 52,835,067	\$ 41,479,308	\$ 11,355,759
Service cost	612,183	-	612,183
Interest on total pension liability	3,323,332	-	3,323,332
Differences between expected and actual experience	(726,315)	-	(726,315)
Employer contributions	-	1,565,481	(1,565,481)
Employee contributions	-	45,750	(45,750)
Net investment income	-	4,121,556	(4,121,556)
Benefit payments, including employee refunds	(4,025,934)	(4,025,934)	-
Administrative expense	-	(71,806)	71,806
Other	-	-	-
Net changes	(816,734)	1,635,047	(2,451,781)
Balances at June 30, 2025	\$ 52,018,333	\$ 43,114,355	\$ 8,903,978

At June 30, 2025, the plan fiduciary net position as a percentage of the total pension liability was 82.88%.

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

For the year ended June 30, 2025, the City recognized pension benefit of \$316,334. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,304,151

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
2026	\$ 527,056
2027	(795,216)
2028	(734,750)
2029	(301,241)
	<u>\$ (1,304,151)</u>

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2025, 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	21
Asset valuation method	4 years smoothed market for funding
Inflation	3.25%
Salary increases	4.75% 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, 2025, valuation were based on the results of an actuarial experience study for the period July 1, 2024 through June 30, 2025.

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.

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%

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM (continued)

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:

	1% Decrease Rate 5.50%	Current Discount Rate 6.50%	1% Increase Rate 7.50%
Total pension liability	\$ 57,422,615	\$ 52,018,333	\$ 47,455,581
Plan fiduciary net position	43,114,355	43,114,355	43,114,355
City's net pension liability	<u>\$ 14,308,260</u>	<u>\$ 8,903,978</u>	<u>\$ 4,341,226</u>

Changes in Assumptions

There were no changes in assumptions during the plan year 2025.

Changes in Benefit Terms

There were no changes in benefit terms during plan year 2025.

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 143 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, 2025, the City contributed \$1,075,467.

**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, 2025, was \$87,011. 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 - DEFINED BENEFIT 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 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (continued)

Summary of Plan Participants

Membership in the plan at June 30, 2024, (latest actuarial report) is as follows:

Retirees and beneficiaries	156
Inactive, nonretired members	6
Active members	27
	<u>189</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 Asset

The net OPEB asset of the City was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2024.

The change in the net OPEB liability (asset) for the year ended June 30, 2025, is as follows:

Changes in Net OPEB Liability (Asset)	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at June 30, 2024	\$ 51,098,796	\$ 32,448,485	\$ 18,650,311
Changes for the year			
Service cost	315,365	-	315,365
Interest	3,040,928	-	3,040,928
Experience losses	(20,435,933)	-	(20,435,933)
Contributions - employer	-	1,148,707	(1,148,707)
Net investment income	-	4,120,963	(4,120,963)
Benefit payments	(1,148,707)	(1,148,707)	-
Administrative expense	-	(37,300)	37,300
Net changes	(18,228,347)	4,083,663	(22,312,010)
Balances at June 30, 2025	\$ 32,870,449	\$ 36,532,148	\$ (3,661,699)

At June 30, 2025, the plan fiduciary net position as a percentage of the total OPEB liability was 111.14%.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2024 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	14 years for General and Police; 20 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 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Net OPEB Liability (Asset) 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 (asset) 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:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	<u>\$ 42,476</u>	<u>\$ (3,661,699)</u>	<u>\$ (6,764,893)</u>

Sensitivity of the Net OPEB (Asset) 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 (asset) 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:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB (asset)	<u>\$ (6,516,269)</u>	<u>\$ (3,661,699)</u>	<u>\$ (414,635)</u>

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

For the year ended June 30, 2025, the City recognized OPEB benefit of \$20,456,150. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Investment earnings (gains)/losses	<u>\$ -</u>	<u>\$ 2,435,576</u>

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

<u>Year Ending June 30,</u>	<u>OPEB Expense</u>
2026	\$ 132,548
2027	(1,238,795)
2028	(894,296)
2029	<u>(435,033)</u>
	<u>\$ (2,435,576)</u>

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (continued)

Changes in Assumptions

There were no changes in assumptions during the plan year 2025.

Changes in Benefit Terms

There were no changes in benefit terms during plan year 2025.

NOTE 15 - DEFINED CONTRIBUTION OTHER POST-EMPLOYMENT BENEFITS

POLICE

The City offers a defined contribution other post-employment benefit plan to eligible Police Department employees through MissionSquare. Effective January 1, 2008, all new hires participate in this individual Retiree Health Savings (RHS) Plan in lieu of City-provided health insurance. The City contributes 2% of the employee's gross base wage into the RHS plan and the employee contributes 1% of their gross base wage into the plan. The employee may add up to an additional 4% of their gross base wage, but the City does not match it. Employer contributions made for eligible Police Department employees under the plan for the year ended June 30, 2025 totaled \$43,610.

FIRE

The City offers a defined contribution other post-employment benefit plan to eligible Fire Department employees through MissionSquare. Effective July 1, 2011, all new hires participate in this individual Retiree Health Savings (RHS) Plan in lieu of City-provided health insurance. The City contributes 5% of the employee's gross base wage into the RHS plan and the employee contributes 5% of their gross base wage into the plan with a vesting period of 5 years. Employer contributions made for eligible Fire Department employees under the plan for the year ended June 30, 2025 totaled \$73,162.

NOTE 16 - 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, 2025:

Cumulative shortfall at July 1, 2024	\$ (5,817,915)
REVENUES	
Licenses and permits	1,442,111
EXPENDITURES	
Code enforcement	<u>(1,354,357)</u>
Cumulative shortfall at June 30, 2025	<u><u>\$ (5,730,161)</u></u>

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 17 - CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2025, the City implemented the following new pronouncements: GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. The following is a summary of the new pronouncements:

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 yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been 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 in 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.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact.

NOTE 18 - ADJUSTMENTS TO BEGINNING NET POSITION

During the year ended June 30, 2025, changes within the reporting entity and a change in accounting principles for GASB Statement No. 101, *Compensated Absences*, resulted in a restatement of beginning fund balances/net position as follows:

	Reporting Units Affected by Adjustments to Beginning Balances				
	Governmental Activities	Water and Sewer Fund	Auto Parking Fund	Business-type Activities	Discretely Presented Component Units
	Net Position	Net Position	Net Position	Net Position	Net Position
Balances as of July 1, 2024, as previously stated	\$ 20,210,698	\$ 26,686,814	\$ 1,135,333	\$ 27,822,147	\$ 5,354,905
Adoption of GASB Statement 101	175,416	10,684	5,310	15,994	(6,383)
Balances as of July 1, 2024, as restated	<u>\$ 20,386,114</u>	<u>\$ 26,697,498</u>	<u>\$ 1,140,643</u>	<u>\$ 27,838,141</u>	<u>\$ 5,348,522</u>

	Reporting Units Affected by Adjustments to Beginning Balances	
	Road and Park Bonds Fund	Nonmajor Governmental Funds
	Fund Balance	Fund Balance
Balances as of July 1, 2024, as previously stated	\$ 2,791,098	\$ 7,933,506
Change within reporting unit (major to nonmajor)	(2,791,098)	2,791,098
Balances as of July 1, 2024, as restated	<u>\$ -</u>	<u>\$ 10,724,604</u>

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 19 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

**CITY OF FERNDALE
NOTES TO FINANCIAL STATEMENTS**

NOTE 20 - NET POSITION DEFICIT

The City's Auto Parking Fund ended the year with an unrestricted net position deficit of \$(1,788,324) and total net position of \$660,072.

NOTE 21 - CONTRACTUAL COMMITMENTS

The City has entered into contracts related to street improvements and other land improvement projects that were not complete at June 30, 2025. Contractual commitments outstanding at June 30, 2025, totaled \$2,534,544. Current fund balance and future revenue is expected to be sufficient to cover these commitments.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FERNDALE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 15,165,939	\$ 14,261,155	\$ 14,720,825	\$ 459,670
Special assessments	215,000	219,000	216,110	(2,890)
Licenses and permits	1,286,193	1,606,326	1,677,784	71,458
Intergovernmental	6,274,165	7,618,801	5,809,550	(1,809,251)
Charges for services	2,650,655	2,787,046	2,381,449	(405,597)
Fines and forfeits	1,152,500	1,534,500	1,537,236	2,736
Interest and rents	252,000	387,080	463,287	76,207
Other	1,136,119	865,831	1,050,538	184,707
TOTAL REVENUES	28,132,571	29,279,739	27,856,779	(1,422,960)
EXPENDITURES				
Current				
General government				
City council	56,409	61,459	60,135	1,324
City manager	620,108	491,533	541,977	(50,444)
Budget and financial analysis	932,193	992,874	927,193	65,681
City clerk	248,874	248,166	265,487	(17,321)
City elections	167,821	191,857	173,618	18,239
Building and grounds	1,357,320	1,790,489	1,887,902	(97,413)
Legal services	228,800	228,800	194,740	34,060
Cable television	6,000	-	-	-
Central services	1,007,725	992,675	937,465	55,210
Technology and telecommunications	720,323	799,963	870,793	(70,830)
Human resources	542,962	462,775	485,902	(23,127)
Health and wellness	115,860	124,325	120,448	3,877
Other	266,416	101,416	80,340	21,076
Total general government	6,270,811	6,486,332	6,546,000	(59,668)
Judicial				
District court	1,534,380	1,545,447	1,484,770	60,677
Public safety				
Police department	8,189,845	7,671,705	7,591,443	80,262
Fire department	6,032,537	6,349,000	6,115,075	233,925
Code enforcement	1,054,947	1,510,505	1,354,357	156,148
Total public safety	15,277,329	15,531,210	15,060,875	470,335

**CITY OF FERNDALE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (continued)				
Current (continued)				
Public works				
Public services department	\$ 1,862,272	\$ 2,125,475	\$ 1,851,119	\$ 274,356
Motor pool	363,481	328,670	371,387	(42,717)
Street lighting	407,000	407,000	515,093	(108,093)
Total public works	2,632,753	2,861,145	2,737,599	123,546
Recreation and culture				
Dream cruise car show	138,240	155,735	151,022	4,713
Parks	2,149,319	2,245,329	1,769,079	476,250
Community center	716,709	743,341	698,379	44,962
Total recreation and culture	3,004,268	3,144,405	2,618,480	525,925
Debt service				
Principal	201,675	244,843	241,163	3,680
Interest and fees	19,613	21,143	15,696	5,447
Total debt service	221,288	265,986	256,859	9,127
TOTAL EXPENDITURES	28,940,829	29,834,525	28,704,583	1,129,942
EXCESS OF REVENUES (UNDER) EXPENDITURES	(808,258)	(554,786)	(847,804)	(293,018)
OTHER FINANCING SOURCES (USES)				
Transfers in	583,258	445,000	445,000	-
Transfers out	(250,000)	(392,987)	(250,000)	142,987
Issuance of debt	-	-	1,448,831	1,448,831
Proceeds from sale of capital assets	475,000	502,773	499,923	(2,850)
TOTAL OTHER FINANCING SOURCES (USES)	808,258	554,786	2,143,754	1,588,968
NET CHANGE IN FUND BALANCE	-	-	1,295,950	1,295,950
Fund balance, beginning of year	8,708,276	8,708,276	8,708,276	-
Fund balance, end of year	\$ 8,708,276	\$ 8,708,276	\$ 10,004,226	\$ 1,295,950

**CITY OF FERNDALE
MAJOR STREETS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2025**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 1,959,696	\$ 1,959,696	\$ 1,874,902	\$ (84,794)
Investment earnings	23,000	23,000	322,962	299,962
Other	-	-	1,500	1,500
	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
TOTAL REVENUES	<u>1,982,696</u>	<u>1,982,696</u>	<u>2,199,364</u>	<u>216,668</u>
EXPENDITURES				
Current				
Highway and streets	2,312,435	2,058,957	2,828,811	(769,854)
Debt service				
Principal	364,050	135,028	28,897	106,131
Interest expense	-	-	2,622	(2,622)
	<u>-</u>	<u>-</u>	<u>2,622</u>	<u>(2,622)</u>
TOTAL EXPENDITURES	<u>2,676,485</u>	<u>2,193,985</u>	<u>2,860,330</u>	<u>(666,345)</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(693,789)</u>	<u>(211,289)</u>	<u>(660,966)</u>	<u>(449,677)</u>
OTHER FINANCING (USES)				
Transfers out	-	-	(800,000)	(800,000)
	<u>-</u>	<u>-</u>	<u>(800,000)</u>	<u>(800,000)</u>
NET CHANGE IN FUND BALANCE	<u>(693,789)</u>	<u>(211,289)</u>	<u>(1,460,966)</u>	<u>(1,249,677)</u>
Fund balance, beginning of year	<u>5,976,931</u>	<u>5,976,931</u>	<u>5,976,931</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,283,142</u>	<u>\$ 5,765,642</u>	<u>\$ 4,515,965</u>	<u>\$ (1,249,677)</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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
CHANGE IN TOTAL PENSION LIABILITY										
Service cost	\$ 52,340	\$ 56,301	\$ 52,677	\$ 49,372	\$ 36,228	\$ 32,278	\$ 23,943	\$ 21,713	\$ 18,809	\$ 14,691
Interest	241,367	257,467	260,179	255,679	346,891	352,152	405,284	487,623	513,117	522,020
Differences between expected and actual experience	183,823	132,371	614,327	1,359,745	(539,994)	262,587	76,716	(954,790)	58,126	269,959
Changes of assumptions	-	-	-	-	37,850	5,664	467,682	-	457,291	-
Benefit payments, including refunds of member contributions	(779,056)	(722,583)	(1,238,724)	(1,922,737)	(726,438)	(774,177)	(846,166)	(798,641)	(955,647)	(916,192)
NET CHANGE IN TOTAL PENSION LIABILITY	(301,526)	(276,444)	(311,541)	(257,941)	(845,463)	(121,496)	127,459	(1,244,095)	91,696	(109,522)
TOTAL PENSION LIABILITY, BEGINNING	4,960,830	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
TOTAL PENSION LIABILITY, ENDING (A)	<u>\$ 4,659,304</u>	<u>\$ 4,960,830</u>	<u>\$ 5,237,274</u>	<u>\$ 5,548,815</u>	<u>\$ 5,806,756</u>	<u>\$ 6,652,219</u>	<u>\$ 6,773,715</u>	<u>\$ 6,646,256</u>	<u>\$ 7,890,351</u>	<u>\$ 7,798,655</u>
CHANGE IN PLAN FIDUCIARY NET POSITION										
Net investment income (loss)	\$ 2,051,407	\$ 1,898,794	\$ 1,221,739	\$ (1,706,750)	\$ 4,265,023	\$ 272,859	\$ 1,471,813	\$ 846,306	\$ 1,301,029	\$ 846,703
Benefit payments, including refunds of member contributions	(779,056)	(722,583)	(1,238,724)	(1,922,737)	(726,438)	(774,177)	(846,166)	(798,641)	(955,647)	(916,192)
Administrative expenses	(93,615)	(68,559)	(27,692)	(28,568)	(14,800)	(14,800)	(14,950)	-	-	-
Other	240	71,966	(14,555)	(172,529)	133,750	-	(5,268)	(21,856)	(8,932)	(14,386)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,178,976	1,179,618	(59,232)	(3,830,584)	3,657,535	(516,118)	605,429	25,809	336,450	(83,875)
PLAN FIDUCIARY NET POSITION, BEGINNING	20,996,485	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
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u>\$ 22,175,461</u>	<u>\$ 20,996,485</u>	<u>\$ 19,816,867</u>	<u>\$ 19,876,099</u>	<u>\$ 23,706,683</u>	<u>\$ 20,049,148</u>	<u>\$ 20,565,266</u>	<u>\$ 19,959,837</u>	<u>\$ 19,934,028</u>	<u>\$ 19,597,578</u>
CITY'S NET PENSION ASSET, ENDING (A)-(B)	<u>\$ (17,516,157)</u>	<u>\$ (16,035,655)</u>	<u>\$ (14,579,593)</u>	<u>\$ (14,327,284)</u>	<u>\$ (17,899,927)</u>	<u>\$ (13,396,929)</u>	<u>\$ (13,791,551)</u>	<u>\$ (13,313,581)</u>	<u>\$ (12,043,677)</u>	<u>\$ (11,798,923)</u>
Plan fiduciary net position as a percentage of the total pension liability	475.94%	423.25%	378.38%	358.20%	408.26%	301.39%	303.60%	300.32%	252.64%	251.29%
Covered payroll	\$ 4,315,497	\$ 4,697,853	\$ 4,593,855	\$ 4,091,177	\$ 3,980,552	\$ 3,680,385	\$ 3,357,932	\$ 2,927,799	\$ 2,858,250	\$ 2,505,759
City's net pension asset as a percentage of covered payroll	(405.89)%	(341.34)%	(317.37)%	(350.20)%	(449.68)%	(364.01)%	(410.72)%	(454.73)%	(421.37)%	(470.87)%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,315,497	\$ 4,697,853	\$ 4,593,855	\$ 4,091,177	\$ 3,980,552	\$ 3,680,385	\$ 3,357,932	\$ 2,927,799	\$ 2,858,250	\$ 2,505,759
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	4.60% - 10.30% (including inflation)
Investment rate of return	5.25%
Municipal bond rate	5.20%
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**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	5.62%	5.95%	-0.30%	-16.16%	18.24%	-2.51%	3.03%	0.13%	1.72%	-0.43%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
CHANGE IN TOTAL PENSION LIABILITY										
Service cost	\$ 612,183	\$ 690,149	\$ 678,864	\$ 591,120	\$ 546,555	\$ 645,107	\$ 621,176	\$ 715,033	\$ 667,860	\$ 668,224
Interest	3,323,332	3,294,529	3,322,829	3,188,435	3,168,418	3,211,331	3,001,957	2,947,950	2,974,617	2,854,959
Changes of benefit terms	-	-	-	19,913	263,163	-	267,541	42,029	-	-
Differences between expected and actual experience	(726,315)	681,010	(365,401)	725,447	382,696	(726,568)	2,918,317	863,284	(597,098)	869,747
Changes of assumptions	-	-	-	1,466,085	-	24,168	-	(164,539)	4,288,227	-
Benefit payments, including refunds of member contributions	(4,025,934)	(4,341,219)	(3,813,414)	(4,121,138)	(4,029,175)	(3,500,752)	(3,698,894)	(3,352,993)	(2,713,638)	(2,770,963)
NET CHANGE IN TOTAL PENSION LIABILITY	(816,734)	324,469	(177,122)	1,869,862	331,657	(346,714)	3,110,097	1,050,764	4,619,968	1,621,967
TOTAL PENSION LIABILITY, BEGINNING	52,835,067	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
TOTAL PENSION LIABILITY, ENDING (A)	<u>\$ 52,018,333</u>	<u>\$ 52,835,067</u>	<u>\$ 52,510,598</u>	<u>\$ 52,687,720</u>	<u>\$ 50,817,858</u>	<u>\$ 50,486,201</u>	<u>\$ 50,832,915</u>	<u>\$ 47,722,818</u>	<u>\$ 46,672,054</u>	<u>\$ 42,052,086</u>
CHANGE IN PLAN FIDUCIARY NET POSITION										
Contributions - employer	\$ 1,565,481	\$ 1,522,944	\$ 1,274,644	\$ 1,382,879	\$ 894,822	\$ 719,301	\$ 366,416	\$ 412,196	\$ 391,609	\$ 570,976
Contributions - member	45,750	60,600	63,980	67,358	3,553	94,136	121,255	125,944	146,961	130,680
Net investment income (loss)	4,121,556	4,654,385	2,783,785	(3,717,533)	9,781,350	332,462	2,584,629	2,134,547	3,499,049	1,881,959
Benefit payments, including refunds of member contributions	(4,025,934)	(4,341,219)	(3,813,414)	(4,121,138)	(4,029,175)	(3,500,752)	(3,698,894)	(3,352,993)	(2,713,638)	(2,770,963)
Administrative expenses	(71,806)	(110,946)	(34,355)	(28,568)	(21,425)	(19,525)	(27,725)	(25,513)	-	-
Other	-	-	(23,538)	(21,462)	(490,306)	-	(9,120)	(41,762)	(15,614)	(28,721)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,635,047	1,785,764	251,102	(6,438,464)	6,138,819	(2,374,378)	(663,439)	(747,581)	1,308,367	(216,069)
PLAN FIDUCIARY NET POSITION, BEGINNING	41,479,308	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
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u>\$ 43,114,355</u>	<u>\$ 41,479,308</u>	<u>\$ 39,693,544</u>	<u>\$ 39,442,442</u>	<u>\$ 45,880,906</u>	<u>\$ 39,742,087</u>	<u>\$ 42,116,465</u>	<u>\$ 42,779,904</u>	<u>\$ 43,527,485</u>	<u>\$ 42,219,118</u>
CITY'S NET PENSION LIABILITY (ASSET), ENDING (A)-(B)	<u>\$ 8,903,978</u>	<u>\$ 11,355,759</u>	<u>\$ 12,817,054</u>	<u>\$ 13,245,278</u>	<u>\$ 4,936,952</u>	<u>\$ 10,744,114</u>	<u>\$ 8,716,450</u>	<u>\$ 4,942,914</u>	<u>\$ 3,144,569</u>	<u>\$ (167,032)</u>
Plan fiduciary net position as a percentage of the total pension liability	82.88%	78.51%	75.59%	74.86%	90.29%	78.72%	82.85%	89.64%	93.26%	100.40%
Covered payroll	\$ 899,779	\$ 1,235,679	\$ 1,448,174	\$ 1,486,262	\$ 1,671,782	\$ 1,833,807	\$ 2,282,497	\$ 2,377,603	\$ 2,725,617	\$ 2,693,336
City's net pension liability (asset) as a percentage of covered payroll	989.57%	918.99%	885.05%	891.18%	295.31%	585.89%	381.88%	207.89%	115.37%	(6.20)%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,629,261	\$ 1,600,921	\$ 1,279,993	\$ 1,203,824	\$ 1,247,833	\$ 719,301	\$ 525,297	\$ 450,888	\$ 383,765	\$ 484,953
Contributions in relation to the actuarially determined contribution	1,565,481	1,522,944	1,274,644	1,382,879	894,822	719,301	366,416	412,196	391,609	570,976
Contribution deficiency (excess)	<u>\$ 63,780</u>	<u>\$ 77,977</u>	<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>
Covered payroll	\$ 899,779	\$ 1,235,679	\$ 1,448,174	\$ 1,486,262	\$ 1,671,782	\$ 1,833,807	\$ 2,282,497	\$ 2,377,603	\$ 2,725,617	\$ 2,693,336
Contributions as a percentage of covered payroll	173.99%	123.25%	88.02%	93.04%	53.53%	39.22%	16.05%	17.34%	14.37%	21.20%

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	21 years
Asset valuation method	4 years smoothed market for funding
Wage inflation	3.25%
Salary increases	4.75% - 13.25% (including inflation)
Investment rate of return	6.50%
Municipal bond rate	5.20%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	Fully generational PubS-2010 Amount-Weighted, Safety mortality tables with improvement scale MP-2021.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	3.94%	4.50%	0.64%	-14.03%	15.45%	-5.64%	-1.55%	-1.72%	3.10%	-0.51%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
CHANGE IN TOTAL OPEB LIABILITY									
Service cost	\$ 315,365	\$ 362,811	\$ 315,047	\$ 405,002	\$ 457,170	\$ 476,944	\$ 496,324	\$ 461,108	\$ 481,480
Interest	3,040,928	2,999,702	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	(20,435,933)	(1,267,878)	(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	(1,148,707)	(1,618,939)	(2,286,251)	(2,055,177)	(2,173,578)	(1,739,992)	(1,908,799)	(1,851,605)	(2,185,163)
NET CHANGE IN TOTAL OPEB LIABILITY	(18,228,347)	475,696	(7,887,667)	702,504	7,194,785	(2,958,117)	(3,342,330)	6,708,287	1,524,776
TOTAL OPEB LIABILITY, BEGINNING	51,098,796	50,623,100	58,510,767	57,808,263	50,613,478	53,571,595	56,913,925	50,205,638	48,680,862
TOTAL OPEB LIABILITY, ENDING (A)	<u>\$ 32,870,449</u>	<u>\$ 51,098,796</u>	<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	\$ 1,148,707	\$ 1,618,939	\$ 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)	4,120,963	4,003,032	3,235,115	(5,041,404)	8,424,971	71,199	997,343	1,924,005	2,480,457
Benefit payments, including employee refunds	(1,148,707)	(1,618,939)	(2,286,251)	(2,055,177)	(2,173,578)	(1,739,992)	(1,908,799)	(1,851,605)	(2,185,163)
Administrative expenses	(37,300)	-	-	(7,150)	(35,300)	(34,200)	(7,000)	(32,600)	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	4,083,663	4,003,032	3,235,115	(5,048,554)	8,389,671	36,999	990,343	1,891,405	2,480,457
PLAN FIDUCIARY NET POSITION, BEGINNING	32,448,485	28,445,453	25,210,338	30,258,892	21,869,221	21,832,222	20,841,879	18,950,474	16,470,017
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u>\$ 36,532,148</u>	<u>\$ 32,448,485</u>	<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 (ASSET), ENDING (A)-(B)	<u>\$ (3,661,699)</u>	<u>\$ 18,650,311</u>	<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	111.14%	63.50%	56.19%	43.09%	52.34%	43.21%	40.75%	36.62%	37.75%
Covered payroll	\$ 2,956,290	\$ 3,071,039	\$ 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 (asset) as a percentage of covered payroll	-123.86%	607.30%	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 NINE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined employer contributions	\$ 330,227	\$ 2,733,248	\$ 2,653,639	\$ 3,617,321	\$ 3,511,962	\$ 3,232,284	\$ 3,138,140	\$ 3,295,206	\$ 3,199,229
Employer contributions	1,148,707	1,618,939	2,286,251	2,055,177	2,173,578	1,739,992	1,908,799	1,851,605	2,185,163
Contribution deficiency (excess)	<u>\$ (818,480)</u>	<u>\$ 1,114,309</u>	<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	\$ 2,956,290	\$ 3,071,039	\$ 3,071,039	\$ 3,847,875	\$ 3,847,875	\$ 4,705,436	\$ 4,705,436	\$ 5,468,429	\$ 5,632,482
Contributions as a percentage of covered payroll	38.86%	52.72%	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	14 years for General and Police; 20 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 NINE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	12.59%	14.07%	12.83%	-16.68%	38.36%	0.17%	4.75%	9.98%	15.06%

CITY OF FERNDALE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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, 2025, 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			
Current			
General government	\$ 6,486,332	\$ 6,546,000	\$ 59,668

NOTE 2 - FERNDALE EMPLOYEES RETIREMENT SYSTEM

Changes in Assumptions

Plan Year

2021	Investment rate of return decreased from 5.50% to 5.25%. Changes in projected salary increases. Changes in mortality assumptions.
2020	There were no significant changes in assumptions.
2019	Mortality and economic assumptions were updated in accordance with the experience review performed after the June 30, 2015 valuation.
2017	Investment rate of return decreased from 7.00% to 6.50%. Mortality assumptions were updated from RP-2000 Healthy Combined Mortality tables to RP-2014 Healthy Annuitant tables.

Changes in Benefits

There have been no changes in benefit terms for plan years presented.

CITY OF FERNDALE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

NOTE 3 - CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM

Changes in Assumptions

<u>Plan Year</u>	
2022	Liability adjustments increased from 5% to 6%. Changes in rates of retirements. Changes in mortality rate assumptions.
2020	Investment return assumptions of 6.75 from 7.00%.
2018	The Board adopted an assumed investment return of 7.00% for the 2017 valuation, 6.75% for the 2018 valuation, and 6.50% for the 2019 valuation. In addition the ultimate medical trend for the Medicare Part B premiums was lowered from 4.00% to 3.00% beginning with the June 30, 2018 valuation.
2017	Investment rate of return was decreased from 7.25% to 6.50%. Mortality assumptions were updated from RP-2000 Healthy Combined Mortality tables to RP-2014 Healthy Annuitant tables.

Changes in Benefits

<u>Plan Year</u>	
2022	Firefighters are covered under duty and non-duty disability.
2021	Police officers may retire with 25 years of service, regardless of age.
2018	DB Firefighters will be eligible to retire upon attaining 25 years of service, regardless of age.

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

Changes in assumptions

<u>Plan Year</u>	
2023	Mortality tables were updated. Withdrawal rates for active General Employees and Police were increased. Retirement rates were increased for Fire and slightly decreased for Police. 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.
2020	An excise load of 6.7%.
2019	The investment return assumption of 6.00% from 6.75%. An excise tax load of 6.7%.
2018	The single discount rate was changed from 6.75% to 6.00%.

Changes in benefits

There have been no changes in benefit terms for the plan years presented.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF FERNDALE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2025**

	Special			
	Local Streets	Sanitation	Drug Forfeiture	MI Indigent Defense Commission
ASSETS				
Cash and investments	\$ 1,938,881	\$ 2,779,620	\$ 514,932	\$ 321,463
Accounts receivable, net	218	5,014	-	-
Accrued interest receivable	562	1,651	749	-
Due from other governmental units	111,355	-	-	-
Prepays	2,209	2,183	-	-
TOTAL ASSETS	\$ 2,053,225	\$ 2,788,468	\$ 515,681	\$ 321,463
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,983	\$ 131,632	\$ -	\$ 20,873
Accrued liabilities	23,892	33,015	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	25,875	164,647	-	20,873
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	218	5,014	-	-
FUND BALANCES				
Nonspendable	2,209	2,183	-	-
Restricted	2,024,923	2,616,624	515,681	300,590
Assigned	-	-	-	-
TOTAL FUND BALANCES	2,027,132	2,618,807	515,681	300,590
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,053,225	\$ 2,788,468	\$ 515,681	\$ 321,463

Community Development Block Grant	Revenue				Capital Projects		Total
	Opioid Settlement	SMART Transportation	Cable TV	ARPA Grant	Road and Park Bonds	Public Improvement	
\$ 166,589	\$ 151,168	\$ 468,513	\$ 166,668	\$ 589,839	\$ 1,965,999	\$ 2,811,292	\$ 11,874,964
-	-	-	5,301	-	-	-	10,533
-	-	179	-	-	5,011	7,477	15,629
19,350	393,425	75,011	-	-	-	-	599,141
-	-	-	-	-	-	-	4,392
<u>\$ 185,939</u>	<u>\$ 544,593</u>	<u>\$ 543,703</u>	<u>\$ 171,969</u>	<u>\$ 589,839</u>	<u>\$ 1,971,010</u>	<u>\$ 2,818,769</u>	<u>\$ 12,504,659</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 639,451	\$ -	\$ 793,939
-	-	2,465	-	-	-	-	59,372
-	-	-	-	531,813	-	-	531,813
-	-	2,465	-	531,813	639,451	-	1,385,124
19,350	393,425	-	-	-	-	-	418,007
-	-	-	-	-	-	-	4,392
166,589	151,168	541,238	171,969	58,026	1,331,559	-	7,878,367
-	-	-	-	-	-	2,818,769	2,818,769
166,589	151,168	541,238	171,969	58,026	1,331,559	2,818,769	10,701,528
<u>\$ 185,939</u>	<u>\$ 544,593</u>	<u>\$ 543,703</u>	<u>\$ 171,969</u>	<u>\$ 589,839</u>	<u>\$ 1,971,010</u>	<u>\$ 2,818,769</u>	<u>\$ 12,504,659</u>

CITY OF FERNDALE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025

	Special			MI Indigent Defense Commission
	Local Streets	Sanitation	Drug Forfeiture	
REVENUES				
Taxes	\$ -	\$ 1,512,688	\$ -	\$ -
Intergovernmental	698,601	90,103	311,623	461,736
Charges for services	-	2,150,360	-	-
Investment earnings	102,187	167,213	37,572	-
Other	48	-	-	-
TOTAL REVENUES	800,836	3,920,364	349,195	461,736
EXPENDITURES				
Current				
General government	-	-	-	-
Judicial	-	-	-	555,481
Public safety	-	-	165,309	-
Public works	-	3,457,759	-	-
Highway and streets	854,734	-	-	-
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Debt service				
Principal	28,897	46,068	-	-
Interest and fees	2,622	2,425	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	886,253	3,506,252	165,309	555,481
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(85,417)	414,112	183,886	(93,745)
OTHER FINANCING SOURCES (USES)				
Transfers in	800,000	-	-	-
Transfers out	-	-	(145,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	800,000	-	(145,000)	-
NET CHANGE IN FUND BALANCES	714,583	414,112	38,886	(93,745)
Fund balances, beginning of year, as previously reported	1,312,549	2,204,695	476,795	394,335
Adjustments to beginning fund balances	-	-	-	-
Fund balances, beginning of year	1,312,549	2,204,695	476,795	394,335
Fund balances, end of year	\$ 2,027,132	\$ 2,618,807	\$ 515,681	\$ 300,590

Community Development Block Grant	Revenue				Capital Projects		Total
	Opioid Settlement	SMART Transportation	Cable TV	ARPA Grant	Road and Park Bonds	Public Improvement	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,512,688
132,690	31,349	119,307	-	355,429	-	-	2,200,838
-	-	2,235	25,371	-	-	-	2,177,966
-	-	28,708	11,136	-	334,285	176,671	857,772
-	-	-	-	-	-	-	48
132,690	31,349	150,250	36,507	355,429	334,285	176,671	6,749,312
-	-	-	21,420	-	-	-	21,420
-	-	-	-	-	-	-	555,481
-	-	-	-	-	-	-	165,309
-	-	65,697	-	-	-	-	3,523,456
-	-	-	-	-	-	-	854,734
-	2,665	-	-	-	-	-	2,665
73,287	-	-	-	-	-	-	73,287
-	-	-	-	-	-	-	74,965
-	-	-	-	-	-	-	5,047
-	-	-	-	55,429	1,793,824	1,771	1,851,024
73,287	2,665	65,697	21,420	55,429	1,793,824	1,771	7,127,388
59,403	28,684	84,553	15,087	300,000	(1,459,539)	174,900	(378,076)
-	-	-	-	-	-	-	800,000
-	-	-	-	(300,000)	-	-	(445,000)
-	-	-	-	(300,000)	-	-	355,000
59,403	28,684	84,553	15,087	-	(1,459,539)	174,900	(23,076)
107,186	122,484	456,685	156,882	58,026	-	2,643,869	7,933,506
-	-	-	-	-	2,791,098	-	2,791,098
107,186	122,484	456,685	156,882	58,026	2,791,098	2,643,869	10,724,604
\$ 166,589	\$ 151,168	\$ 541,238	\$ 171,969	\$ 58,026	\$ 1,331,559	\$ 2,818,769	\$ 10,701,528

**CITY OF FERNDALE
CUSTODIAL FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025**

	Ferndale Area District Library	Ferndale Arts and Cultural Commission	Tax Collection Fund	Total
ASSETS				
Cash and cash equivalents	\$ 90,456	\$ 8,305	\$ 126,991	\$ 225,752
LIABILITIES				
Undistributed tax collections	-	-	126,991	126,991
NET POSITION				
Restricted for individuals, organizations, and other governments	\$ 90,456	\$ 8,305	\$ -	\$ 98,761

**CITY OF FERNDALE
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025**

	Ferndale Area District Library	Ferndale Arts and Cultural Commission	Tax Collection Fund	Total
ADDITIONS				
Investment income				
Net change in fair value of investments	\$ 127	\$ -	\$ -	\$ 127
Interest	5,532	-	-	5,532
Net investment income	5,659	-	-	5,659
Other additions				
Collections for other governments	-	-	33,776,761	33,776,761
TOTAL ADDITIONS	5,659	-	33,776,761	33,782,420
DEDUCTIONS				
Payments to other governments	-	549	33,776,761	33,777,310
CHANGE IN NET POSITION	5,659	(549)	-	5,110
Net position, beginning of year	84,797	8,854	-	93,651
Net position, end of year	\$ 90,456	\$ 8,305	\$ -	\$ 98,761

CITY OF FERNDALE
PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

	Employees' Retirement System	Policemen and Firemen Retirement System	Other Post- Employment Benefits	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 77,696	\$ -	\$ 77,696
Accrued interest receivable	92,653	127,130	-	219,783
Short-term investment funds	431,344	1,634,130	-	2,065,474
Note receivable	-	-	1,325,000	1,325,000
Investments				
Debt securities	9,670,962	5,902,258	13,967,892	29,541,112
Equity securities	11,158,313	33,266,515	21,403,556	65,828,384
Real estate investment trust	1,233,530	2,486,610	-	3,720,140
TOTAL ASSETS	22,586,802	43,494,339	36,696,448	102,777,589
LIABILITIES				
Accounts payable	411,341	379,984	164,300	955,625
NET POSITION				
Restricted for pension and other benefits	<u>\$ 22,175,461</u>	<u>\$ 43,114,355</u>	<u>\$ 36,532,148</u>	<u>\$ 101,821,964</u>

CITY OF FERNDALE
PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025

	Employees' Retirement System	Policemen and Firemen Retirement System	Other Post- Employment Benefits	Total
ADDITIONS				
Contributions				
Employer contributions	\$ -	\$ 1,565,481	\$ 1,148,707	\$ 2,714,188
Plan member contributions	-	45,750	-	45,750
Total contributions	-	1,611,231	1,148,707	2,759,938
Investment income				
Net change in fair value of investments	1,562,669	3,178,694	1,992,769	6,734,132
Interest	331,176	474,187	2,216,954	3,022,317
Dividends	244,660	591,041	-	835,701
Less investment expense	(87,098)	(122,366)	(88,760)	(298,224)
Net investment income	2,051,407	4,121,556	4,120,963	10,293,926
Other income	240	-	-	240
TOTAL ADDITIONS	2,051,647	5,732,787	5,269,670	13,054,104
DEDUCTIONS				
Benefits	779,057	4,025,934	1,148,707	5,953,698
Administrative expenses	93,614	71,806	37,300	202,720
TOTAL DEDUCTIONS	872,671	4,097,740	1,186,007	6,156,418
CHANGE IN NET POSITION	1,178,976	1,635,047	4,083,663	6,897,686
Net position, beginning of year	20,996,485	41,479,308	32,448,485	94,924,278
Net position, end of year	\$ 22,175,461	\$ 43,114,355	\$ 36,532,148	\$ 101,821,964