Detroit Public Schools Community District

Report to the Board of Education

June 30, 2025

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To the Board of Education
Detroit Public Schools Community District

We have recently completed our audit of the basic financial statements of Detroit Public Schools Community District (the “School District”) as of and for the year ended June 30, 2025. In addition to our audit report, we are providing the following results of the audit, summary of unrecorded possible adjustments, and informational items that impact the School District:

We are grateful for the opportunity to be of service to Detroit Public Schools Community District. We would also like to extend our thanks to Mr. Jeremy Vidito, Ms. Shayla Tinsley, and the entire business office for their assistance and preparedness during the audit. We recognize that preparing for the audit is carried out in addition to your staff’s normal daily activities. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 30, 2025

Results of the Audit

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October 30, 2025

To the Board of Education
Detroit Public Schools Community District

We have audited the financial statements of Detroit Public Schools Community District (the "School District") as of and for the year ended June 30, 2025 and have issued our report thereon dated October 30, 2025. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 6, 2025, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the School District, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 30, 2025 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. We have also discussed with the Office of Inspector General any matters to which the office was devoting substantial attention. Based on those discussions and our review of the office's internally issued report, there were no matters that required disclosure in the financial report.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 15, 2025.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School District are described in Note 2 to the financial statements. For the fiscal year beginning on July 1, 2024, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this new accounting policy.

We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were as follows:

- The School District's share of the MPSERS net liability for the pension plan and net asset for the other postemployment benefit (OPEB) plan recorded on the government-wide statements related to GASB Statement Nos. 68 and 75, respectively. The School District's estimates as of June 30, 2025 were $1,013 million and $176.6 million for the pension and OPEB plans, respectively, based on data received from the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

- Workers' compensation estimates for known and unknown claim reserves are based on currently known facts and historical trends. We evaluated the key factors and assumptions used to develop the self-insurance liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. However, uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future period financial statements to be materially misstated.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School District, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

During our audit, we identified and designed audit procedures to respond to certain significant risks. Because management is in a unique position to perpetrate fraud due to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively, generally accepted auditing standards require that we always consider this to be a significant risk. In addition, we identified the following significant risk of misstatement:

- Revenue recognition fraud risk

In response to this identified significant risk, we performed the following:

- Testing of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements

- We audited the School District's supporting documentation in order to verify that only funds meeting the criteria of having been earned are reported as revenue. Any amounts received but not yet earned should be reported as unearned revenue (liability).

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 30, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants, other than the use of an external accounting firm to assist with certain account reconciliations and analyses.

This information is intended solely for the use of the Board of Education and management of the School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Jeffrey C. Higgins

Jeffrey C. Higgins, CPA

Summary of Unrecorded Possible Adjustments

Client: Detroit Public Schools Community District
Opinion Unit: Fiduciary Activities
Y/E: 6/30/2025

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Deferred Outflows of Resources	Current Liabilities	Long-term Liabilities	Deferred Inflows of Resources	Equity	Revenue	Expenses	Change in Fund Balance Impact
FACTUAL MISSTATEMENTS:											
A1	The District collects state aid on behalf of the eight charter schools it authorizes, and disburses to the charters after assessing a fee. Under GASB 84, this activity meets the definition of fiduciary activity and the full amount of state aid collected/remitted should be reported in a fiduciary fund as additions/reductions.								$ 21,555,000	$ 21,555,000	$ -
											-
JUDGMENTAL ADJUSTMENTS:											-
B1	None										-
											-
PROJECTED ADJUSTMENTS:											
C1	None										-
		$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	-	-
	Total	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**21,555,000**	**21,555,000**	**$ -**

PASSED DISCLOSURES AND FINANCIAL STATEMENT PRESENTATION ISSUES:

Ref. #	Description
D1	Related to item A1 above, the state aid collected by the District on behalf of the charter schools it authorizes should be reported as fiduciary activity. This would require the creation of a separate custodial fund to be presented on the fiduciary Statement of Net Position and Statement of Changes in Net Position. The payable and receivable related to July/August 2025 state aid to the charters of approximately $3.5 million should be reported in that custodial fund instead of the governmental funds.

Informational Items

Managing the Changing Landscape

As fiscal year 2025/2026 kicked off, school districts were immediately faced with uncertainty, as the State did not deliver on its self-imposed deadline to complete the school aid budget by July 1. This left districts in the dark regarding expected funding levels and open to making their best guess as to what the per pupil funding will be when adopting initial budgets for fiscal year 2025/2026. While the May 2025 Consensus Revenue Estimating Conference resulted in upward revisions to the short- and long-term revenue growth projections for both the General Fund and School Aid Fund, there was also a cautionary undertone related to the potential impacts of macroeconomic events, such as the impact of the evolving federal trade policies on the Michigan economy. The revenue projections were further cast into doubt once the federal One Big Beautiful Bill Act was signed on July 4, 2025. It is estimated that the act will significantly reduce the amount of revenue the State takes in due to the impact the bill will have on tax revenue. The bill also makes changes to Medicaid, which may negatively impact the State's budget.

There are also many changes occurring at the federal level. The U.S. Department of Education is undergoing major changes in 2025 following an executive order to dismantle it, with its responsibilities being reassigned to other federal agencies. In addition, billions of dollars in education funding were initially frozen by executive order, affecting several federal programs that school districts annually receive, primarily related to Title I. Congress has not yet approved the fiscal year 2026 budget for the U.S. Department of Education; however, the president's budget proposal eliminates funding for programs such as Title 1-C, Title III, Title II, and Title IV-A. School districts that are accustomed to receiving revenue under these specific federal programs now have increased uncertainty as to their ability to fund programs that have already been put into place.

For many school districts, this is a level of uncertainty that has not been experienced since the start of the COVID-19 pandemic.

We understand the unique challenges school districts face within the changing funding landscape. We continue to work closely with state and federal decision-makers to both understand the changes and provide insight into potential implications. As a strategic partner and advocate for public education, we continue to meet with decision-makers before actions are finalized so that these groups can be well informed of the implications their actions will have on the students, your business office, and your financial statements. Our work continues with federal and state agencies as new or revised accounting and compliance guidance is developed so we can help school districts be better equipped to manage the new rules and requirements. As guidance is updated and opportunities are identified, we will continue to provide updates to aid the School District in managing changes and navigating complexities. We understand that the last several years have required substantial extra effort by the Board of Education, administration, teachers, and support staff to bring the School District through one of the most extraordinary times in education. We also understand that the work is not done, and we appreciate the opportunity to work side by side with your team during this next chapter.

School Funding - School Aid in Depth

2024/2025 School Funding

As fiscal year 2024/2025 began, many school districts were entering their first year, since the start of the pandemic, with little or no COVID-19 grant dollars remaining. For many school districts, this resulted in the budgeted use of fund balance to balance the budget as school districts began to grapple with the reality of needing funding to support additional programming and staff resources that had been added during the ESSER funding era of the past several years. From a state budget perspective, at the May 2024 Consensus Revenue Estimating Conference it was predicted that there would be sufficient resources for current programs but suggested that the revenue growth in the School Aid Fund would continue at a slower pace than the previous two years. As a practical matter, the conference conclusions suggest the funding growth will mirror more closely the pre-pandemic growth levels. As schools entered the 2024/2025 fiscal year, the School Aid Bill was completed and signed into law. The bill provided for some funding increases and resources to fund new initiatives agreed to by the governor and Legislature. It also reduced the allocation for some one-time categoricals. It increased resources provided for retirement, and it did not provide a foundation allowance increase. Instead, changes were made to how categoricals related to the MPSERS, with the intent of providing approximately $400 per pupil for each district to spend on operations. Based on the mechanics of the School Aid Bill, not every district realized a full $400 benefit. Some key highlights of the School Aid Bill include the following:

- **Foundation Allowance**: The target foundation allowance stayed at $9,608 per pupil for public schools. While there was no increase in the foundation allowance, net state funding per pupil increased; however, it was primarily through changes related to MPSERS categoricals, as subsequently explained.

- **Pupil Count**: Continued the traditional blended pupil count methodology, with 90 percent weighting for the October 2024 count and 10 percent weighting for the February 2024 count. For declining enrollment districts, a provision continues to use a two-year blended count to slow the impact of the decline on current year revenue. A district qualified if its 2024 final membership count was lower than the 2023 final membership count. In this case, a school district received additional state funding through Section 29.

- **MPSERS Cost for 2024/2025**: There were several key changes related to existing and new MPSERS cost support provided to school districts as follows:

  - **Section 147a(4)** - The MPSERS OPEB and pension funding has been the focus of School Aid Fund discussions for many budget cycles. For years, the OPEB and pension plans have been underfunded and have had a large net liability (referred to as the “UAAL”). However, the OPEB plan is now considered fully funded, meaning that the plan now has sufficient assets to cover accrued health benefits for current and former employees’ past services. State funding has historically provided a contribution to districts to cover the OPEB UAAL costs, which was about $669 million, statewide. The 2024/2025 School Aid Bill redirected about $598 million of the savings back to school districts. This was funded through a categorical, 147a(4), and represented approximately 5.75 percent of the School District’s 2024 MPSERS-related payroll. For fiscal year 2024/2025, the total amount of 147a(4) funding the School District received was $24.5 million, which equates to approximately $506 on a per pupil basis.

  - **Section 147c(2)** - For only the second time, similar to 2023, the budget appropriated $250 million in additional, one-time payments to be made to the retirement system. Ultimately, there is no impact to fund balance of the School District. An allocation was made to the School District; however, the School District was then invoiced by the retirement system for the same amount that was received for this state aid categorical.

- **Section 147g** - This funding was new in 2024/2025 and was for reimbursing employees for their 3 percent employer contribution to the OPEB plan. School districts received this funding and were required to use it to reimburse employees; therefore, this funding did not provide additional resources to the School District for general operating purposes.

- **GSRP**: GSRP received an increase in funding and provided for more families to be eligible for free preschool. Now, families who are less than four times the federal poverty level will be eligible for free service.

- **At-Risk**: At-risk funding is now over $1 billion. Revisions to the program include new flexibility provisions to reduce teacher-student ratio and support retention and recruitment efforts.

- Categoricals continuing without substantive change include, but are not limited to, the following: Transportation, Future Educator Fellowship, Student Teacher Stipend, and ISD Operations support.

- Many smaller categoricals were eliminated or had reduced funding. However, the most significant funding reduction was for mental health and school safety, Section 31aa, which was reduced from $328 million to initially only $26.5 million. Additionally, school districts had to opt in to receive this funding; it was not automatically distributed. During the year, a supplemental bill was enacted that increased funding by $125 million. However, school districts had to be cautious in how this funding was utilized. Any payroll costs covered by this funding in 2024/2025 would need to be funded from general school district resources in future years.

2025/2026 School Funding

The 2026 budget cycle was highly unusual because of significant delays and political impasses. Michigan's Legislature - split between a Republican-led House and a Democratic-led Senate - missed its July 1 statutory budget deadline for the first time in years. Months of negotiations stretched past the July 1, 2025 start of the 2026 fiscal year for schools in Michigan and even past the start of the State's fiscal year, October 1, 2025, forcing lawmakers to pass an emergency one-week stopgap measure to avert a partial government shutdown. Political disagreements centered on spending priorities (notably road funding) contributed to the gridlock. Economic conditions also made this cycle unique. A May 2025 revenue conference had initially projected healthy growth, but officials grew cautious due to inflationary pressures and other macroeconomic uncertainties. Furthermore, federal influences complicated the picture. A new federal tax package (nicknamed the "One Big Beautiful Bill Act") was signed in July 2025 and was expected to shrink Michigan's 2026 revenue by roughly $677 million if the State adopted the changes to the federal tax rules for Michigan tax filers. At the same time, potential federal budget cuts (such as proposals to scale back U.S. Department of Education programs and changes to Medicaid) added extra uncertainty for state budget planners. These factors combined to make fiscal year 2026's budget process one of the most delayed and challenging in recent memory.

Fiscal Year 2026 Budget - K-12 Education Impacts

Education and public safety remained top priorities alongside infrastructure - reflecting a bipartisan consensus to protect key services even as other areas saw belt-tightening. The school aid (education) budget is $21.3 billion - about $0.5 billion higher than last year - and includes record funding levels for K-12 schools. While schools will see record funding this year, it should also be noted that this budget continues to shift significant funding from the School Aid Fund (approximately $1.3 billion in 2026) to colleges and universities, a trend that continues from previous budget cycles. Below is a summary of the key budget provisions affecting K-12 schools:

- **Per Pupil Foundation Allowance Increase**: The base funding for each student rises to $10,050, up from $9,608 - approximately a 4.6 percent increase per pupil, reaching the highest level ever in Michigan.

- **MPSERS Cost Offset (147a(1)) - Eliminated**: This was essentially a supplemental payment to help schools pay for retirement expenses. In an unanticipated change, this $100 million offset was removed from the budget, which equated to approximately $75 per student, on average across the State, that school districts will no longer receive.

- **MPSERS Cost Offset - Reduced UAAL Cap (147a(4))**: As expected, this line item was completely removed as compared to the 2025 budget, which equated to $598 million or approximately $400 per student. This funding was removed given the fiscal year 2026 statutory reduction in the MPSERS UAAL required contribution from 20.96 percent to 15.21 percent of covered payroll.

- **Universal Free School Meals (30d)**: The budget continues to provide free breakfast and lunch for all K-12 students, dedicating about $200 million to fund the Michigan School Meals program for another year. This ensures every student has access to meals at school at no charge, regardless of family income.

- **Expanded Support for At-Risk and ELL Students**: Funding for at-risk students (Section 31a), which supports low-income and academically vulnerable children, was increased by 25 percent, adding roughly $258 million to help districts improve outcomes for disadvantaged students. However, there is a new requirement that districts must provide a report to parents how the funding was used and allow parents to provide feedback. Likewise, English Language Learner grants (Section 41) received a 25 percent boost (to approximately $62.7 million) to better support students for whom English is a second language.

- **Special Education (51e)**: Funding saw a more modest uptick. Foundational special education grants grew by about 4 percent (an increase of roughly $25 million statewide) to help serve students with disabilities.

- **New Class Size Reduction Initiative**: Lawmakers set aside $65 million in one-time funds to help early elementary grades. This money is earmarked to reduce class sizes in kindergarten through third grade, particularly in high-poverty schools, by hiring more teachers or aides. The goal is to improve learning conditions for young students by ensuring smaller teacher-to-student ratios in critical early learning years.

- **Student Mental Health and Safety (31aa)**: The budget maintains and increases support for student wellness. It provides over $169 million for per pupil mental health and school safety grants - funding that schools can use for counselors, mental health programs, and security measures. This is a significant investment (an increase from roughly $151.5 million allocated last year when including supplemental funds) and continues Michigan’s postpandemic focus on mental health initiatives in schools. However, some of these dollars remain categorized as one-time funding, meaning the Legislature will need to revisit them in future budgets to ensure these services continue.

- **Infrastructure Grants**: Allocates $100 million in one-time funding for districts to apply for competitive grants related to infrastructure needs.

Looking Forward to 2026 and Beyond

The State's budget for 2026 is approximately $81 billion. The budget represents a shift in priorities. Lawmakers made a major investment in infrastructure, boosting road and bridge funding by approximately $1.1 billion per year. To achieve this, the plan introduces a new 24 percent wholesale tax on marijuana, a $420 million revenue source that became the linchpin of the roads deal. In addition, the Legislature agreed to reroute the 6 percent sales tax on gasoline into road funding by replacing it with a 20 cents per gallon fuel tax increase. These moves direct money away from other areas (like the School Aid Fund and local revenue sharing) toward Michigan's long-neglected transportation network, aligning with Governor Gretchen Whitmer's "fix the roads" campaign promise. To help fund these budget initiatives, the State has also decided to forego adopting many of the tax breaks introduced by the federal One Big Beautiful Bill Act of 2025. Opponents of this measure argue that this will drive business away from Michigan as companies look to invest in states that have adopted these tax savings measures. Eventually, the new tax measures and tax shifts are expected to generate over $1.5 billion per year for infrastructure once fully implemented. The primary question for K-12 education is, "What further pressures will be placed on the School Aid Fund if these changes in revenue streams do not produce the future level of revenue that the State is anticipating?"

The May 2025 Consensus Revenue Estimating Conference provided a look into 2026 and 2027. Revenue estimates for the School Aid Fund were adjusted upward slightly from the previous January 2025 and May 2024 estimates. However, previous revenue estimates did not include any of the impacts that were introduced with the passing of the 2026 budget, and school districts will need to pay close attention to the January 2026 conference to see what impact these changes are projected to have on the School Aid Fund for future years.

School districts will also need to continue to monitor developments at the federal level, as efforts continue by the executive branch to dismantle the Department of Education. There is also continued scrutiny by the federal government regarding funding for certain programs that are provided by school districts, which has resulted in paused or delayed funding. The federal government is currently at an impasse with its budget and is currently in a shutdown, as it missed the October 1 deadline to pass a 2026 budget. What cuts will be made that impact education once a budget is finally passed? This adds a level of uncertainty for school districts for which it is difficult to plan.

Student enrollment also impacts the level of funding the School District receives. During the pandemic, most public schools across Michigan experienced a decline in enrollment. Statewide enrollment has historically been slightly under 1.5 million students. Prior to the pandemic, annual enrollment figures were declining annually by about 10,000 students per year. However, during the pandemic, statewide enrollment decreased in excess of 50,000 students. As part of the Consensus Revenue Estimating Conference process, total enrollment is tracked and estimated. A key consideration in the projections continues to be to what extent the 50,000 student reduction will recover. Current data suggests that some portion returned as the rate of decline slowed, but enrollment will not recover to prepandemic levels. While this data is important statewide, it is very important at the local district level. Since the foundation allowance is computed on a per pupil basis, a stable and predictable enrollment will have a substantial impact on the financial picture. As a practical example, on average, it takes about 10 students to fully fund a teacher position. As districts continue to operate in the postpandemic period, continued focus on recruiting and retaining students and families will be essential to improving student enrollment.

In turn, school districts will be required to adjust to changes in funding priorities and ultimately how resources will be used for local district operations. Some of those challenges include the following:

- The impact of a recession on school funding if it were to occur

- Continued uncertainty regarding the Department of Education and the impact on school districts if it is dismantled

- Federal trade policy and global, geopolitical conflicts
- Continued efforts at attracting and retaining students to the School District
- Pupil count trends and projections for school districts and school buildings to better plan staffing, infrastructure, and operational needs
- Assessing food service operations as entering the third year of the new state-funded free breakfast and lunch program
- Potential staffing cost increases, including fringe benefits such as health care
- Operating cost increases resulting from inflation
- Technology cost increases and access to technology learning tools
- Cost trends for the retirement system and the extent to which state support is used from the School Aid Fund

The next Consensus Revenue Estimating Conference will occur in January 2026. As districts move into the 2025/2026 school year, they will need to carefully plan for how best to use current resources as well as begin to plan for potential adjustments going forward.

Prevailing Wage Requirements

When utilizing federal funding for projects that fall under the definition of construction in the Davis Bacon provisions, there are specific guidelines that may apply, such as the prevailing wage requirement. Prevailing wage requirements will apply when a school district utilizes federal funding for remodeling, renovation, repair, or construction contracts over $2,000. The School District must ensure the contract terms include the requirement to comply with prevailing wages, as well as ensure that certified payrolls were completed and subsequently reviewed by the School District.

Michigan Public School Employees' Retirement System (MPSERS) - Update on the Plans' Net Pension Liability and OPEB Asset

Similar to the State of Michigan, the MPSERS plan has a September 30 year end. With the adoption of GASB Statement Nos. 68 and 75 several years ago, school districts have been reporting their share of the MPSERS plan funded status in the government-wide financial statements.

At September 30, 2024, the pension portion of the MPSERS plan for the State of Michigan had a net pension liability of approximately $24.5 billion. This is a decrease of approximately 24 percent from the reported amount of $32.4 billion on September 30, 2023. One of the primary reasons for the decrease in the net liability was the net investment returns. The pension plan's annual investment rate of return was 15.5 percent for the year ended September 30, 2024, compared to 8.3 percent for the year ended September 30, 2023.

At September 30, 2024, the retiree health care portion (OPEB) of the MPSERS plan had a net OPEB asset of approximately $4.3 billion compared to the net OPEB asset of $566 million at September 30, 2023. This is an increase of approximately 660 percent. One of the reasons for the increase in the net asset was the net investment returns as well as favorable differences between expected and actual experience. The pension plan's annual investment rate of return was 15.5 percent for the year ended September 30, 2024, compared to 8.3 percent for the year ended September 30, 2023.

Upcoming Accounting Pronouncements

There are several upcoming accounting pronouncements that will have an impact on future financial statements of the School District:

GASB Statement No. 103 - Financial Reporting Model Improvements

The objective of this standard is to make improvements to the financial reporting model, including GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and other reporting model-related pronouncements. A key change to this standard from the exposure draft is the removal related to the recognition in and the presentation of governmental funds. The standard's scope includes management's discussion and analysis (MD&A); proprietary fund financial statement presentation, particularly the operating/nonoperating classification; budgetary comparisons; major component unit information; and the presentation of unusual or infrequent items. This statement requires that the MD&A be limited to the five topics noted in the standard and provides further guidance on how the MD&A should be written. For proprietary fund financial reporting, the statement defines operating and nonoperating revenue and expense. It also requires a new subtotal for operating income (loss) and noncapital subsidies. The statement prescribes that the budgetary comparison be reported only in the required supplementary information section of the statements and dictates what variance information to be included. Next, the statement requires that major component unit information be presented separately in the statements of net position and activities, with a caveat for readability. Lastly, the statement describes unusual and infrequent transactions and outlines how they should be presented separately. This new standard will be effective for the School District's June 30, 2026 year end.

GASB Statement No. 104 - Disclosure of Certain Capital Assets

This standard is designed to provide users of governmental financial statements with essential information about certain types of capital assets. Although authoritative guidance prior to this standard requires governments to disclose detailed information about capital assets in notes to the financial statements, previously, there was inconsistency in practice for disclosure and presentation for certain capital asset classes. This new standard clarifies and expands disclosure requirements to improve consistency and comparability between governments. GASB Statement No. 104 will require certain classes of capital assets, including lease assets, intangible right-of-use assets, and subscription-based IT assets, to be disclosed separately in the capital assets note. In addition, the standard will require additional disclosures for capital assets that are held for sale; the new standard will impact the presentation of almost every governmental financial statement for entities that have capital assets that are in the process of being sold at fiscal year end, assuming certain conditions are met. This new standard will be effective for the School District's June 30, 2026 year end.

OMB Revisions to the Uniform Guidance

In April 2024, the Office of Management and Budget (OMB) released revisions to the Uniform Guidance (UG) for federal grants and agreements. The guidance clarifies the applicability of requirements and terminology and includes some relaxation and clarification of certain requirements that required prior approval from federal regulators. Changes to certain award-level administrative requirements are effective for grants received on or after October 1, 2024. In addition to award-level changes, one key change to audit-level requirements relates to the increase of the single audit threshold from $750,000 to $1 million. The Type A threshold for federal programs also increases from $750,000 to $1 million. This audit-level change is effective for fiscal year ends starting on or after October 1, 2024 and, therefore, would be applicable for the School District's fiscal year ending June 30, 2026. In addition, beginning on July 1, 2025 and moving forward, there are new UG requirements that will impact federal grants. As such, beginning with the 2025-2026 school year, school districts will need to update their policies and procedures to conform to those new requirements.

Capitalization Thresholds Under Uniform Grants Guidance

The award-level April 2024 Uniform Grants Guidance Revision that is described above, among a variety of other changes, resulted in the equipment capitalization threshold increasing from $5,000 to $10,000. This threshold applies to the value of equipment that at the end of the grant period may be retained, sold, or otherwise disposed of with no further responsibility to the federal agency. In addition to considering this UG threshold related to federal grants compliance, it may be a good time for the School District to reevaluate the capitalization thresholds, understanding that there are various factors to consider. Ultimately, a school district will be required to track equipment purchases below $10,000 for grant compliance purposes if the School District's policy is set below this new federal floor.