

**CITY OF FERNDALE  
OAKLAND COUNTY, MICHIGAN**

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

**YEAR ENDED JUNE 30, 2024**

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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, 2024, 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibility of Management for the Financial Statements*

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

## ***Required Supplementary Information***

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

### ***Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024, 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 6, 2024

## 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, 2024.

### Financial Highlights

- The total assets of the City equaled \$160,658,348. Assets exceeded liabilities and deferred inflows of resources at the close of the fiscal year by \$48,032,845. Of this amount, \$38,274,935 is invested in capital assets (net of related debt), \$33,030,643 is restricted for specific purposes such as public safety, highways and streets, capital projects, and other purposes. The resulting unrestricted net position is (\$23,272,733).
- The City's combined net position of primary government activities increased \$5,871,683 as a result of this year's operations. Net position of our governmental activities increased by \$5,712,631 and net position of our business-type activities increased by \$159,052.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,983,441, or 28% of total General Fund expenditures.
- The City invested over \$12.6 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, community development, and operation of the Kulick Community Center. The business-type activities of the City include water distribution, sanitary sewer operations, and the municipal parking system.

## CITY OF FERNDALE MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

2. **Proprietary Funds** account for activities that operate similar to a business. The City has one type of proprietary fund which are enterprise funds. Proprietary funds provide the same type of information as the 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 \$48,032,845 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$38,274,935, or 80%, 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	
	2024	2023	2024	2023	2024	2023
<b>ASSETS</b>						
Current and other assets	\$ 47,224,823	\$ 45,306,984	\$ 15,330,699	\$ 4,117,234	\$ 62,555,522	\$ 49,424,218
Capital assets, net	40,540,093	40,282,861	57,562,733	54,979,116	98,102,826	95,261,977
<b>TOTAL ASSETS</b>	<b>\$ 87,764,916</b>	<b>\$ 85,589,845</b>	<b>\$ 72,893,432</b>	<b>\$ 59,096,350</b>	<b>\$ 160,658,348</b>	<b>\$ 144,686,195</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ 1,692,611</b>	<b>\$ -</b>	<b>\$ 58,783</b>	<b>\$ -</b>	<b>\$ 1,751,394</b>
<b>LIABILITIES</b>						
Current liabilities	\$ 7,666,823	\$ 7,108,844	\$ 5,113,176	\$ 3,497,535	\$ 12,779,999	\$ 10,606,379
Noncurrent liabilities	57,237,388	64,275,810	39,841,263	27,923,445	97,078,651	92,199,255
<b>TOTAL LIABILITIES</b>	<b>\$ 64,904,211</b>	<b>\$ 71,384,654</b>	<b>\$ 44,954,439</b>	<b>\$ 31,420,980</b>	<b>\$ 109,858,650</b>	<b>\$ 102,805,634</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 2,650,007</b>	<b>\$ 1,399,735</b>	<b>\$ 116,846</b>	<b>\$ 71,058</b>	<b>\$ 2,766,853</b>	<b>\$ 1,470,793</b>
<b>NET POSITION</b>						
Net investment in capital assets	\$ 13,147,033	\$ 14,834,871	\$ 25,127,902	\$ 26,277,005	\$ 38,274,935	\$ 41,111,876
Restricted	31,427,077	25,168,833	1,603,566	1,457,959	33,030,643	26,626,792
Unrestricted	(24,363,412)	(25,505,637)	1,090,679	(71,869)	(23,272,733)	(25,577,506)
<b>TOTAL NET POSITION</b>	<b>\$ 20,210,698</b>	<b>\$ 14,498,067</b>	<b>\$ 27,822,147</b>	<b>\$ 27,663,095</b>	<b>\$ 48,032,845</b>	<b>\$ 42,161,162</b>

An additional portion of the City's net position, \$33,030,643, or 69%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of (\$23,272,733), or -48%, 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 \$5,871,683 during the current fiscal year. Governmental activities account for an increase of \$5,712,631, and business-type activities account for an increase of \$159,052 for the year.

### City of Ferndale's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>REVENUES</b>						
Program revenue						
Charges for services	\$ 8,766,920	\$ 8,921,110	\$ 13,485,592	\$ 12,863,223	\$ 22,252,512	\$ 21,784,333
Operating grants and contributions	5,825,147	4,663,193	354,831	221,864	6,179,978	4,885,057
Capital grants and contributions	-	650,771	55,000	55,000	55,000	705,771
General revenues						
Property taxes	18,104,886	16,811,562	-	-	18,104,886	16,811,562
State shared revenue	3,277,777	3,178,952	-	-	3,277,777	3,178,952
Unrestricted investment earnings	1,972,858	660,801	417,091	33,152	2,389,949	693,953
Gain on sale of capital assets	15,887	218,187	-	-	15,887	218,187
Other	546,961	714,727	-	-	546,961	714,727
<b>TOTAL REVENUES</b>	<b>38,510,436</b>	<b>35,819,303</b>	<b>14,312,514</b>	<b>13,173,239</b>	<b>52,822,950</b>	<b>48,992,542</b>
<b>EXPENSES</b>						
General government	3,475,548	3,477,887	-	-	3,475,548	3,477,887
Judicial	1,898,719	1,895,947	-	-	1,898,719	1,895,947
Public safety	12,833,171	8,629,518	-	-	12,833,171	8,629,518
Public works	6,905,029	6,606,447	-	-	6,905,029	6,606,447
Highways and streets	5,189,125	5,300,373	-	-	5,189,125	5,300,373
Health and welfare	-	-	-	-	-	-
Recreation and culture	1,370,872	1,565,307	-	-	1,370,872	1,565,307
Community and economic development	59,688	80,141	-	-	59,688	80,141
Interest on long-term debt	865,653	918,284	-	-	865,653	918,284
Water and sewer	-	-	11,461,592	9,876,765	11,461,592	9,876,765
Auto parking	-	-	2,891,870	3,030,947	2,891,870	3,030,947
<b>TOTAL EXPENSES</b>	<b>32,597,805</b>	<b>28,473,904</b>	<b>14,353,462</b>	<b>12,907,712</b>	<b>46,951,267</b>	<b>41,381,616</b>
Changes in net position before transfers	5,912,631	7,345,399	(40,948)	265,527	5,871,683	7,610,926
Transfers	(200,000)	(200,000)	200,000	200,000	-	-
<b>Change in net position</b>	<b>\$ 5,712,631</b>	<b>\$ 7,145,399</b>	<b>\$ 159,052</b>	<b>\$ 465,527</b>	<b>\$ 5,871,683</b>	<b>\$ 7,610,926</b>

**Governmental Activities** increased the City's net position by \$5,712,631 primarily due to increases in grants and contributions, property taxes, and investment earnings. Public safety expenses increased by \$4,203,653 due to adjustments related to defined benefit pensions.

**Business-type Activities.** Business-type activities increased the City's net position by \$159,052. The key elements of this increase are as follows:

- Water/Sewer charges for services increased by \$2,048,166 and expenses increased by \$622,369 mainly due to increased water purchases.
- Auto Parking expenses decreased by approximately \$139,000 mainly as a result of administrative expenses in the current year.
- Substantially all revenues for the Water/Sewer and the Auto Parking are derived from charges for services.

## CITY OF FERNDALE MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the Government's Funds

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

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

As of the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$28,183,864, a decrease of \$185,013 in comparison with the prior year. Approximately 25% of this total amount, or \$6,983,441, 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 3<sup>rd</sup> 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 \$6,983,441, while total fund balance was \$8,708,276. 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 28% of total General Fund expenditures, while total fund balance represents 36% of the same amount.

Total fund balance of the City's General Fund increased \$1,795,906 during the fiscal year. Notable items affecting the fund include the following:

- Property tax revenue increased by \$1,008,001.
- Intergovernmental increased by \$1,257,501.
- Interest and rents increased by \$433,483.
- Other revenues decreased by \$568,522.
- Expenditure increases were limited to approximately 2% overall.

The Major Streets Fund reported an ending fund balance of \$5,975,032, an increase of \$628,677 for the year due to intergovernmental revenues and investment earnings in excess of current year expenditures.

The Debt Service Fund reported an ending fund balance of \$2,774,053, an increase of \$871,042 for the year due to property tax revenue received in excess of the current year debt service.

The Road and Park Bonds Fund reported an ending fund balance of \$2,791,098, a decrease of \$4,059,121 for the year due to continue capital improvements utilizing bond proceeds from prior years.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$2,947,944. Total net position increased \$529,411, mainly due to increased utility usage fees. Unrestricted net position of the Auto Parking Fund at the end of the year amounted to (\$1,857,265). Total net position decreased \$370,359.

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

### **General Fund Budgetary Highlights**

The difference between the original revenue and other financing sources budget and the amended revenue and other financing sources budget was an increase of \$154,981.

Actual revenues and other financing sources were \$445,373 more than budgeted revenues and other financing sources, as amended. The increase in actual revenues was realized primarily from interest and rents and property taxes.

The difference between the original and amended expenditures and other financing uses budgets was an increase of \$154,981. Actual expenditures and other financing uses were under the amended budget by \$1,350,533, primarily due to transfers out, general government, and public safety expenditures.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounted to \$98,102,826 (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 \$66,053,005, backed by the full faith and credit of the government. Its purpose is attributable to both governmental (\$27,085,000) and business-type activities (\$38,968,005) at year end. The City recognized an increase in debt obligations of \$9,839,105 during the year primarily through payment of annual debt service obligations and the issuance of \$297,574 of new installment purchase agreements for equipment \$11,415,000 in revenue bonds, and \$2,095,592 drinking water revolving loan.

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

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

### **Economic Factors and Next Year's Budgets and Rates**

The factors listed below are some of the key economic factors that were considered in preparing the City's budget for the 2024-2025 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 Headlee Tax Limitation restricts the City's ability to fully enhance its service delivery.
- With the opening of the Dot in 2020, the City completed a significant investment in Ferndale's parking infrastructure. Since its opening the Dot's parking activity has continued to increase and this trend is expected to continue. While there are concerns about the Dot achieving its initial projected volume, recent analysis suggests that the project is progressing towards self-sufficiency.

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

- Inconsistent and uncertain state funding remains a significant challenge for municipalities. The stagnation of State Revenue Sharing adds further complexity, requiring careful consideration when planning future spending.
- Through the resident-led Task Force, which assessed the condition of Ferndale's real estate assets, and the resident-led Finance Committee, which evaluated the impact of the upcoming expiration of the Headlee Millage override, the City developed a proposal. This proposal was presented to Ferndale voters in November 2024.
- The initial Headlee Millage override proposal was not approved by voters. However, the election results provided the City Council with valuable insight into what residents are willing to support. With ongoing citizen engagement, the City Council plans to present a revised proposal to residents in May 2025. The override currently accounts for over 20% (or \$4M) of the City's operating revenue.
- The initial Headlee Millage override proposal was not passed by the voters. However, the election results did inform the Council on what residents would support. Through continued citizen engagement, the City Council plans to present a revised plan to the residents in May of 2025. The override currently accounts for over 20% (or \$4M) of the City's Operating revenue
- In preparing the FY 2026 budget, the factors mentioned above will influence the approach. Conservative revenue estimates have been made, and current external factors, such as potential legislative changes, will be considered due to their impact on the City's revenue. The City will continue to anticipate modest increases in expenditures while closely monitoring all activities moving forward.

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FERNDALE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 21,058,079	\$ 9,127,041	\$ 30,185,120	\$ 3,060,839
Receivables, net	662,990	3,135,258	3,798,248	1,925
Due from other governmental units	1,809,074	-	1,809,074	-
Internal balances	345,485	(345,485)	-	-
Inventories	150,722	-	150,722	-
Prepays	679,558	11,876	691,434	2,614
Total current assets	24,705,908	11,928,690	36,634,598	3,065,378
Noncurrent assets				
Investments	6,874,851	3,010,418	9,885,269	1,009,742
Noncurrent portion of receivables	-	-	-	1,119,674
Internal balances	1,211,975	(1,211,975)	-	-
Net pension asset	14,432,089	1,603,566	16,035,655	-
Capital assets not being depreciated	8,191,732	15,520,458	23,712,190	-
Capital assets, net of accumulated depreciation	32,348,361	42,042,275	74,390,636	194,173
Total noncurrent assets	63,059,008	60,964,742	124,023,750	2,323,589
<b>TOTAL ASSETS</b>	<b>87,764,916</b>	<b>72,893,432</b>	<b>160,658,348</b>	<b>5,388,967</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	1,408,512	2,876,476	4,284,988	783
Accrued liabilities	1,629,011	82,600	1,711,611	4,994
Accrued interest payable	274,141	363,629	637,770	-
Unearned revenue	887,242	-	887,242	-
Due to other governmental units	181,350	-	181,350	21,324
Current portion of compensated absences	947,080	32,964	980,044	5,221
Current portion of long-term debt	2,336,017	1,757,507	4,093,524	-
Current portion of uninsured claim liability	3,470	-	3,470	-
Total current liabilities	7,666,823	5,113,176	12,779,999	32,322
Noncurrent liabilities				
Noncurrent portion of compensated absences	315,693	10,987	326,680	1,740
Noncurrent portion of long-term debt	27,848,141	38,897,760	66,745,901	-
Net pension liability	11,355,759	-	11,355,759	-
Net other post-employment benefits liability	17,717,795	932,516	18,650,311	-
Total noncurrent liabilities	57,237,388	39,841,263	97,078,651	1,740
<b>TOTAL LIABILITIES</b>	<b>64,904,211</b>	<b>44,954,439</b>	<b>109,858,650</b>	<b>34,062</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	1,008,005	30,425	1,038,430	-
Deferred inflows of resources related to OPEB	1,642,002	86,421	1,728,423	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,650,007</b>	<b>116,846</b>	<b>2,766,853</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	13,147,033	25,127,902	38,274,935	194,173
Restricted				
Cable TV	156,882	-	156,882	-
Indigent defense	394,335	-	394,335	-
Opioid settlement	547,258	-	547,258	-
Highways and streets	7,289,480	-	7,289,480	-
Public works	2,661,380	-	2,661,380	-
Public safety	489,431	-	489,431	-
Community and economic development	107,186	-	107,186	5,160,732
ARPA projects	58,026	-	58,026	-
Debt service	2,499,912	-	2,499,912	-
Capital projects	2,791,098	-	2,791,098	-
Pension benefits	14,432,089	1,603,566	16,035,655	-
Unrestricted	(24,363,412)	1,090,679	(23,272,733)	-
<b>TOTAL NET POSITION</b>	<b>\$ 20,210,698</b>	<b>\$ 27,822,147</b>	<b>\$ 48,032,845</b>	<b>\$ 5,354,905</b>

See accompanying notes to financial statements.

**CITY OF FERNDALE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government								
Governmental activities								
General government	\$ 3,475,548	\$ 1,251,480	\$ 549,881	\$ -	\$ (1,674,187)	\$ -	\$ (1,674,187)	\$ -
Judicial	1,898,719	1,578,142	631,992	-	311,415	-	311,415	-
Public safety	12,833,171	2,588,124	1,193,815	-	(9,051,232)	-	(9,051,232)	-
Public works	6,905,029	2,989,090	205,974	-	(3,709,965)	-	(3,709,965)	-
Highways and streets	5,189,125	-	2,535,662	-	(2,653,463)	-	(2,653,463)	-
Health and welfare	-	-	70,993	-	70,993	-	70,993	-
Recreation and culture	1,370,872	335,084	79,038	-	(956,750)	-	(956,750)	-
Community and economic development	59,688	25,000	363,747	-	329,059	-	329,059	-
Interest on long-term debt	865,653	-	194,045	-	(671,608)	-	(671,608)	-
Total governmental activities	32,597,805	8,766,920	5,825,147	-	(18,005,738)	-	(18,005,738)	-
Business-type activities								
Water and sewer	11,461,592	11,219,083	354,831	-	-	112,322	112,322	-
Auto parking	2,891,870	2,266,509	-	55,000	-	(570,361)	(570,361)	-
Total business-type activities	14,353,462	13,485,592	354,831	55,000	-	(458,039)	(458,039)	-
Total primary government	\$ 46,951,267	\$ 22,252,512	\$ 6,179,978	\$ 55,000	(18,005,738)	(458,039)	(18,463,777)	-
Component units								
Brownfield Redevelopment Authority	\$ 414,675	\$ 18,913	\$ -	\$ -	-	-	-	(395,762)
Downtown Development Authority	690,107	-	15,200	-	-	-	-	(674,907)
Total component units	\$ 1,104,782	\$ 18,913	\$ 15,200	\$ -	-	-	-	(1,070,669)
General revenues								
Property taxes					18,104,886	-	18,104,886	2,294,684
State shared revenue					3,277,777	-	3,277,777	-
Unrestricted investment earnings					1,972,858	417,091	2,389,949	237,400
Gain on sale of capital assets					15,887	-	15,887	-
Miscellaneous					546,961	-	546,961	3,242
Transfers					(200,000)	200,000	-	-
Total general revenues and transfers					23,718,369	617,091	24,335,460	2,535,326
Change in net position					5,712,631	159,052	5,871,683	1,464,657
Restated net position, beginning of year					14,498,067	27,663,095	42,161,162	3,890,248
Net position, end of year					\$ 20,210,698	\$ 27,822,147	\$ 48,032,845	\$ 5,354,905

See accompanying notes to financial statements.

**CITY OF FERNDALE  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2024**

	General	Special Revenue Major Streets	Debt Service Debt Service	Capital Projects Road and Park Bonds	Nonmajor Governmental Funds	Total
<b>ASSETS</b>						
Cash and investments	\$ 7,279,228	\$ 5,655,599	\$ 2,774,641	\$ 3,299,552	\$ 8,923,910	\$ 27,932,930
Accounts receivable, net	628,752	-	-	-	11,414	640,166
Accrued interest receivable	5,779	1,004	412	5,011	10,618	22,824
Due from other governmental units	884,536	357,088	-	-	567,450	1,809,074
Due from other funds	345,485	-	-	-	-	345,485
Advance to other funds	1,211,975	-	-	-	-	1,211,975
Inventory	150,722	-	-	-	-	150,722
Prepays	672,700	4,125	-	-	2,733	679,558
<b>TOTAL ASSETS</b>	<b>\$ 11,179,177</b>	<b>\$ 6,017,816</b>	<b>\$ 2,775,053</b>	<b>\$ 3,304,563</b>	<b>\$ 9,516,125</b>	<b>\$ 32,792,734</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 656,671	\$ 24,226	\$ 1,000	\$ 513,465	\$ 213,150	\$ 1,408,512
Accrued liabilities	1,560,102	16,659	-	-	52,250	1,629,011
Unearned revenue	-	-	-	-	887,242	887,242
Due to other governmental units	181,350	-	-	-	-	181,350
<b>TOTAL LIABILITIES</b>	<b>2,398,123</b>	<b>40,885</b>	<b>1,000</b>	<b>513,465</b>	<b>1,152,642</b>	<b>4,106,115</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	72,778	-	-	-	429,977	502,755
<b>FUND BALANCES</b>						
Nonspendable	823,422	4,125	-	-	2,733	830,280
Restricted	12,636	5,972,806	2,774,053	2,791,098	5,286,904	16,837,497
Committed	878,994	-	-	-	-	878,994
Assigned	9,783	-	-	-	2,643,869	2,653,652
Unassigned	6,983,441	-	-	-	-	6,983,441
<b>TOTAL FUND BALANCES</b>	<b>8,708,276</b>	<b>5,976,931</b>	<b>2,774,053</b>	<b>2,791,098</b>	<b>7,933,506</b>	<b>28,183,864</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 11,179,177</b>	<b>\$ 6,017,816</b>	<b>\$ 2,775,053</b>	<b>\$ 3,304,563</b>	<b>\$ 9,516,125</b>	<b>\$ 32,792,734</b>

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, 2024**

**Total Fund Balances - Governmental Funds** **\$ 28,183,864**

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	\$ 127,269,350	
Accumulated depreciation is	<u>(86,729,257)</u>	
Capital assets, net		40,540,093

Other long-term assets are not available to pay for current period expenditures and, therefore, are considered unavailable in the funds.		502,755
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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	14,432,089	
Deferred inflows of resources related to pensions	(1,008,005)	
Deferred inflows of resources related to OPEB	<u>(1,642,002)</u>	
		11,782,082

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	(27,943,231)	
Unamortized bond premium	(2,240,927)	
Compensated absences	(1,262,773)	
Accrued interest payable	(274,141)	
Uninsured claim liability	(3,470)	
Net pension liability	(11,355,759)	
Net other post-employment benefits liability	<u>(17,717,795)</u>	
		<u>(60,798,096)</u>
Net position of governmental activities		<u><u>\$ 20,210,698</u></u>

**CITY OF FERNDALE  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2024**

	General	Special Revenue Major Streets	Debt Service Debt Service	Capital Projects Road and Park Bonds	Nonmajor Governmental Funds	Total
REVENUES						
Property taxes	\$ 13,915,910	\$ -	\$ 3,283,179	\$ -	\$ 1,429,895	\$ 18,628,984
Licenses and permits	1,340,233	-	-	-	-	1,340,233
Intergovernmental	5,763,390	1,868,659	194,045	-	1,889,239	9,715,333
Charges for services	2,607,121	-	-	-	2,016,695	4,623,816
Fines and forfeits	1,106,147	-	-	-	-	1,106,147
Investment earnings	605,774	362,073	151,468	377,546	475,997	1,972,858
Other	875,712	1,899	-	-	11,588	889,199
<b>TOTAL REVENUES</b>	<b>26,214,287</b>	<b>2,232,631</b>	<b>3,628,692</b>	<b>377,546</b>	<b>5,823,414</b>	<b>38,276,570</b>
Current						
General government	4,674,964	-	-	-	91,817	4,766,781
Judicial	1,405,602	-	-	-	493,117	1,898,719
Public safety	14,173,636	-	-	-	95,138	14,268,774
Public works	2,334,721	-	-	-	3,592,193	5,926,914
Highway and streets	-	1,570,536	-	-	671,587	2,242,123
Recreation and culture	1,665,701	-	-	-	-	1,665,701
Community and economic development	-	-	-	-	56,061	56,061
Debt service						
Principal	272,414	28,073	1,670,000	-	73,348	2,043,835
Interest and fees	14,826	3,446	1,087,650	-	6,814	1,112,736
Capital outlay	-	-	-	4,436,667	21,255	4,457,922
<b>TOTAL EXPENDITURES</b>	<b>24,541,864</b>	<b>1,602,055</b>	<b>2,757,650</b>	<b>4,436,667</b>	<b>5,101,330</b>	<b>38,439,566</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<b>1,672,423</b>	<b>630,576</b>	<b>871,042</b>	<b>(4,059,121)</b>	<b>722,084</b>	<b>(162,996)</b>
OTHER FINANCING SOURCES (USES)						
Transfers in	145,500	-	-	-	-	145,500
Transfers out	(200,000)	-	-	-	(145,500)	(345,500)
Issuance of debt	162,096	-	-	-	-	162,096
Proceeds from sale of capital assets	15,887	-	-	-	-	15,887
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>123,483</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(145,500)</b>	<b>(22,017)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,795,906</b>	<b>630,576</b>	<b>871,042</b>	<b>(4,059,121)</b>	<b>576,584</b>	<b>(185,013)</b>
Fund balances, beginning of year	6,912,370	5,346,355	1,903,011	6,850,219	7,356,922	28,368,877
Fund balances, end of year	<u>\$ 8,708,276</u>	<u>\$ 5,976,931</u>	<u>\$ 2,774,053</u>	<u>\$ 2,791,098</u>	<u>\$ 7,933,506</u>	<u>\$ 28,183,864</u>

See accompanying notes to financial statements.

**CITY OF FERNDALE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2024**

**Net Change in Fund Balances - Total Governmental Funds** \$ (185,013)

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	\$ 6,580,946	
Depreciation expense	<u>(6,323,714)</u>	
		257,232

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		217,979
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current period, these amounts consist of:

Installment purchases and issuance of debt	(162,096)	
Debt principal retirement	<u>2,043,835</u>	
		1,881,739

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	1,310,455	
Decrease in net pension liability	1,461,295	
(Decrease) in deferred outflows of resources related to pensions	(1,680,335)	
(Increase) in deferred inflows of resources related to pensions	(958,367)	
(Decrease) in deferred outflows of resources related to OPEB	(12,276)	
(Increase) in deferred inflows of resources related to OPEB	(291,905)	
Decrease in unamortized bond premium	232,312	
Decrease in compensated absences	35,547	
Decrease in accrued interest payable	14,771	
Decrease in uninsured claim liability	78,227	
Decrease in net other post-employment benefits liability	<u>3,350,970</u>	
		<u>3,540,694</u>

**Change in Net Position of Governmental Activities** **\$ 5,712,631**

**CITY OF FERNDALE  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2024**

	Enterprise Funds		
	Water and Sewer	Auto Parking	Total
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 9,092,835	\$ 34,206	\$ 9,127,041
Accounts receivable	3,134,323	935	3,135,258
Prepays	11,645	231	11,876
Total current assets	12,238,803	35,372	12,274,175
Noncurrent assets			
Investments	2,999,130	11,288	3,010,418
Net pension asset	1,603,566	-	1,603,566
Capital assets not being depreciated	15,029,055	491,403	15,520,458
Capital assets, net of accumulated depreciation	21,134,108	20,908,167	42,042,275
Total noncurrent assets	40,765,859	21,410,858	62,176,717
<b>TOTAL ASSETS</b>	<b>53,004,662</b>	<b>21,446,230</b>	<b>74,450,892</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	2,718,006	158,470	2,876,476
Accrued liabilities	82,600	-	82,600
Accrued interest payable	180,944	182,685	363,629
Due to other funds	-	345,485	345,485
Current portion of compensated absences	28,981	3,983	32,964
Current portion of long-term debt	1,331,428	426,079	1,757,507
Total current liabilities	4,341,959	1,116,702	5,458,661
Noncurrent liabilities			
Advance from other funds	-	1,211,975	1,211,975
Noncurrent portion of compensated absences	9,660	1,327	10,987
Noncurrent portion of long-term debt	20,916,867	17,980,893	38,897,760
Net other post-employment benefits liability	932,516	-	932,516
Total noncurrent liabilities	21,859,043	19,194,195	41,053,238
<b>TOTAL LIABILITIES</b>	<b>26,201,002</b>	<b>20,310,897</b>	<b>46,511,899</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	30,425	-	30,425
Deferred inflows of resources related to OPEB	86,421	-	86,421
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>116,846</b>	<b>-</b>	<b>116,846</b>
<b>NET POSITION</b>			
Net investment in capital assets	22,135,304	2,992,598	25,127,902
Restricted for pension benefits	1,603,566	-	1,603,566
Unrestricted	2,947,944	(1,857,265)	1,090,679
<b>TOTAL NET POSITION</b>	<b>\$ 26,686,814</b>	<b>\$ 1,135,333</b>	<b>\$ 27,822,147</b>

See accompanying notes to financial statements.

**CITY OF FERNDALE  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2024**

	Enterprise Funds		
	Water and Sewer	Auto Parking	Total
OPERATING REVENUES			
Charges for services	\$ 10,973,340	\$ -	\$ 10,973,340
Parking meter receipts	-	2,266,509	2,266,509
Water penalties	245,743	-	245,743
<b>TOTAL OPERATING REVENUES</b>	<b>11,219,083</b>	<b>2,266,509</b>	<b>13,485,592</b>
OPERATING EXPENSES			
Personnel services	732,991	21,274	754,265
General and administrative	742,738	744,446	1,487,184
Utilities	85,376	54,788	140,164
Rental expense	81,524	-	81,524
Contractual services	544,975	277,448	822,423
Water and sewer expense	6,030,121	-	6,030,121
Maintenance expense	143,812	8,368	152,180
Depreciation	2,368,534	1,078,324	3,446,858
Other	97,303	-	97,303
<b>TOTAL OPERATING EXPENSES</b>	<b>10,827,374</b>	<b>2,184,648</b>	<b>13,012,022</b>
<b>OPERATING INCOME</b>	<b>391,709</b>	<b>81,861</b>	<b>473,570</b>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	354,831	55,000	409,831
Investment income	417,089	2	417,091
Interest expense	(634,218)	(707,222)	(1,341,440)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>137,702</b>	<b>(652,220)</b>	<b>(514,518)</b>
<b>NET CHANGE IN NET POSITION BEFORE TRANSFERS</b>	<b>529,411</b>	<b>(570,359)</b>	<b>(40,948)</b>
<b>TRANSFERS IN</b>	<b>-</b>	<b>200,000</b>	<b>200,000</b>
<b>NET CHANGE IN NET POSITION</b>	<b>529,411</b>	<b>(370,359)</b>	<b>159,052</b>
Net position, beginning of year	26,157,403	1,505,692	27,663,095
Net position, end of year	\$ 26,686,814	\$ 1,135,333	\$ 27,822,147

See accompanying notes to financial statements.

**CITY OF FERNDALE  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2024**

	Enterprise Funds		
	Water and Sewer	Auto Parking	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and others	\$ 10,937,986	\$ 2,266,509	\$ 13,204,495
Cash payments to employees	(728,844)	(19,520)	(748,364)
Cash payments to suppliers for goods and services	(6,242,306)	(1,089,642)	(7,331,948)
Cash payments for interfund services	(81,524)	-	(81,524)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,885,312</b>	<b>1,157,347</b>	<b>5,042,659</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash paid to other funds	-	(35,084)	(35,084)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(6,030,475)	-	(6,030,475)
Proceeds from debt issuance	14,386,389	-	14,386,389
Intergovernmental	354,831	55,000	409,831
Interest paid	(540,085)	(746,854)	(1,286,939)
Payments on borrowings	(1,975,221)	(384,917)	(2,360,138)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>6,195,439</b>	<b>(1,076,771)</b>	<b>5,118,668</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	417,089	2	417,091
<b>NET INCREASE IN CASH AND INVESTMENTS</b>	<b>10,497,840</b>	<b>45,494</b>	<b>10,543,334</b>
Cash and investments, beginning of year	1,594,125	-	1,594,125
Cash and investments, end of year	<u>\$ 12,091,965</u>	<u>\$ 45,494</u>	<u>\$ 12,137,459</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 391,709	\$ 81,861	\$ 473,570
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	2,368,534	1,078,324	3,446,858
(Increase) decrease in:			
Accounts receivable	(281,097)	-	(281,097)
Prepaid items	(7,177)	(231)	(7,408)
Net pension asset	(145,607)	-	(145,607)
Deferred outflows of resources related to pensions	58,783	-	58,783
Increase (decrease) in:			
Accounts payable	1,626,598	(4,361)	1,622,237
Accrued liabilities	2,664	-	2,664
Compensated absences	1,483	1,754	3,237
Net other post-employment benefits liability	(176,366)	-	(176,366)
Deferred inflows of resources related to pensions	30,425	-	30,425
Deferred inflows of resources related to OPEB	15,363	-	15,363
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 3,885,312</b>	<b>\$ 1,157,347</b>	<b>\$ 5,042,659</b>

See accompanying notes to financial statements.

**CITY OF FERNDALE  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2024**

	Pension and Other Post- Employment Benefits Trust	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ (53,772)	\$ 110,824
Accrued interest receivable	215,756	-
Short-term investment funds	977,239	-
Investments		
Debt securities	37,193,782	-
Equity securities	53,932,223	-
Real estate investment trust	3,125,721	-
	<u>95,390,949</u>	<u>110,824</u>
TOTAL ASSETS		
LIABILITIES		
Undistributed tax collections	-	17,173
Other liabilities	466,671	-
	<u>466,671</u>	<u>17,173</u>
TOTAL LIABILITIES		
NET POSITION		
Restricted for pension and other benefits	94,924,278	-
Restricted for individuals, organizations, and other governments	-	93,651
	<u>\$ 94,924,278</u>	<u>\$ 93,651</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, 2024**

	Pension and Other Post- Employment Benefits Trust	Custodial Funds
<b>ADDITIONS</b>		
Contributions		
Employer contributions	\$ 3,141,883	\$ -
Plan member contributions	60,600	-
	<u>3,202,483</u>	<u>-</u>
Total contributions		
	<u>3,202,483</u>	<u>-</u>
Investment income		
Net change in fair value of investments	8,075,611	696
Interest	1,731,185	4,794
Dividends	995,147	-
Less investment expense	(245,732)	-
	<u>10,556,211</u>	<u>5,490</u>
Net investment income		
	<u>10,556,211</u>	<u>5,490</u>
Other additions		
Other	71,966	-
Collections for other governments	-	32,073,104
	<u>71,966</u>	<u>32,073,104</u>
Total other additions		
	<u>71,966</u>	<u>32,073,104</u>
TOTAL ADDITIONS	<u>13,830,660</u>	<u>32,078,594</u>
<b>DEDUCTIONS</b>		
Payments to other governments	-	32,073,228
Benefits	6,682,741	-
Administrative expenses	140,338	-
Other	39,167	-
	<u>6,862,246</u>	<u>32,073,228</u>
TOTAL DEDUCTIONS		
	<u>6,862,246</u>	<u>32,073,228</u>
CHANGE IN NET POSITION	6,968,414	5,366
Net position, beginning of year	87,955,864	88,285
Net position, end of year	<u>\$ 94,924,278</u>	<u>\$ 93,651</u>

See accompanying notes to financial statements.

**CITY OF FERNDALE  
COMPONENT UNITS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2024**

	Brownfield Redevelopment Authority	Downtown Development Authority	Total
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 2,319,652	\$ 741,187	\$ 3,060,839
Accrued interest receivable	1,008	917	1,925
Prepays	-	2,614	2,614
Total current assets	<u>2,320,660</u>	<u>744,718</u>	<u>3,065,378</u>
Noncurrent assets			
Investments	828,808	180,934	1,009,742
Loans receivable	1,119,674	-	1,119,674
Capital assets, net of accumulated depreciation	-	194,173	194,173
Total noncurrent assets	<u>1,948,482</u>	<u>375,107</u>	<u>2,323,589</u>
TOTAL ASSETS	<u>4,269,142</u>	<u>1,119,825</u>	<u>5,388,967</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	783	783
Accrued liabilities	-	4,994	4,994
Due to other governmental units	21,324	-	21,324
Current portion of compensated absences	-	5,221	5,221
Total current liabilities	<u>21,324</u>	<u>10,998</u>	<u>32,322</u>
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	1,740	1,740
TOTAL LIABILITIES	<u>21,324</u>	<u>12,738</u>	<u>34,062</u>
<b>NET POSITION</b>			
Investment in capital assets	-	194,173	194,173
Restricted	4,247,818	912,914	5,160,732
TOTAL NET POSITION	<u>\$ 4,247,818</u>	<u>\$ 1,107,087</u>	<u>\$ 5,354,905</u>

See accompanying notes to financial statements.

**CITY OF FERNDALE  
COMPONENT UNITS  
COMBINING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

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	\$ 414,675	\$ 18,913	\$ -	\$ (395,762)	\$ -	\$ (395,762)
Downtown Development Authority	690,107	-	15,200	-	(674,907)	(674,907)
Totals	<u>\$ 1,104,782</u>	<u>\$ 18,913</u>	<u>\$ 15,200</u>	<u>(395,762)</u>	<u>(674,907)</u>	<u>(1,070,669)</u>
General revenues						
Property taxes				1,480,877	813,807	2,294,684
Unrestricted investment earnings				184,350	53,050	237,400
Other				-	3,242	3,242
Total general revenues				<u>1,665,227</u>	<u>870,099</u>	<u>2,535,326</u>
Change in net position				1,269,465	195,192	1,464,657
Net position, beginning of year				<u>2,978,353</u>	<u>911,895</u>	<u>3,890,248</u>
Net position, end of year				<u>\$ 4,247,818</u>	<u>\$ 1,107,087</u>	<u>\$ 5,354,905</u>

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

Reporting Entity

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

Discretely Presented Component Units

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

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

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

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fiduciary Component Units

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

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

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

Joint Venture

The City is a member of the Southeastern Oakland County Resource Recovery Authority (the Authority), which consists of 14 municipalities in Oakland County and provides refuse collection and disposal services for the benefit of member municipalities. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2024, the Authority reported an increase in net position in the amount of \$661,759 resulting in ending net position of \$9,130,821. During the year ended June 30, 2024, the City expended \$2,422,196 in payments made to the Authority. The City has no explicit and measurable equity interest in the joint venture. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Southeastern Oakland County Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, Michigan 48073.

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

**FUND FINANCIAL STATEMENTS**

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

The City reports the following *Major Governmental Funds*:

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

The City reports the following *Major Enterprise Funds*:

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

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

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

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

Measurement Focus

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

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

Basis of Accounting

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

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Accounting (continued)

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

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

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

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

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

Budgets and Budgetary Accounting

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

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

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.

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and Investments

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

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

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

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

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

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.

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Receivables

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

Inventories

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

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.

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

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Assets (continued)

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

Compensated Absences

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

Long-term Obligations

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

Accrued Interest Payable

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

Unearned Revenue

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

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Outflows/Inflows of Resources

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

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

The City 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.

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Equity (continued)

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

Property Taxes

The City's property taxes are levied each July 1<sup>st</sup> on the taxable valuation of property located in the City as of the preceding December 31<sup>st</sup>, the lien date. Property taxes are payable without penalty and interest if paid in full by July 31<sup>st</sup> or if elected by the taxpayer, paid using an eight monthly installment method from July through February. As of March 1<sup>st</sup> 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, 2024, the City levied 15.9993 mills for general governmental services, 1.7449 mills for refuse, 3.8553 mills for debt service, and 0.0569 mills for community promotion. The total taxable value for the 2023 levy for property within the City was \$877,530,380. The City also levies an assessment of 1.5956 mills, on \$821,548,640 of real property only, for debt service related to the City's share of George W. Kuhn drain bonds.

The Downtown Development Authority is permitted by P.A. 197 of Michigan to levy taxes up to \$2.00 per \$1,000 of assessed valuation of property in the downtown district. The Authority's current year tax rate was \$1.2763 per \$1,000 of assessed valuation. The total taxable value for the 2023 levy for property within the DDA was \$69,570,320.

Tax Abatements

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

Net Pension Liability (Asset)

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

Net OPEB Liability

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

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of Estimates

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

Interfund Transfers

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

Restricted Net Position

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2024, 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, 2024, \$5,528,945 of the City's bank balance of \$7,998,159 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 \$6,826,491.

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, 2024, 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	\$ -	\$ -	\$ -	\$ -	\$ 23,321,185	\$ 23,321,185
U.S. Government securities	-	18,983,842	1,979,301	438,011	-	21,401,154
Corporate bonds	474,520	2,215,666	1,686,471	249,058	-	4,625,715
Foreign bonds	54,365	391,122	280,847	117,586	-	843,920
Private placements	-	25,174	-	-	-	25,174
Stocks	-	-	-	-	28,676,992	28,676,992
Asset backed securities	-	677,278	403,437	1,190,132	-	2,270,847
Mutual funds	-	-	-	-	40,532,357	40,532,357
Commercial paper	4,101,023	-	-	-	-	4,101,023
Real estate investment trusts	-	-	-	-	6,798,074	6,798,074
<b>TOTAL</b>	<b>\$ 4,629,908</b>	<b>\$ 22,293,082</b>	<b>\$ 4,350,056</b>	<b>\$ 1,994,787</b>	<b>\$ 99,328,608</b>	<b>\$ 132,596,441</b>

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, 2024, 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	11,387,848	5,621,045	331,085	-	-
Corporate bonds	-	-	23,308	32,563	655,208
Foreign bonds	-	-	-	-	59,973
Private placements	-	-	-	-	-
Stocks	-	-	-	-	-
Asset backed securities	758,894	4,955	-	-	-
Mutual funds	-	-	-	-	-
Commercial paper	-	-	-	-	-
Real estate investment trusts	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 12,146,742</b>	<b>\$ 5,626,000</b>	<b>\$ 354,393</b>	<b>\$ 32,563</b>	<b>\$ 715,181</b>

**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	\$ -	\$ -	\$ -	\$ 23,321,185	\$ 23,321,185
U.S. Government securities	412,206	-	-	3,648,970	21,401,154
Corporate bonds	114,648	198,415	1,518,644	2,082,929	4,625,715
Foreign bonds	-	34,575	35,463	713,909	843,920
Private placements	-	-	-	25,174	25,174
Stocks	-	-	-	28,676,992	28,676,992
Asset backed securities	-	-	613	1,506,385	2,270,847
Mutual funds	-	-	-	40,532,357	40,532,357
Commercial paper	4,101,023	-	-	-	4,101,023
Real estate investment trusts	-	-	-	6,798,074	6,798,074
<b>TOTAL</b>	<b>\$ 4,627,877</b>	<b>\$ 232,990</b>	<b>\$ 1,554,720</b>	<b>\$ 107,305,975</b>	<b>\$ 132,596,441</b>

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	\$ -	\$ 23,321,185	\$ -	\$ 23,321,185
U.S. Government securities	21,401,154	-	-	21,401,154
Corporate bonds	-	4,625,715	-	4,625,715
Foreign bonds	-	843,920	-	843,920
Private placements	-	25,174	-	25,174
Stocks	28,676,992	-	-	28,676,992
Asset backed securities	-	2,270,847	-	2,270,847
Mutual funds	40,532,357	-	-	40,532,357
Commercial paper	-	4,101,023	-	4,101,023
Real estate investment trusts	6,798,074	-	-	6,798,074
<b>TOTAL</b>	<b>\$ 97,408,577</b>	<b>\$ 35,187,864</b>	<b>\$ -</b>	<b>\$ 132,596,441</b>

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, 2024.

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and investments	\$ 30,185,120	\$ 3,060,839	\$ 57,052	\$ 33,303,011
Investments - noncurrent	9,885,269	1,009,742	95,228,965	106,123,976
	<u>\$ 40,070,389</u>	<u>\$ 4,070,581</u>	<u>\$ 95,286,017</u>	<u>\$ 139,426,987</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	\$ 61,114	\$ 24,706	\$ 6,943	\$ 26,239
Allowance for uncollectible accounts	<u>(61,114)</u>	<u>(24,706)</u>	<u>(6,943)</u>	<u>(26,239)</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, 2024, was as follows:

**Primary Government**

	Balance July 1, 2023	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2024
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 588,892	\$ -	\$ -	\$ 588,892
Construction in progress	2,851,759	5,575,216	(824,135)	7,602,840
Subtotal	3,440,651	5,575,216	(824,135)	8,191,732
Capital assets being depreciated				
Infrastructure	88,470,678	794,734	-	89,265,412
Buildings	11,602,448	56,599	-	11,659,047
Equipment	7,052,513	756,630	-	7,809,143
Vehicles	10,122,114	221,902	-	10,344,016
Subtotal	117,247,753	1,829,865	-	119,077,618
Less accumulated depreciation for:				
Infrastructure	(59,203,160)	(4,871,716)	-	(64,074,876)
Buildings	(8,654,586)	(405,037)	-	(9,059,623)
Equipment	(5,391,877)	(555,307)	-	(5,947,184)
Vehicles	(7,155,920)	(491,654)	-	(7,647,574)
Subtotal	(80,405,543)	(6,323,714)	-	(86,729,257)
Net capital assets being depreciated	36,842,210	(4,493,849)	-	32,348,361
Capital assets, net	\$ 40,282,861	\$ 1,081,367	\$ (824,135)	\$ 40,540,093

Depreciation expense was charged to the following governmental activities:

General government	\$ 143,382
Public safety	761,112
Public works	1,529,660
Highways and streets	3,588,725
Recreation and culture	295,968
Community and economic development	4,867
Total depreciation expense	<u>\$ 6,323,714</u>

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS (continued)**

**Primary Government (continued)**

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 454,903	\$ -	\$ -	\$ 454,903
Construction in progress	9,543,269	5,522,286	-	15,065,555
Subtotal	9,998,172	5,522,286	-	15,520,458
Capital assets being depreciated				
Infrastructure	90,643,996	207,168	-	90,851,164
Buildings	1,417,520	-	-	1,417,520
Equipment	5,524,312	165,543	-	5,689,855
Vehicles	729,182	135,478	-	864,660
Subtotal	98,315,010	508,189	-	98,823,199
Less accumulated depreciation for:				
Infrastructure	(49,764,963)	(3,064,921)	-	(52,829,884)
Buildings	(1,234,603)	(21,562)	-	(1,256,165)
Equipment	(1,920,351)	(282,081)	-	(2,202,432)
Vehicles	(414,149)	(78,294)	-	(492,443)
Subtotal	(53,334,066)	(3,446,858)	-	(56,780,924)
Net capital assets being depreciated	44,980,944	(2,938,669)	-	42,042,275
Capital assets, net	<u>\$ 54,979,116</u>	<u>\$ 2,583,617</u>	<u>\$ -</u>	<u>\$ 57,562,733</u>

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

Water and sewer	\$ 2,368,534
Auto parking	<u>1,078,324</u>
Total depreciation expense	<u>\$ 3,446,858</u>

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS (continued)**

**Component Unit**

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Downtown Development Authority				
Capital assets being depreciated				
Infrastructure	\$ 1,604,340	\$ -	\$ -	\$ 1,604,340
Buildings	21,360	-	-	21,360
Equipment	256,626	49,581	-	306,207
Vehicles	23,140	-	-	23,140
Subtotal	1,905,466	49,581	-	1,955,047
Less accumulated depreciation for:				
Infrastructure	(1,584,991)	(4,469)	-	(1,589,460)
Buildings	(6,834)	(854)	-	(7,688)
Equipment	(107,677)	(32,909)	-	(140,586)
Vehicles	(23,140)	-	-	(23,140)
Subtotal	(1,722,642)	(38,232)	-	(1,760,874)
Capital assets, net	\$ 182,824	\$ 11,349	\$ -	\$ 194,173

**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, 2024:

**Primary Government**

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Amounts Due Within One Year
Governmental Activities					
Direct borrowing/placements					
Installment purchase - dump truck	\$ 42,605	\$ -	\$ (42,605)	\$ -	\$ -
Installment purchase - police utility vehicle	13,743	-	(13,743)	-	-
Installment purchase - Chevrolet Traverse	19,178	-	(9,508)	9,670	9,670
Installment purchase - CAT	123,517	-	(40,424)	83,093	41,168
Installment purchase - 2022 Ford Interceptors	55,056	-	(27,142)	27,914	27,914
Installment purchase - plow trucks	397,386	-	(95,825)	301,561	98,135
Installment purchase - plow truck	234,669	-	(56,145)	178,524	57,794
Installment purchase - streetsweeper	183,816	-	(45,276)	138,540	46,068
Installment purchase - Dodge Durangos	-	162,096	(43,167)	118,929	37,956
Total direct borrowing/placements	1,069,970	162,096	(373,835)	858,231	318,705
Bonds					
2016 Unlimited general obligation bonds	5,200,000	-	(1,100,000)	4,100,000	1,100,000
2019 Unlimited general obligation bonds	13,975,000	-	(375,000)	13,600,000	425,000
2022 Unlimited general obligation bonds	9,580,000	-	(195,000)	9,385,000	260,000
Unamortized bond premiums	2,473,239	-	(232,312)	2,240,927	232,312
Total other debt	31,228,239	-	(1,902,312)	29,325,927	2,017,312

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

**Primary Government (continued)**

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Amounts Due Within One Year
Governmental Activities (continued)					
Other long-term obligations					
Uninsured claim liability	\$ 81,697	\$ -	\$ (78,227)	\$ 3,470	\$ 3,470
Compensated absences	1,298,320	1,209,151	(1,244,698)	1,262,773	947,080
Total other long-term obligations	1,380,017	1,209,151	(1,322,925)	1,266,243	950,550
Total Governmental Activities	33,678,226	1,371,247	(3,599,072)	31,450,401	3,286,567
Business-type Activities					
Direct borrowing/placements					
George W. Kuhn Drain Bonds	932,233	-	(641,730)	290,503	62,885
State Revolving Loan Fund					
2006 Michigan Municipal Bond Authority	803,451	-	(200,000)	603,451	200,000
2007 Michigan Municipal Bond Authority	714,815	-	(135,000)	579,815	140,000
2008 Michigan Municipal Bond Authority	495,000	-	(95,000)	400,000	95,000
2021 State Drinking Water Loan Fund	6,928,644	2,095,592	(400,000)	8,624,236	405,000
Installment purchase - Ford Escape	9,917	-	(9,917)	-	-
Installment purchase - backhoe	-	135,478	(53,491)	81,987	26,527
Total direct borrowing/placements	9,884,060	2,231,070	(1,535,138)	10,579,992	929,412
Bonds					
2019 Capital improvement bonds (series A)	15,530,000	-	(320,000)	15,210,000	335,000
2019 Capital improvement bonds (series B)	2,350,000	-	(55,000)	2,295,000	55,000
2023 Water Supply and Sanitary Sewer System Revenue Bonds	-	11,415,000	(450,000)	10,965,000	365,000
Unamortized bond premiums	938,051	740,319	(73,095)	1,605,275	73,095
Total other debt	18,818,051	12,155,319	(898,095)	30,075,275	828,095
Other long-term obligations					
Compensated absences	40,714	36,992	(33,755)	43,951	32,964
Total Business-type Activities	28,742,825	14,423,381	(2,466,988)	40,699,218	1,790,471
TOTAL PRIMARY GOVERNMENT	\$ 62,421,051	\$ 15,794,628	\$ (6,066,060)	\$ 72,149,619	\$ 5,077,038

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

**Component Unit**

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Amounts Due Within One Year
Downtown Development Authority					
Other long-term obligations					
Compensated absences	\$ 5,780	\$ 2,426	\$ (1,245)	\$ 6,961	\$ 5,221

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

**Governmental Activities**

General Obligation Bonds

\$17,000,000 2016 General Obligation Unlimited Tax Bonds, dated June 15, 2016, due in annual installments ranging from \$350,000 to \$1,100,000 through April 1, 2031, with interest ranging from 2.00% to 2.75%.

\$ 4,100,000

\$15,000,000 2019 General Obligation Unlimited Tax Bonds, dated May 30, 2019, due in annual installments ranging from \$425,000 to \$2,075,000 through April 1, 2034, with interest ranging from 3.00% to 5.00%.

13,600,000

\$9,580,000 2022 General Obligation Unlimited Tax Bonds, dated May 5, 2022, due in annual installments ranging from \$260,000 to \$1,050,000 through April 1, 2033, with interest of 4.00%.

9,385,000

\$ 27,085,000

Installment Purchase Agreement

\$38,273 Chevrolet Traverse Installment Purchase Agreement, dated December 10, 2021, due in annual installments of \$9,836 through January 30, 2025, with interest of 1.70%.

\$ 9,670

\$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%.

83,093

\$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%.

301,561

\$109,908 Police Vehicles Installment Purchase Agreement, dated April 1, 2022, due in annual installments of \$28,709 through April 30, 2025, with interest of 2.85%.

27,914

\$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%.

178,524

\$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%.

138,540

\$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%.

118,929

\$ 858,231

**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.

\$ 290,503

Revenue Bonds

\$3,475,000 Michigan Municipal Bond Authority Series 2006, dated September 21, 2006, due in annual installments ranging from \$198,451 to \$200,000 through April 1, 2027, with an interest rate of 2.125%.

\$ 603,451

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

579,815

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

400,000

\$9,600,000 State Drinking Water Loan, dated March 26, 2021, due in annual installments ranging from \$405,000 to \$570,000 through April 1, 2043, with an interest rate of 1.875%.

8,624,236

\$ 10,207,502

General Obligation Bonds

\$16,415,000 2019 Capital Improvement Bonds (Series A), dated April 9, 2019 due in annual installments ranging from \$335,000 to \$940,000 through October 1, 2048, with interest ranging from 3.50% to 5.00%.

\$ 15,210,000

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

2,295,000

\$11,415,000 Water Supply and Sewer System, dated July 19, 2023, due in annual installments ranging from \$365,000 to \$835,000 through April 1, 2043, with an interest rate of 5%.

10,965,000

\$ 28,470,000

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%.

\$ 81,987

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

**Business-type Activities (continued)**

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/vacation time. The dollar amounts of these vested rights including related payroll taxes, which have been recorded in the government-wide financial statements, amounted to \$1,313,685 at June 30, 2024. For the governmental activities, compensated absences are generally liquidated by the General Fund.

Uninsured Claim Liability

The City estimates the liability for its self-insured coverage and includes both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared with the assistance of the City's third-party administrators for claims management. An estimated liability for workers' compensation claims, in the amount of \$3,470, 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
2025	\$ 318,705	\$ 22,638	\$ 1,785,000	\$ 1,026,100	\$ 524,412	\$ 41,792	\$ 755,000	\$ 969,065
2026	288,411	14,389	1,895,000	972,450	541,710	30,784	780,000	944,523
2027	251,115	6,889	2,010,000	911,750	528,321	19,407	820,000	917,110
2028	-	-	2,150,000	831,050	312,628	8,278	860,000	886,510
2029	-	-	2,300,000	738,950	48,685	1,217	905,000	854,323
2030-2034	-	-	13,975,000	2,127,675	-	-	5,245,000	3,727,174
2035-2039	-	-	2,970,000	240,800	-	-	6,680,000	2,635,079
2040-2044	-	-	-	-	-	-	7,370,000	1,460,806
2045-2049	-	-	-	-	-	-	5,055,000	469,320
	<u>\$ 858,231</u>	<u>\$ 43,916</u>	<u>\$ 27,085,000</u>	<u>\$ 6,848,775</u>	<u>\$ 1,955,756</u>	<u>\$ 101,478</u>	<u>\$ 28,470,000</u>	<u>\$ 12,863,910</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 constraints on fund balance in four different categories; Nonspendable, Restricted, Committed, and Assigned. The following schedule provides the detail related to these classifications:

	General	Special Revenue Major Streets	Debt Service Debt Service	Capital Projects Road and Park Bonds	Nonmajor Governmental Funds	Total
Fund balances						
Nonspendable						
Inventory	\$ 150,722	\$ -	\$ -	\$ -	\$ -	\$ 150,722
Prepays	672,700	4,125	-	-	2,733	679,558
Restricted						
Cable TV	-	-	-	-	156,882	156,882
Public safety	12,636	-	-	-	476,121	488,757
Debt service	-	-	2,774,053	-	-	2,774,053
Highways and streets	-	5,972,806	-	-	1,311,878	7,284,684
Public works	-	-	-	-	2,659,992	2,659,992
Indigent defense	-	-	-	-	394,335	394,335
Opiod Settlement	-	-	-	-	122,484	122,484
ARPA projects	-	-	-	-	58,026	58,026
Community and economic development	-	-	-	-	107,186	107,186
Capital projects	-	-	-	2,791,098	-	2,791,098
Committed						
Employee benefits	531,594	-	-	-	-	531,594
Capital projects	347,400	-	-	-	-	347,400
Assigned						
Senior memorial	9,783	-	-	-	-	9,783
Capital projects	-	-	-	-	2,643,869	2,643,869
Unassigned	6,983,441	-	-	-	-	6,983,441
<b>TOTAL FUND BALANCES</b>	<b>\$ 8,708,276</b>	<b>\$ 5,976,931</b>	<b>\$ 2,774,053</b>	<b>\$ 2,791,098</b>	<b>\$ 7,933,506</b>	<b>\$ 28,183,864</b>

**NOTE 7 - INTERFUND BALANCES**

The composition of interfund balances of the primary government as of June 30, 2024, was as follows:

Due to General Fund from:	
Auto Parking Fund	<u><u>\$ 345,485</u></u>

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

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable related to the primary government as of June 30, 2024:

Advance from General Fund to:	
Auto Parking Fund	<u>\$ 1,211,975</u>

The advance was to finance capital acquisitions.

**NOTE 9 - INTERFUND TRANSFERS**

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

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 145,500</u>
Transfers to Auto Parking Fund from:	
General Fund	<u>\$ 200,000</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.

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - CONTINGENT LIABILITIES**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM**

Plan Administration

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

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

Summary of Significant Accounting Policies

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

Plan Membership

Membership of the FERS consisted of the following at June 30, 2024, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	33
Active members	<u>66</u>
	<u><u>99</u></u>

Benefits Provided

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

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

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)**

CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM (continued)

Duty Disability

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

Non-Duty Disability

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

Duty Death

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

Deferred Retirement Option Program

Participants are eligible for the deferred retirement option program (DROP) if he or she has 10 or more years of service, regardless of age. The benefit begins at age 60. The annual benefit is computed as regular retirement but based on service and final average salary at time of termination. For the year ended June 30, 2024, 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, 2024, valuation:

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

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)**

CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM (continued)

Net Pension Asset

The net pension asset reported at June 30, 2024, was determined using a measure of the total pension liability and the pension plan fiduciary net position as of June 30, 2024. The June 30, 2024 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Asset	Increase (Decrease)		Net Pension (Asset) Liability (a)-(b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balances at June 30, 2023	\$ 5,237,274	\$ 19,816,867	\$ (14,579,593)
Service cost	56,301	-	56,301
Interest on total pension liability	257,467	-	257,467
Differences between expected and actual experience	132,371	-	132,371
Net investment income	-	1,898,794	(1,898,794)
Benefit payments, including employee refunds	(722,583)	(722,583)	-
Administrative expense	-	(68,559)	68,559
Other	-	71,966	(71,966)
Net changes	(276,444)	1,179,618	(1,456,062)
Balances at June 30, 2024	\$ 4,960,830	\$ 20,996,485	\$ (16,035,655)

At June 30, 2024, the plan fiduciary net position as a percentage of the total pension liability was 423.25%.

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

For the year ended June 30, 2024, the City recognized pension income of \$686,751. 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 earnings on pension plan investments	\$ -	\$ 304,245

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

Year Ending	Pension
2025	\$ (273,391)
2026	361,675
2027	(217,451)
2028	(175,078)
	<u>\$ (304,245)</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, 2024, 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% - 10.3%, including inflation
Investment rate of return	5.25%
Mortality	Fully generational PubG-2010 Amount-weighted, General Employee, Retiree, and Disabled Retiree, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2021.

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2023 through June 30, 2024.

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	\$ 5,331,488	\$ 4,960,830	\$ 4,636,161
Plan fiduciary net position	<u>20,996,485</u>	<u>20,996,485</u>	<u>20,996,485</u>
City's net pension (asset)	<u>\$ (15,664,997)</u>	<u>\$ (16,035,655)</u>	<u>\$ (16,360,324)</u>

CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM

Plan Administration

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

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

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)**

CITY OF FERNDALE EMPLOYEES' RETIREMENT SYSTEM (continued)

Summary of Significant Accounting Policies

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

Plan Membership

Membership of the FPFERS consisted of the following at June 30, 2024, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	96
Active members	<u>9</u>
	<u><u>105</u></u>

Benefits Provided

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

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

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

Duty Disability

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

Non-Duty Disability

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

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)**

CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM (continued)

Duty Death

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

Non-Duty Death before Retirement

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

Deferred Retirement Option Program

Participants are eligible for the deferred retirement option program (DROP) if he or she has ten or more years of service, regardless of age. The benefit begins at age 50. The annual benefit is computed as regular retirement but based on service and final average salary at time of termination. For the year ended June 30, 2024, 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 \$1,600,921 for the year ended June 30, 2024, according to the June 30, 2022, valuation received. Per Chapter XIXB of the City Charter, contribution requirements of the plan members and the City are established and may be amended by the Board of Trustees. Administrative costs of FPFERS are financed through investment earnings.

Net Pension Liability

The net pension liability reported at June 30, 2024, was determined using a measure of the total pension liability and the pension plan fiduciary net position as of June 30, 2024. The June 30, 2024 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, 2023	\$ 52,510,598	\$ 39,693,544	\$ 12,817,054
Service cost	690,149	-	690,149
Interest on total pension liability	3,294,529	-	3,294,529
Differences between expected and actual experience	681,010	-	681,010
Employer contributions	-	1,522,944	(1,522,944)
Employee contributions	-	60,600	(60,600)
Net investment income	-	4,654,385	(4,654,385)
Benefit payments, including employee refunds	(4,341,219)	(4,341,219)	-
Administrative expense	-	(110,946)	110,946
Net changes	324,469	1,785,764	(1,461,295)
Balances at June 30, 2024	\$ 52,835,067	\$ 41,479,308	\$ 11,355,759

At June 30, 2024, the plan fiduciary net position as a percentage of the total pension liability was 78.51%.

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

For the year ended June 30, 2024, the City recognized pension expense of \$2,007,972. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	\$ -	\$ 734,185

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
2025	\$ (635,004)
2026	828,299
2027	(493,973)
2028	(433,507)
	<u>\$ (734,185)</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, 2024, 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	22
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, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2023 through June 30, 2024.

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 determined 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:

Asset Class	Target	Long-term Expected Rate of Return
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	\$ 58,398,935	\$ 52,835,067	\$ 48,140,582
Plan fiduciary net position	41,479,308	41,479,308	41,479,308
City's net pension liability	<u>\$ 16,919,627</u>	<u>\$ 11,355,759</u>	<u>\$ 6,661,274</u>

**NOTE 13 - DEFINED CONTRIBUTION PENSION PLANS**

CITY OF FERNDALE DEFINED CONTRIBUTION PENSION PLAN

The City of Ferndale Defined Contribution Pension Plan is held in trust and covers approximately 148 employees of the City. The plan is available to employees upon their first day of employment and benefits are fully vested upon the fifth year of service. The third-party administrator for this plan is International City Manager's Association - Retirement Corporation ("ICMA-RC"), which qualifies under the Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions and contribution rates are established and may be amended for union employees by contract and for non-union employees by resolution of the City Council. Unvested benefits forfeited by employees who leave employment early are used to reduce City contributions. For the year ended June 30, 2024, the City contributed \$986,881.

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%

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 - DEFINED CONTRIBUTION PENSION PLANS (continued)**

**43<sup>rd</sup> CITY COURT PROFIT SHARING PENSION PLAN**

The 43<sup>rd</sup> 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 43<sup>rd</sup> District Court for the fiscal year ending June 30, 2024, was \$92,772. Plan provisions and contribution rates are established and may be amended for union employees by contract and for non-union employees by resolution of the City Council. Unvested benefits forfeited by employees who leave employment early are used to reduce City Court contributions.

**NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

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

Benefits Provided

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

Summary of Plan Participants

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

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

Contributions

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

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

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Net OPEB Liability (continued)

The change in the net OPEB liability for the year ended June 30, 2024, is as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2023	\$ 50,623,100	\$ 28,445,453	\$ 22,177,647
Changes for the year			
Service cost	362,811	-	362,811
Interest	2,999,702	-	2,999,702
Experience losses	(1,267,878)	-	(1,267,878)
Contributions - employer	-	1,618,939	(1,618,939)
Net investment income (loss)	-	4,003,032	(4,003,032)
Benefit payments	(1,618,939)	(1,618,939)	-
Net changes	475,696	4,003,032	(3,527,336)
Balances at June 30, 2024	\$ 51,098,796	\$ 32,448,485	\$ 18,650,311

At June 30, 2024, the plan fiduciary net position as a percentage of the total OPEB liability was 63.50%.

Actuarial Assumptions

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

Actuarial cost method	Entry age, normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years for General and Police; 21 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  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

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:

Asset Class	Target	Long-term Expected Rate of Return
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.

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 25,269,702</u>	<u>\$ 18,650,311</u>	<u>\$ 13,221,153</u>

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 13,514,117</u>	<u>\$ 18,650,311</u>	<u>\$ 24,664,322</u>

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

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

For the year ended June 30, 2024, the City recognized OPEB income of \$1,355,608. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 177,793
Investment earnings (gains)/losses	-	1,550,630
	<u>\$ -</u>	<u>\$ 1,728,423</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:

Year Ending June 30,	OPEB Expense
2025	\$ (1,032,985)
2026	567,583
2027	(803,760)
2028	<u>(459,261)</u>
	<u>\$ (1,728,423)</u>

**NOTE 15 - CODE ENFORCEMENT FINANCIAL INFORMATION**

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2024:

Cumulative shortfall at July 1, 2023	\$ (4,590,548)
REVENUES	
Licenses and permits	419,886
EXPENDITURES	
Code enforcement	<u>(1,647,253)</u>
Cumulative shortfall at June 30, 2024	<u>\$ (5,817,915)</u>

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 16 - UPCOMING ACCOUNTING 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. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

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. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

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;

**CITY OF FERNDALE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)**

- 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.

**NOTE 17 - NET POSITION DEFICIT**

The City's Auto Parking Fund ended the year with an unrestricted net position deficit of \$(1,857,265) and total net position of \$1,135,333.

**NOTE 18 - SUBSEQUENT EVENT**

On October 24, 2024, the City purchased a parcel of land for \$1,260,000 for the purpose of constructing a facility for the use of the City's police and fire departments.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FERNDALE  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 14,203,566	\$ 13,419,167	\$ 13,915,910	\$ 496,743
Licenses and permits	1,377,172	1,378,190	1,340,233	(37,957)
Intergovernmental	4,961,524	5,907,955	5,763,390	(144,565)
Charges for services	2,352,730	2,609,174	2,607,121	(2,053)
Fines and forfeits	1,285,000	1,127,700	1,106,147	(21,553)
Interest and rents	252,000	252,000	605,774	353,774
Other	898,100	1,274,705	875,712	(398,993)
<b>TOTAL REVENUES</b>	<b>25,330,092</b>	<b>25,968,891</b>	<b>26,214,287</b>	<b>245,396</b>
<b>EXPENDITURES</b>				
Current				
General government				
City council	54,924	57,874	63,070	(5,196)
City manager	623,216	624,447	645,036	(20,589)
Budget and financial analysis	555,860	600,479	576,407	24,072
City clerk	234,974	281,892	277,849	4,043
City elections	205,235	116,255	119,623	(3,368)
Building and grounds	979,253	446,654	465,193	(18,539)
Legal services	223,800	171,800	185,756	(13,956)
Cable television	9,295	-	-	-
Central services	907,725	1,316,386	907,491	408,895
Technology and telecommunications	696,880	810,707	774,482	36,225
Human resources	427,562	445,575	476,700	(31,125)
Health and wellness	133,875	128,875	115,516	13,359
Other	95,676	68,500	67,841	659
<b>Total general government</b>	<b>5,148,275</b>	<b>5,069,444</b>	<b>4,674,964</b>	<b>394,480</b>
Judicial				
District court	1,626,950	1,393,864	1,405,602	(11,738)
Public safety				
Police department	8,229,655	6,984,087	7,021,427	(37,340)
Fire department	5,157,261	5,475,853	5,504,956	(29,103)
Code enforcement	1,128,603	2,028,071	1,647,253	380,818
<b>Total public safety</b>	<b>14,515,519</b>	<b>14,488,011</b>	<b>14,173,636</b>	<b>314,375</b>

**CITY OF FERNDALE  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (continued)  
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (continued)				
Current (continued)				
Public works				
Public services department	\$ 1,477,068	\$ 1,357,361	\$ 1,337,418	\$ 19,943
Motor pool	321,298	470,322	503,289	(32,967)
Street lighting	397,000	452,542	494,014	(41,472)
Total public works	2,195,366	2,280,225	2,334,721	(54,496)
Recreation and culture				
Dream cruise car show	136,111	121,911	146,093	(24,182)
Parks	1,359,021	882,817	940,780	(57,963)
Community center	706,174	596,744	578,828	17,916
Total recreation and culture	2,201,306	1,601,472	1,665,701	(64,229)
Debt service				
Principal	-	200,918	272,414	(71,496)
Interest and fees	-	12,782	14,826	(2,044)
Total debt service	-	213,700	287,240	(73,540)
TOTAL EXPENDITURES	25,687,416	25,046,716	24,541,864	504,852
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(357,324)	922,175	1,672,423	750,248
OTHER FINANCING SOURCES (USES)				
Transfers in	606,824	118,206	145,500	27,294
Transfers out	(250,000)	(1,045,681)	(200,000)	845,681
Issuance of debt	-	-	162,096	162,096
Proceeds from sale of capital assets	500	5,300	15,887	10,587
TOTAL OTHER FINANCING SOURCES (USES)	357,324	(922,175)	123,483	1,045,658
NET CHANGE IN FUND BALANCE	-	-	1,795,906	1,795,906
Fund balance, beginning of year	6,912,370	6,912,370	6,912,370	-
Fund balance, end of year	\$ 6,912,370	\$ 6,912,370	\$ 8,708,276	\$ 1,795,906

**CITY OF FERNDALE  
MAJOR STREETS FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 2,004,281	\$ 1,629,295	\$ 1,868,659	\$ 239,364
Investment earnings	23,000	23,000	362,073	339,073
Other	-	-	1,899	1,899
TOTAL REVENUES	<u>2,027,281</u>	<u>1,652,295</u>	<u>2,232,631</u>	<u>580,336</u>
EXPENDITURES				
Current				
Highway and streets	2,515,590	1,652,295	1,570,536	81,759
Debt service				
Principal	-	-	28,073	(28,073)
Interest expense	-	-	3,446	(3,446)
TOTAL EXPENDITURES	<u>2,515,590</u>	<u>1,652,295</u>	<u>1,602,055</u>	<u>50,240</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(488,309)</u>	<u>-</u>	<u>630,576</u>	<u>630,576</u>
Fund balance, beginning of year	<u>5,346,355</u>	<u>5,346,355</u>	<u>5,346,355</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,858,046</u></u>	<u><u>\$ 5,346,355</u></u>	<u><u>\$ 5,976,931</u></u>	<u><u>\$ 630,576</u></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**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
CHANGE IN TOTAL PENSION LIABILITY										
Service cost	\$ 56,301	\$ 52,677	\$ 49,372	\$ 36,228	\$ 32,278	\$ 23,943	\$ 21,713	\$ 18,809	\$ 14,691	\$ 15,285
Interest	257,467	260,179	255,679	346,891	352,152	405,284	487,623	513,117	522,020	539,766
Differences between expected and actual experience	132,371	614,327	1,359,745	(539,994)	262,587	76,716	(954,790)	58,126	269,959	111,044
Changes of assumptions	-	-	-	37,850	5,664	467,682	-	457,291	-	-
Benefit payments, including refunds of member contributions	(722,583)	(1,238,724)	(1,922,737)	(726,438)	(774,177)	(846,166)	(798,641)	(955,647)	(916,192)	(922,431)
NET CHANGE IN TOTAL PENSION LIABILITY	(276,444)	(311,541)	(257,941)	(845,463)	(121,496)	127,459	(1,244,095)	91,696	(109,522)	(256,336)
TOTAL PENSION LIABILITY, BEGINNING	5,237,274	5,548,815	5,806,756	6,652,219	6,773,715	6,646,256	7,890,351	7,798,655	7,908,177	8,164,513
<b>TOTAL PENSION LIABILITY, ENDING (A)</b>	<b>\$ 4,960,830</b>	<b>\$ 5,237,274</b>	<b>\$ 5,548,815</b>	<b>\$ 5,806,756</b>	<b>\$ 6,652,219</b>	<b>\$ 6,773,715</b>	<b>\$ 6,646,256</b>	<b>\$ 7,890,351</b>	<b>\$ 7,798,655</b>	<b>\$ 7,908,177</b>
CHANGE IN PLAN FIDUCIARY NET POSITION										
Net investment income (loss)	\$ 1,898,794	\$ 1,221,739	\$ (1,706,750)	\$ 4,265,023	\$ 272,859	\$ 1,471,813	\$ 846,306	\$ 1,301,029	\$ 846,703	\$ 675,480
Benefit payments, including refunds of member contributions	(722,583)	(1,238,724)	(1,922,737)	(726,438)	(774,177)	(846,166)	(798,641)	(955,647)	(916,192)	(922,431)
Administrative expenses	(68,559)	(27,692)	(28,568)	(14,800)	(14,800)	(14,950)	-	-	-	(5,120)
Other	71,966	(14,555)	(172,529)	133,750	-	(5,268)	(21,856)	(8,932)	(14,386)	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,179,618	(59,232)	(3,830,584)	3,657,535	(516,118)	605,429	25,809	336,450	(83,875)	(252,071)
PLAN FIDUCIARY NET POSITION, BEGINNING	19,816,867	19,876,099	23,706,683	20,049,148	20,565,266	19,959,837	19,934,028	19,597,578	19,681,453	19,933,524
<b>PLAN FIDUCIARY NET POSITION, ENDING (B)</b>	<b>\$ 20,996,485</b>	<b>\$ 19,816,867</b>	<b>\$ 19,876,099</b>	<b>\$ 23,706,683</b>	<b>\$ 20,049,148</b>	<b>\$ 20,565,266</b>	<b>\$ 19,959,837</b>	<b>\$ 19,934,028</b>	<b>\$ 19,597,578</b>	<b>\$ 19,681,453</b>
CITY'S NET PENSION ASSET, ENDING (A)-(B)	<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>	<u>\$ (11,773,276)</u>
Plan fiduciary net position as a percentage of the total pension liability	423.25%	378.38%	358.20%	408.26%	301.39%	303.60%	300.32%	252.64%	251.29%	248.87%
Covered payroll	\$ 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	\$ 2,041,236
City's net pension asset as a percentage of covered payroll	(341.34)%	(317.37)%	(350.20)%	(449.68)%	(364.01)%	(410.72)%	(454.73)%	(421.37)%	(470.87)%	(576.77)%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
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	\$ 4,697,853	\$ 4,593,855	\$ 4,091,177	\$ 3,980,552	\$ 3,680,385	\$ 3,357,932	\$ 2,927,799	\$ 2,858,250	\$ 2,505,759	\$ 2,041,236
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	3.97%
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>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>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	5.95%	-0.30%	-16.16%	18.24%	-2.51%	3.03%	0.13%	1.72%	-0.43%	-1.26%

**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**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
CHANGE IN TOTAL PENSION LIABILITY										
Service cost	\$ 690,149	\$ 678,864	\$ 591,120	\$ 546,555	\$ 645,107	\$ 621,176	\$ 715,033	\$ 667,860	\$ 668,224	\$ 635,613
Interest	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	2,834,748
Changes of benefit terms	-	-	19,913	263,163	-	267,541	42,029	-	-	-
Differences between expected and actual experience	681,010	(365,401)	725,447	382,696	(726,568)	2,918,317	863,284	(597,098)	869,747	(553,767)
Changes of assumptions	-	-	1,466,085	-	24,168	-	(164,539)	4,288,227	-	-
Benefit payments, including refunds of member contributions	(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)	(2,537,270)
NET CHANGE IN TOTAL PENSION LIABILITY	324,469	(177,122)	1,869,862	331,657	(346,714)	3,110,097	1,050,764	4,619,968	1,621,967	379,324
TOTAL PENSION LIABILITY, BEGINNING	52,510,598	52,687,720	50,817,858	50,486,201	50,832,915	47,722,818	46,672,054	42,052,086	40,430,119	40,050,795
TOTAL PENSION LIABILITY, ENDING (A)	<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>	<u>\$ 40,430,119</u>
CHANGE IN PLAN FIDUCIARY NET POSITION										
Contributions - employer	\$ 1,522,944	\$ 1,274,644	\$ 1,382,879	\$ 894,822	\$ 719,301	\$ 366,416	\$ 412,196	\$ 391,609	\$ 570,976	\$ 684,938
Contributions - member	60,600	63,980	67,358	3,553	94,136	121,255	125,944	146,961	130,680	129,221
Net investment income (loss)	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	1,115,049
Benefit payments, including refunds of member contributions	(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)	(2,537,270)
Administrative expenses	(110,946)	(34,355)	(28,568)	(21,425)	(19,525)	(27,725)	(25,513)	-	-	(11,029)
Other	-	(23,538)	(21,462)	(490,306)	-	(9,120)	(41,762)	(15,614)	(28,721)	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,785,764	251,102	(6,438,464)	6,138,819	(2,374,378)	(663,439)	(747,581)	1,308,367	(216,069)	(619,091)
PLAN FIDUCIARY NET POSITION, BEGINNING	39,693,544	39,442,442	45,880,906	39,742,087	42,116,465	42,779,904	43,527,485	42,219,118	42,435,187	43,054,278
PLAN FIDUCIARY NET POSITION, ENDING (B)	<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>	<u>\$ 42,435,187</u>
CITY'S NET PENSION LIABILITY (ASSET), ENDING (A)-(B)	<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>	<u>\$ (2,005,068)</u>
Plan fiduciary net position as a percentage of the total pension liability	78.51%	75.59%	74.86%	90.29%	78.72%	82.85%	89.64%	93.26%	100.40%	104.96%
Covered payroll	\$ 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	\$ 2,511,453
City's net pension liability (asset) as a percentage of covered payroll	918.99%	885.05%	891.18%	295.31%	585.89%	381.88%	207.89%	115.37%	(6.20)%	(79.84)%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,600,921	\$ 1,279,993	\$ 1,203,824	\$ 1,247,833	\$ 719,301	\$ 525,297	\$ 450,888	\$ 383,765	\$ 484,953	\$ 684,938
Contributions in relation to the actuarially determined contribution	1,522,944	1,274,644	1,382,879	894,822	719,301	366,416	412,196	391,609	570,976	684,938
Contribution deficiency (excess)	\$ 77,977	\$ 5,349	\$ (179,055)	\$ 353,011	\$ -	\$ 158,881	\$ 38,692	\$ (7,844)	\$ (86,023)	\$ -
Covered payroll	\$ 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	\$ 2,511,453
Contributions as a percentage of covered payroll	123.25%	88.02%	93.04%	53.53%	39.22%	16.05%	17.34%	14.37%	21.20%	27.27%

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	22 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	3.97%
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**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	4.50%	0.64%	-14.03%	15.45%	-5.64%	-1.55%	-1.72%	3.10%	-0.51%	-1.44%

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

	2024	2023	2022	2021	2020	2019	2018	2017
CHANGE IN TOTAL OPEB LIABILITY								
Service cost	\$ 362,811	\$ 315,047	\$ 405,002	\$ 457,170	\$ 476,944	\$ 496,324	\$ 461,108	\$ 481,480
Interest	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	(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	(1,618,939)	(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	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	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>\$ 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	\$ 1,618,939	\$ 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)	4,003,032	3,235,115	(5,041,404)	8,424,971	71,199	997,343	1,924,005	2,480,457
Benefit payments, including employee refunds	(1,618,939)	(2,286,251)	(2,055,177)	(2,173,578)	(1,739,992)	(1,908,799)	(1,851,605)	(2,185,163)
Administrative expenses	-	-	(7,150)	(35,300)	(34,200)	(7,000)	(32,600)	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	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	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>\$ 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, ENDING (A)-(B)	<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	63.50%	56.19%	43.09%	52.34%	43.21%	40.75%	36.62%	37.75%
Covered payroll	\$ 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 as a percentage of covered payroll	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 EIGHT FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**

	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined employer contributions	\$ 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	1,618,939	2,286,251	2,055,177	2,173,578	1,739,992	1,908,799	1,851,605	2,185,163
Contribution deficiency (excess)	\$ 1,114,309	\$ 367,388	\$ 1,562,144	\$ 1,338,384	\$ 1,492,292	\$ 1,229,341	\$ 1,443,601	\$ 1,014,066
Covered payroll	\$ 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	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	15 years for General and Police; 21 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 EIGHT FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**

	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	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, 2024, the City incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Judicial	\$ 1,393,864	\$ 1,405,602	\$ 11,738
Public works	2,280,225	2,334,721	54,496
Recreation and culture	1,601,472	1,665,701	64,229
Debt service	213,700	287,240	73,540

**NOTE 2 - FERNDALE EMPLOYEES RETIREMENT SYSTEM**

Changes of Benefit Terms: There were no changes of benefit terms during plan year 2024.

Changes in Assumptions: There were no changes of assumptions during plan year 2024.

**NOTE 3 - CITY OF FERNDALE POLICEMEN AND FIREMEN RETIREMENT SYSTEM**

Changes of Benefit Terms: There were no changes of benefit terms during plan year 2024.

Changes in Assumptions: There were no changes of assumptions during plan year 2024.

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

Changes of Benefit Terms: There were no changes of benefit terms during plan year 2024.

Changes in Assumptions: There were no changes of assumptions during plan year 2024.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF FERNDALE  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2024**

	Special			MI Indigent Defense Commission
	Local Streets	Sanitation	Drug Forfeiture	
<b>ASSETS</b>				
Cash and investments	\$ 1,265,493	\$ 2,362,675	\$ 475,372	\$ 417,675
Accounts receivable, net	189	5,294	-	-
Accrued interest receivable	562	1,651	749	-
Due from other governmental units	106,942	-	-	-
Prepays	671	1,388	674	-
<b>TOTAL ASSETS</b>	<b>\$ 1,373,857</b>	<b>\$ 2,371,008</b>	<b>\$ 476,795</b>	<b>\$ 417,675</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 43,818	\$ 130,430	\$ -	\$ 23,340
Accrued liabilities	17,301	30,869	-	-
Unearned revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>61,119</b>	<b>161,299</b>	<b>-</b>	<b>23,340</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	189	5,014	-	-
<b>FUND BALANCES</b>				
Nonspendable	671	1,388	674	-
Restricted	1,311,878	2,203,307	476,121	394,335
Assigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,312,549</b>	<b>2,204,695</b>	<b>476,795</b>	<b>394,335</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,373,857</b>	<b>\$ 2,371,008</b>	<b>\$ 476,795</b>	<b>\$ 417,675</b>

Revenue					Capital Projects	
Community Development Block Grant	Opioid Settlement	SMART Transportation	Cable TV	ARPA Grant	Public Improvement	Total
\$ 103,398	\$ 122,484	\$ 444,202	\$ 150,951	\$ 945,268	\$ 2,636,392	\$ 8,923,910
-	-	-	5,931	-	-	11,414
-	-	179	-	-	7,477	10,618
19,350	424,774	16,384	-	-	-	567,450
-	-	-	-	-	-	2,733
<u>\$ 122,748</u>	<u>\$ 547,258</u>	<u>\$ 460,765</u>	<u>\$ 156,882</u>	<u>\$ 945,268</u>	<u>\$ 2,643,869</u>	<u>\$ 9,516,125</u>
\$ 15,562	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,150
-	-	4,080	-	-	-	52,250
-	-	-	-	887,242	-	887,242
<u>15,562</u>	<u>-</u>	<u>4,080</u>	<u>-</u>	<u>887,242</u>	<u>-</u>	<u>1,152,642</u>
-	424,774	-	-	-	-	429,977
-	-	-	-	-	-	2,733
107,186	122,484	456,685	156,882	58,026	-	5,286,904
-	-	-	-	-	2,643,869	2,643,869
<u>107,186</u>	<u>122,484</u>	<u>456,685</u>	<u>156,882</u>	<u>58,026</u>	<u>2,643,869</u>	<u>7,933,506</u>
<u>\$ 122,748</u>	<u>\$ 547,258</u>	<u>\$ 460,765</u>	<u>\$ 156,882</u>	<u>\$ 945,268</u>	<u>\$ 2,643,869</u>	<u>\$ 9,516,125</u>

**CITY OF FERNDALE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2024**

	Special			
	Local Streets	Sanitation	Drug Forfeiture	MI Indigent Defense Commission
REVENUES				
Property taxes	\$ -	\$ 1,429,895	\$ -	\$ -
Intergovernmental	667,003	128,170	205,777	575,745
Charges for services	-	1,963,005	-	-
Investment earnings	82,085	151,744	32,044	-
Other	8,830	2,758	-	-
<b>TOTAL REVENUES</b>	<b>757,918</b>	<b>3,675,572</b>	<b>237,821</b>	<b>575,745</b>
EXPENDITURES				
Current				
General government	-	-	-	-
Judicial	-	-	-	493,117
Public safety	-	-	95,138	-
Public works	-	3,541,849	-	-
Highway and streets	671,587	-	-	-
Community and economic development	-	-	-	-
Debt service				
Principal	28,072	45,276	-	-
Interest and fees	3,447	3,367	-	-
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>703,106</b>	<b>3,590,492</b>	<b>95,138</b>	<b>493,117</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>54,812</b>	<b>85,080</b>	<b>142,683</b>	<b>82,628</b>
OTHER FINANCING (USES)				
Transfers out	-	-	(145,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>54,812</b>	<b>85,080</b>	<b>(2,317)</b>	<b>82,628</b>
Fund balances, beginning of year	1,257,737	2,119,615	479,112	311,707
Fund balances, end of year	<u>\$ 1,312,549</u>	<u>\$ 2,204,695</u>	<u>\$ 476,795</u>	<u>\$ 394,335</u>

Revenue					Capital Projects	
Community Development Block Grant	Opioid Settlement	SMART Transportation	Cable TV	ARPA Grant	Public Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,429,895
163,747	70,993	77,804	-	-	-	1,889,239
-	-	1,744	51,946	-	-	2,016,695
-	-	27,994	10,681	-	171,449	475,997
-	-	-	-	-	-	11,588
163,747	70,993	107,542	62,627	-	171,449	5,823,414
-	-	-	91,817	-	-	91,817
-	-	-	-	-	-	493,117
-	-	-	-	-	-	95,138
-	-	50,344	-	-	-	3,592,193
-	-	-	-	-	-	671,587
56,061	-	-	-	-	-	56,061
-	-	-	-	-	-	73,348
-	-	-	-	-	-	6,814
-	-	-	-	-	21,255	21,255
56,061	-	50,344	91,817	-	21,255	5,101,330
107,686	70,993	57,198	(29,190)	-	150,194	722,084
(500)	-	-	-	-	-	(145,500)
107,186	70,993	57,198	(29,190)	-	150,194	576,584
-	51,491	399,487	186,072	58,026	2,493,675	7,356,922
\$ 107,186	\$ 122,484	\$ 456,685	\$ 156,882	\$ 58,026	\$ 2,643,869	\$ 7,933,506

**CITY OF FERNDALE  
CUSTODIAL FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2024**

	Ferndale Area District Library	Ferndale Arts and Cultural Commission	Tax Collection Fund	Total
ASSETS				
Cash and cash equivalents	\$ 84,797	\$ 8,854	\$ 17,173	\$ 110,824
LIABILITIES				
Undistributed tax collections	-	-	17,173	17,173
NET POSITION			-	
Restricted for individuals, organizations, and other governments	\$ 84,797	\$ 8,854	\$ -	\$ 93,651

**CITY OF FERNDALE  
CUSTODIAL FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2024**

	Ferndale Area District Library	Ferndale Arts and Cultural Commission	Tax Collection Fund	Total
ADDITIONS				
Investment income				
Net change in fair value of investments	\$ 696	\$ -	\$ -	\$ 696
Interest	4,794	-	-	4,794
Net investment income	5,490	-	-	5,490
Other additions				
Collections for other governments	-	-	32,073,104	32,073,104
TOTAL ADDITIONS	5,490	-	32,073,104	32,078,594
DEDUCTIONS				
Payments to other governments	-	124	32,073,104	32,073,228
CHANGE IN NET POSITION	5,490	(124)	-	5,366
Net position, beginning of year	79,307	8,978	-	88,285
Net position, end of year	\$ 84,797	\$ 8,854	\$ -	\$ 93,651

**CITY OF FERNDALE**  
**PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2024**

	Employees' Retirement System	Policemen and Firemen Retirement System	Other Post- Employment Benefits	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ (215,456)	\$ 288,684	\$ (127,000)	\$ (53,772)
Accrued interest receivable	81,211	134,545	-	215,756
Short-term investment funds	236,017	741,222	-	977,239
Investments				
Debt securities	7,435,565	16,643,076	13,115,141	37,193,782
Equity securities	12,475,220	21,996,659	19,460,344	53,932,223
Real estate investment trust	1,016,529	2,109,192	-	3,125,721
<b>TOTAL ASSETS</b>	<b>21,029,086</b>	<b>41,913,378</b>	<b>32,448,485</b>	<b>95,390,949</b>
<b>LIABILITIES</b>				
Accounts payable	32,601	434,070	-	466,671
<b>NET POSITION</b>				
Restricted for pension and other benefits	<u>\$ 20,996,485</u>	<u>\$ 41,479,308</u>	<u>\$ 32,448,485</u>	<u>\$ 94,924,278</u>

**CITY OF FERNDALE**  
**PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**YEAR ENDED JUNE 30, 2024**

	Employees' Retirement System	Policemen and Firemen Retirement System	Other Post- Employment Benefits	Total
<b>ADDITIONS</b>				
Contributions				
Employer contributions	\$ -	\$ 1,522,944	\$ 1,618,939	\$ 3,141,883
Plan member contributions	-	60,600	-	60,600
Total contributions	-	1,583,544	1,618,939	3,202,483
Investment income				
Net change in fair value of investments	1,410,639	3,619,786	3,045,186	8,075,611
Interest	266,842	417,117	1,047,226	1,731,185
Dividends	296,945	698,202	-	995,147
Less investment expense	(75,632)	(80,720)	(89,380)	(245,732)
Net investment income	1,898,794	4,654,385	4,003,032	10,556,211
Other income	71,966	-	-	71,966
<b>TOTAL ADDITIONS</b>	<b>1,970,760</b>	<b>6,237,929</b>	<b>5,621,971</b>	<b>13,830,660</b>
<b>DEDUCTIONS</b>				
Benefits	722,583	4,341,219	1,618,939	6,682,741
Administrative expenses	29,392	110,946	-	140,338
Other	39,167	-	-	39,167
<b>TOTAL DEDUCTIONS</b>	<b>791,142</b>	<b>4,452,165</b>	<b>1,618,939</b>	<b>6,862,246</b>
<b>CHANGE IN NET POSITION</b>	<b>1,179,618</b>	<b>1,785,764</b>	<b>4,003,032</b>	<b>6,968,414</b>
Net position, beginning of year	19,816,867	39,693,544	28,445,453	87,955,864
Net position, end of year	\$ 20,996,485	\$ 41,479,308	\$ 32,448,485	\$ 94,924,278



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2024.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified the following deficiency in internal control that we consider to be a material weakness.

#### 2024-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries to properly record amounts due from other governmental units, utility receivables, delinquent taxes receivable, opioid settlement receivable and related unavailable revenue, net pension liability asset and related deferred outflows and inflows of resources, net OPEB liability and related deferred outflows and inflows of resources, and retainage payable were proposed by the auditors. These misstatements were not detected by the City's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the City's general ledger.

Criteria: Auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), and the notes to the financial statements, including the recording of all appropriate journal entries so that the trial balances, from which the audited financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Cause: Management did not properly identify the misstatements noted and make the necessary adjustments.

Effect: The City's financial reports contained material misstatements that were not otherwise identified by management. Without the recording of these journal entries the financial statements would have been materially misstated.

Recommendation: We recommend that the City take steps to assure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The management team has reviewed the findings noted by Maner Costerisan and has committed to recording these items in a timelier manner moving forward.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### 2024-002 ESCHEATING CHECKS

Condition: We noted that there are outstanding checks dating back to 2019 included on the bank reconciliations.

Criteria: Michigan Public Act 29 of 1995, as amended, provides that the City report and escheat unclaimed property to the State of Michigan. Michigan Department of Treasury Manual for Reporting Unclaimed Property (revised April 2023) also gives guidance on this subject.

Cause: Unknown.

Effect: The City is not in compliance with Public Act 29 of 1995, as amended.

Recommendation: We recommend that outstanding checks be reviewed on an annual basis and any unclaimed property be appropriately escheated to the State of Michigan unless outstanding checks can be reissued to the payee.

#### 2024-002 ESCHEATING CHECKS (continued)

Corrective Action Response: The management team identified this deficiency prior to this year's engagement and acknowledges the subsequent finding noted by Maner Costerisan. For FY24 and beyond, the finance department has implemented a review process for escheating long outstanding checks, with the intent to either reissue or escheat any unclaimed property to the State of Michigan.

#### 2024-003 FUND EQUITY DEFICITS

Condition: At the end of the fiscal year, the Auto Parking Fund reported a deficit unrestricted net position. A similar condition was noted and reported in the prior audit.

Criteria: Michigan Public Act 275 of 1980 provides that the City shall not have deficits in unrestricted net position of one or more of the City's funds. Michigan Public Act 140 of 1971 provides that a City ending its fiscal year with funds in a deficit condition shall formulate a deficit elimination plan.

Cause: Auto Parking Fund has not generated revenue sufficient to cover all expenses (including depreciation).

Effect: The City is not in compliance with Public Act 275 of 1980. As a result, the City will be required to prepare and submit a Deficit Elimination Plan to the State of Michigan.

Recommendation: We recommend that the City utilize budgetary controls to limit expenses and/or transfer funds as needed to alleviate deficits. We also recommend the City complete a rate study for the Auto Parking Fund determine the proper rate to charge in order to sustain operations and save for future capital improvements.

Corrective Action Response: The management team acknowledges the finding noted by Maner Costerisan regarding the deficit in the Auto Parking Fund for the year ended June 30, 2024. The City is now in its third year of the Deficit Elimination Plan submitted to the State of Michigan to resolve this issue. The plan will be updated to incorporate the current year's activity. Furthermore, the City has reviewed the Parking Fund rates and is confident that they are adequately set to cover all expenses, including depreciation. These rates are scheduled to increase annually in accordance with the City's fee schedule

#### **City's Responses to the Findings**

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

#### **Purpose of this Report**

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

*Maner Costerisan PC*

December 6, 2024