



Grand Haven
Area Public Schools



ANNUAL FINANCIAL OVERVIEW

FISCAL YEAR ENDED JUNE 30, 2024





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Fiscal Year 2024 in Summary

As we review the financial performance and key metrics of our district over the past year, I want to take this opportunity to share some **insights** and **reflections** on where we stand and the **challenges** and **opportunities** that lie ahead.

Investment Performance: Our investment portfolio has demonstrated remarkable resilience and growth after a challenging start. In 2022, there was no investment earnings. However, through strategic adjustments and favorable market conditions, we saw a significant rebound in 2023, with earnings reaching nearly \$900,000. The positive momentum continued into 2024, with investment returns exceeding \$1.13 million. This recovery underscores the importance of a balanced and carefully managed investment strategy, which we will continue to prioritize moving forward.

Enrollment Trends: A key area of concern that requires our immediate attention is the continued decline in student enrollment. Since 2015, when our enrollment was at 6,267 students, we have seen a significant decrease, with the figure dropping to 5,306 in 2024. This trend, if not reversed, could have far-reaching implications for our funding and resource allocation. We must work collaboratively to understand the underlying causes and develop strategies to attract and retain students within our district.

Financial Metrics: Our overall financial health remains strong, but we must be vigilant. Revenue has grown steadily from \$85.6 million in 2020 to \$103 million in 2024, reflecting increased state and local support. However, this growth has been matched by rising expenses, which reached \$104.8 million in 2024. Our cash and investment balances have decreased from \$24.7 million in 2020 to \$17 million in 2024, highlighting the need for careful cash flow management and potential cost-saving initiatives. This is also due to the spending down of the 2020 Bond Fund.

Despite these challenges, our net position, excluding pension and other post-employment benefit (OPEB) liabilities, has improved each year, indicating that we are building a stronger financial foundation. This is a testament to the diligent efforts of our finance team and the prudent financial decisions made by our leadership.

Facilities & Deferred Maintenance: One of the most pressing issues facing our district is the aging infrastructure of our school facilities. **The average age of our buildings is 62 years, and we are currently facing over \$120 million in deferred maintenance needs.** These are critical concerns that must be addressed to ensure that our students have safe and conducive learning environments.

The 2024 sinking fund proposal is a crucial step towards addressing these deferred maintenance challenges. This proposal represents a significant investment in the future of our district, providing the necessary funds to begin much-needed updates to our aging facilities.

We are immensely grateful to our community for their ongoing support and commitment to our district. Your involvement and backing of this proposal are vital to the success of our schools and the well-being of our students. Thank you for your trust and for helping us to secure the future of our educational infrastructure.

Government-Wide Financial Statements: The balance sheet for 2024 shows a solid position with over \$8.5 million in cash and investments each, along with \$11.3 million in receivables. This improvement in liquidity management is a positive development, providing us with greater financial flexibility.

Our income statement reflects strong local and state revenue streams, which are vital for sustaining our operations. While federal funding has decreased slightly, the overall revenue growth positions us well to continue providing high-quality education to our students.

Looking Ahead: As we move forward, it is crucial that we address the challenges of declining enrollment, manage our expenses carefully, and tackle the significant deferred maintenance needs of our facilities. At the same time, we must continue to seek opportunities for growth and investment to ensure the long-term financial stability of our district. By working together, we can navigate these challenges and continue to provide the resources and support that our students and staff need to succeed.

Thank you for your continued commitment to our district's financial health and for your dedication to our shared mission of excellence in education.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael MacDonald', with a long horizontal line extending from the end of the signature.

Michael MacDonald
Executive Director of Business Services

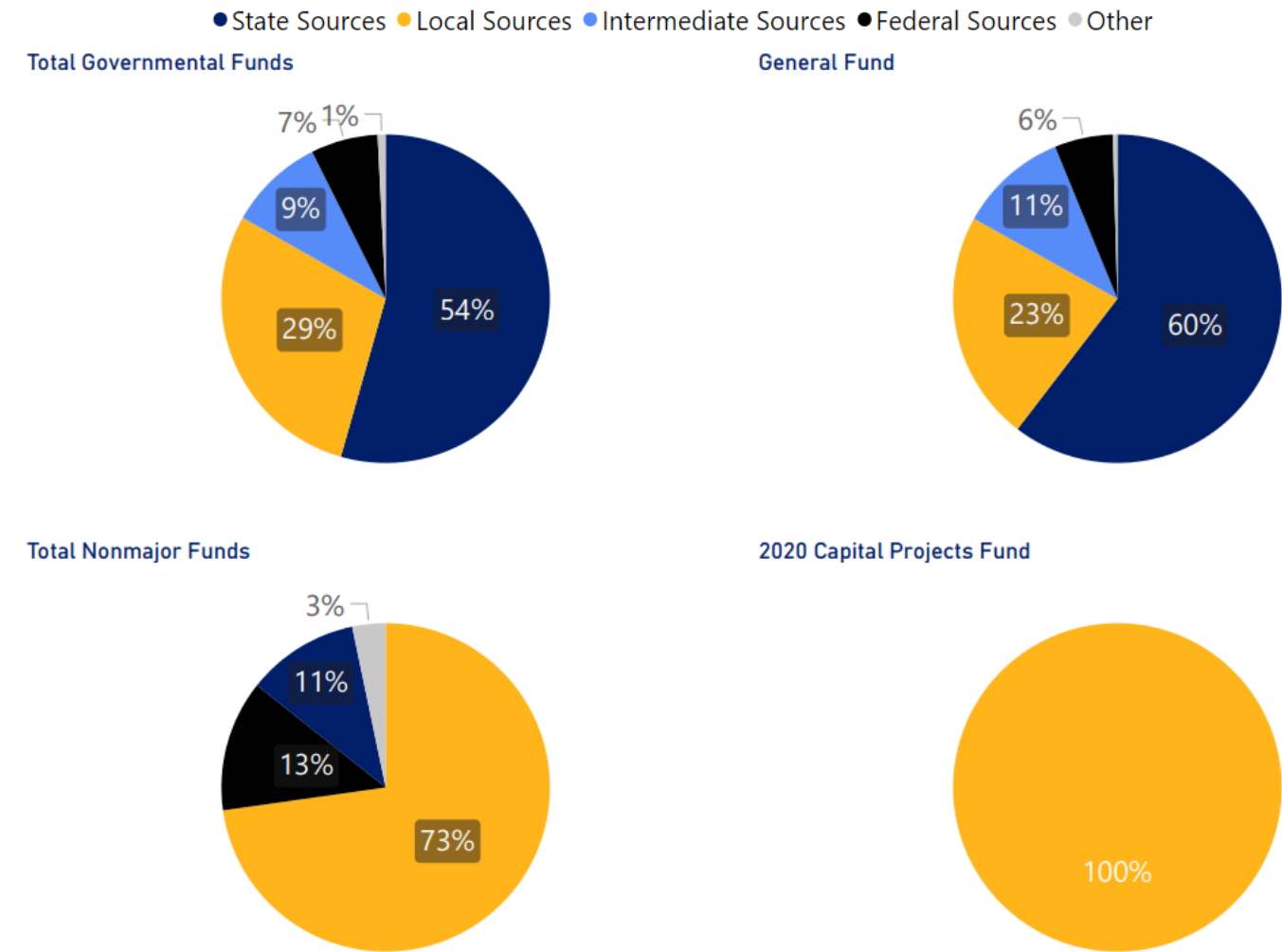
Guiding principles for the financial stewardship of Grand Haven Area Public Schools are: Providing comprehensive K-12 program necessary to support an exceptional educational experience, providing the highest quality curriculum and instruction in a safe and supported environment for students and staff, assuring the support necessary to allow for intentional, continuous improvement, and stewardship of resources to maintain a reasonable fund balance now and in the future.

Financial Overview:

The District ended fiscal year 2024 with strong financial support, including \$29.9 million from local sources and \$56.4 million from state funding, which remains crucial to our financial health. Federal funding was slightly lower at \$6.8 million, expected to decrease as COVID-19 relief funds are fully expended. Maintaining robust state and local revenue streams, driven by property values and enrollment, will be essential to our ongoing success.

Fund Revenues:

Different funds have varying revenue sources because each serves specific district needs. The General Fund relies on state and local sources for operations, while the Debt Service Fund is mainly supported by local revenues for bond payments. The Food Service Fund combines state, local, and federal funding for its operations, whereas funds like the Student Activity Fund and Capital Projects Fund rely on dedicated local sources for their specific purposes.



Financial Overview:

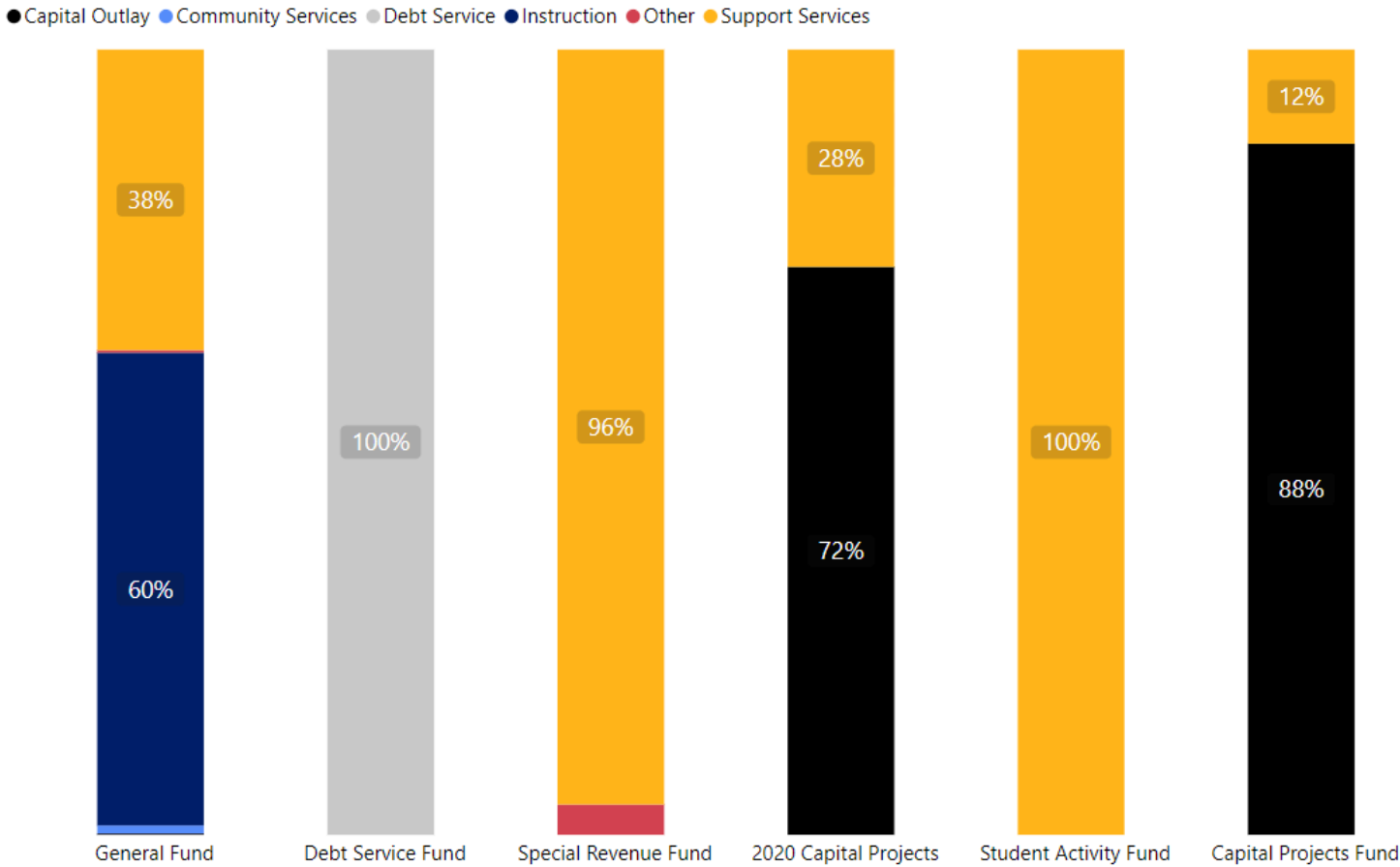
The District ended fiscal year 2024 with total expenditures across all funds equaling \$104.8 million. **Instruction** costs alone total \$54.7 million or 52% of all expenditures.

Supporting services costs made up 38% of all expenditures (examples of these costs are: transportation, operations, administration and technology). The District has experienced increased costs across all functions of the operation. Diligently finding ways to save costs or increase revenue will be key as the District works to maintain a structured budget.

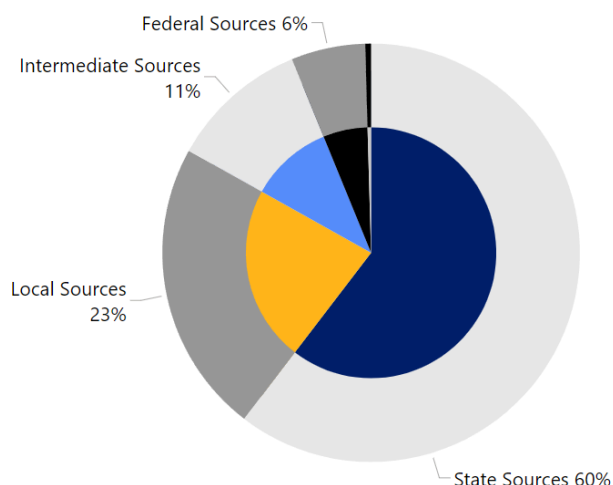
Fund Expenditures:

In fund accounting, expenditures are carefully tracked to ensure that funds are used only for their designated purposes. Each fund, such as a general fund, capital projects fund, or special revenue funds, have specific spending restrictions. For example, the general fund may cover routine operational expenses, while capital project funds are reserved for long-term investments like building construction. Restricted funds, tied to specific grants or donations, can only be spent on the intended purposes, such as educational programs. This system ensures accountability, compliance, and proper use of resources.

Fiscal Year 2024 Expenditures



Fiscal Year 2024 General Fund Revenues



General Fund Revenues

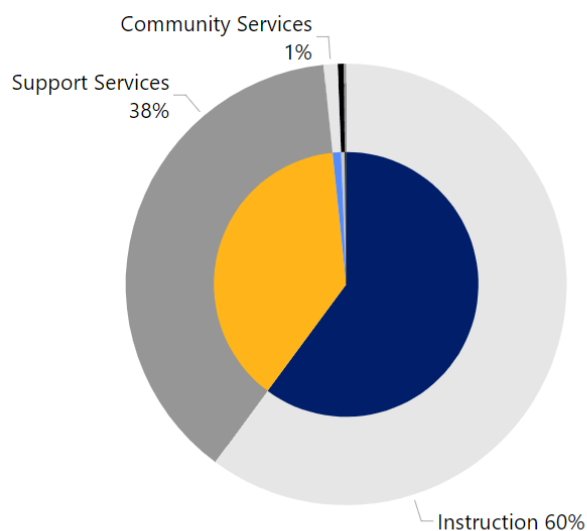
Grand Haven's programs rely on three main sources of revenue: Local, State and Intermediate.

Total **local** revenue comprised of 23% of total general fund revenue. The majority of this is local property taxes (21% of total operating revenue). Total **state** revenue comprised of 60% of our total general fund revenue. The main areas of this revenue is per pupil based as well as special education funding. Total **intermediate** revenue comprised of 11% of total general fund revenue. The majority of this area is from the special education millage that is levied at the county level (this funds approximately 45-50% of Grand Haven's special education programs).

General Fund Expenditures

Grand Haven's programs two main categories of spending: **Instruction** and **Support Services**. Instruction is the main function of K-12 districts and makes up over half of all general fund expenditures.

Fiscal Year 2024 General Fund Expenditures



The District's general fund expenses increased by \$2.7 million for fiscal year 2024. Spending increased due to increased compensation and benefit costs. Wages and benefits make up 88% of the District's general fund expenditures. These expenditures are **invested in the people** at the District that all impact students, whether it is directly or indirectly. **Salaries and wages** increased by 5.6% or \$2.4 million. This was due to the above stated wage increases. The State of Michigan also increased the employer cap on the retirement rate, which saw a nearly 3% increase in retirement costs. **Retirement costs** make up approximately 24% of all general fund expenditures or \$21.5 million. This is significantly higher than employers outside of K-12 due to the Pension fund.

Aging facilities continues to play a major part in the general fund expense for the district. **Repairs and maintenance** in fiscal year 2024 were \$1.48 million.

Balance Sheet Structure:

The balance sheet for the District provides a snapshot of the district's financial position, detailing assets, liabilities, and the fund balance. Assets include cash, receivables, and capital assets like buildings and equipment. Liabilities are divided into current obligations, like accounts payable, and long-term obligations, such as bonds and pensions. The fund balance, reflecting net assets, is the difference between total assets and liabilities and is categorized by restrictions or intended use.

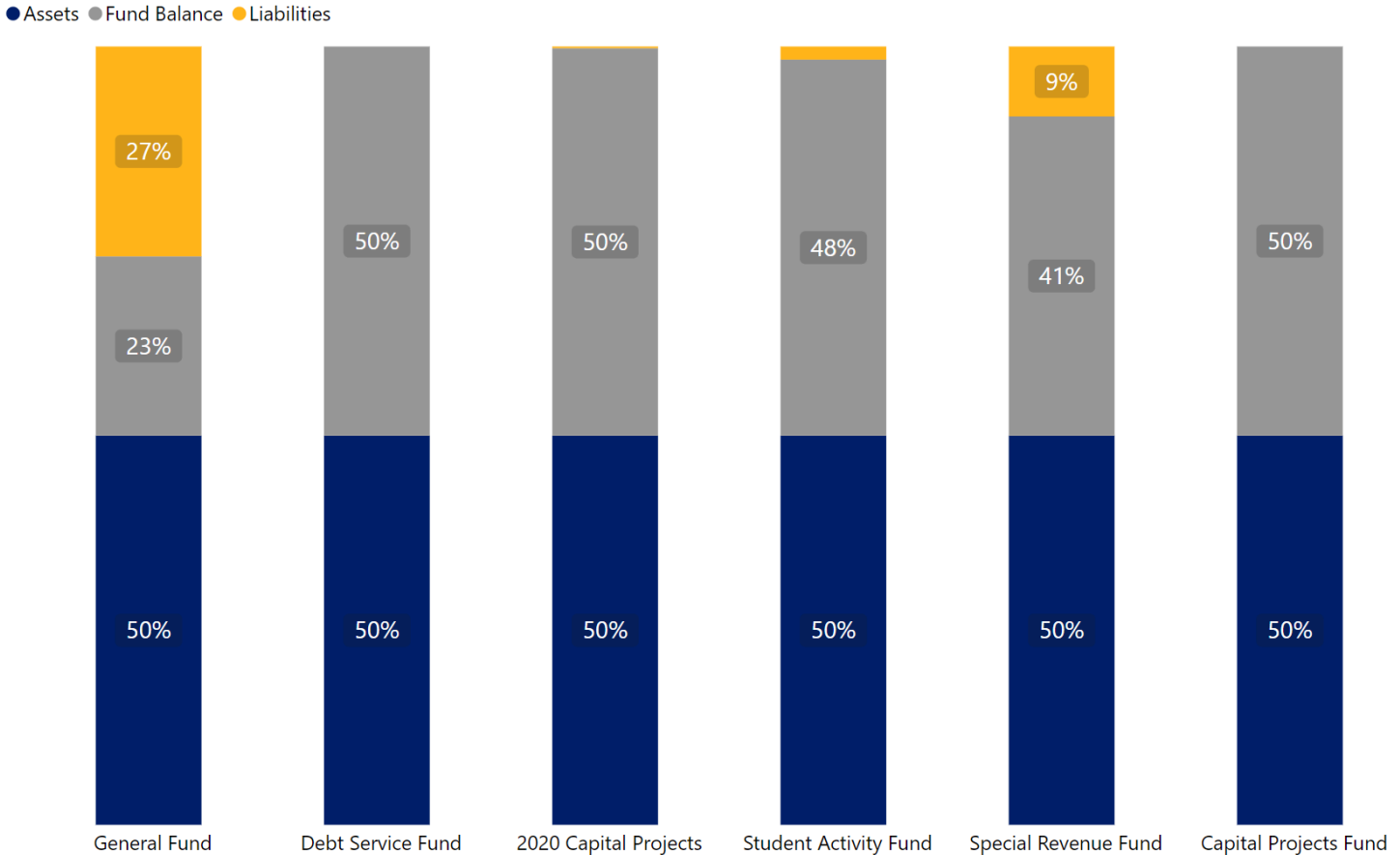
Debt:

The District’s long-term debt continues to go down as well as the debt millage. In tax year 2024, the levy is only 0.31 mills (\$0.31 on every \$1,000 in taxable value). In fiscal year 2024, the District paid \$6.2 million in principal and interest. In fiscal year 2025, the District will pay \$3.8 million.

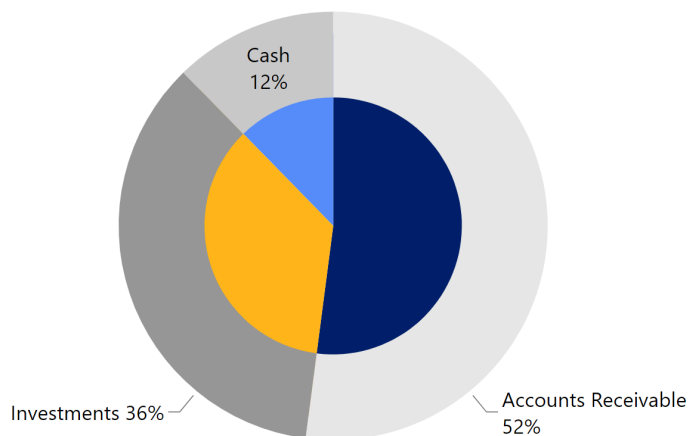
Fixed Assets:

At the end of fiscal year 2023, the District had \$151.2 million in capital assets. After taking accumulated depreciation into account, the net book value is \$60 million. At the end of fiscal year 2024, the net book value decreased to \$57.4 million.

Fiscal Year 2024 Balance Sheet



Fiscal Year 2024 General Fund Assets



General Fund Assets

The three major components of the District's assets are: Accounts Receivable, Investments, and Cash.

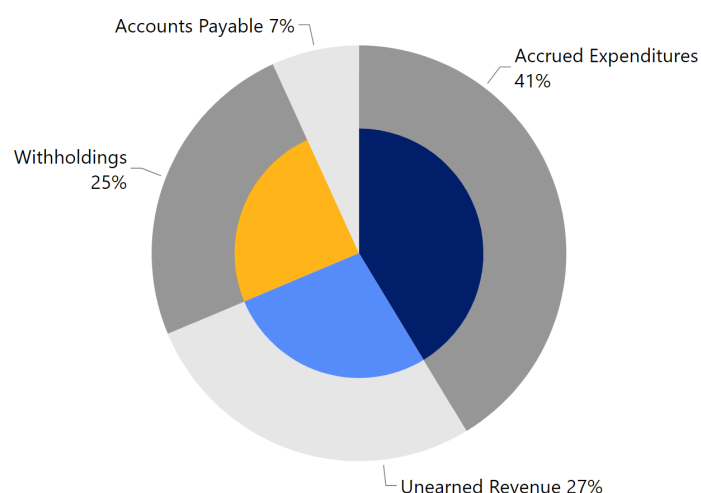
Accounts receivable is money that is owed to the District. The major component of this are related to grants. The District maintains a **healthy investment** balance so that the money on hand is generating additional funds that can be used for the operation of the District. The average balance during fiscal year 2024 was \$10.8 million with interest revenue surpassing \$1 million. **Cash on hand** is limited to what is required to run the bi-weekly payroll.

General Fund Liabilities

The three major components of the District's liabilities are: Accrued Expenditures, Withholdings, and Unearned Revenue.

Accrued expenditures and withholdings are related all to employee salaries and benefits.

Fiscal Year 2024 General Fund Liabilities



Accrued expenditures make up \$4.9 million or 41% of the District's total liabilities. This line item consists of wages and benefits earned and still owed to employees (employees with a contract year of September through August).

Withholding accounts are specific accounts on the District's balance sheet where amounts are held back or "withheld" from certain transactions, typically for tax-related reasons. 98% of the District's withholding account balance is related to retirement and payroll taxes. The remaining 2% is related to health benefits. **Unearned revenue** for the District is all related to grants. It is money that the District has received, but has not fulfilled the obligations as of the end of the fiscal year.

Typically, unearned revenue occurs due to receiving grant revenue after the fiscal year has already ended, which can be caused by other governmental agencies having different fiscal years than the District.

Operating Fund Portfolio Performance Summary (as of 6/30/2024)

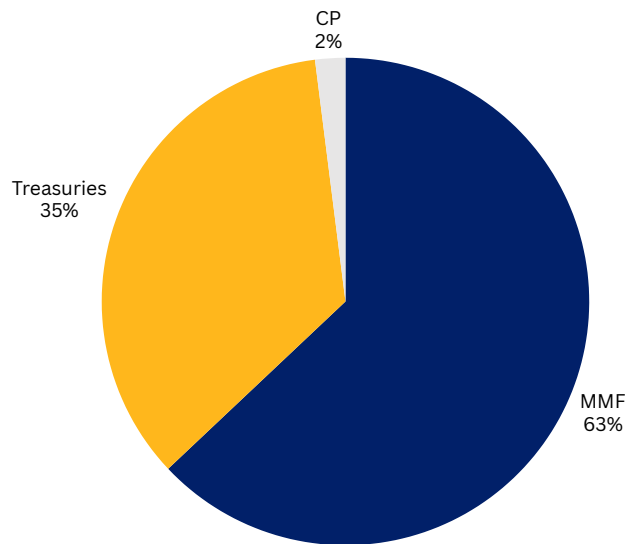
In FY 24, Operating Fund investments continue to grow and outperform historical rates.

Investment Vehicle	6/30/2024 Market Value	FY24 YTD Dividend & Interest Revenue	FY24 YTD Gains/Loses	2023 1 yr	2022 2 yr	2021 3 yr
Money Market Funds	\$4.87M	\$290K	\$28K	5.02%	3.00%	0.15%
US Treasuries	\$2.69M	\$196K	\$79K	1.32%	1.47%	-
Commercial Paper	\$113K	\$10K	\$ -	5.22%	1.13%	0.03%

Investment Vehicle	6/30/2024 Market Value	Allocation
MMF	\$4,868,436.00	63.45%
US Treasuries	\$2,690,391.98	35.06%
CP	\$ 113,869.60	1.48%

FY 2024 Portfolio Allocation

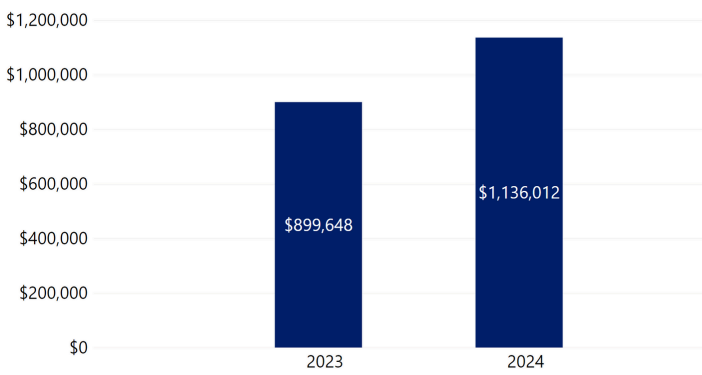
The \$7.67M Operating Fund Portfolio is diversified across short-term (MMF and CP) and stable (US Treasuries) investments, which provides a balance of risk and income.



Cash and Cash Equivalents	Market Rate	Average Rate
MILAF+ CASH MGMT CLASS	5.15%	5.17%
MILAF+ MAX CLASS	5.30%	5.32%
GS FINANCIAL SQ GOVERNMENT INST 465	5.23%	6.44%
INVESCO STIT GOVT & AGENCY INST 504	5.25%	4.00%
FIDELITY INSTITUTIONAL TREASURY MMF	5.17%	5.21%
US TREASURY N/B 3% 07/31/2024	3.00%	3.01%
US TREASURY N/B 4.375%	4.38%	4.39%
MI CLASS	5.41%	5.44%

Investment Performance:

The District ended fiscal year 2024 with total investment earnings of \$1.1 million, an increase of 22% from fiscal year 2023. The District invests in US Treasuries and commercial paper while also maintaining liquid investment accounts for operating purposes.



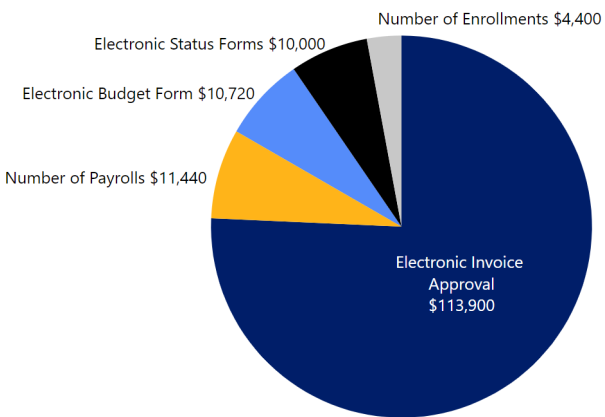
Operating Efficiencies:

An operating efficiency is an improvement or optimization of a process to reduce cost, save time, and increase productivity.

For the fiscal year 2024, several projects were implemented to enhance operational efficiency, resulting in substantial time savings and financial benefits. Those projects were: **reducing the number of payrolls, implementing electronic invoice approval, reducing the number of health insurance enrollments, electronic budget forms, and electronic status forms.** Between the five projects, there is a total of \$150,460 in annual operating efficiencies.

Looking ahead to fiscal year 2025, the "Invoice Automation" project stands out as a significant contributor to operational efficiency. This project is projected to save 3,920 hours, which will result in \$262,640 in annual efficiency savings.

During fiscal year 2025, the District will be converting to a new financial software. We anticipate to see similar operating efficiencies as the "Invoice Automation" project that is currently being implemented. The District continues to find new ways to improve operating procedures so that **more time can be put into the classrooms versus spent on administrative tasks.** One major unknown will be the impact of artificial intelligence on K-12 operations.



Operating Activities:

An operating activity is cost savings referring to the reduction in expenses associated with day-to-day functions.

In fiscal year 2025, the District will find savings or increased revenue from the following: **banking change, liability insurance savings, credit card rebate, custodial supplies, and vended meals provided to WMAA.** The District anticipates approximately \$189,000 in savings or revenue increases from these projects. In fiscal year 2026, the District will recognize cost savings with the software change. The total annual savings is anticipated to increase to \$236,000.

Major projects completed in fiscal year 2024 were technology vans, virtual servers, access controls, chromebooks, building door numbering, main office intercoms, bus cameras, exterior door card readers, and lock down buckets, new generators, pool repairs, Lakeshore heat exchangers, furniture updates for special education classrooms, food service box trucks, and food service equipment updates.



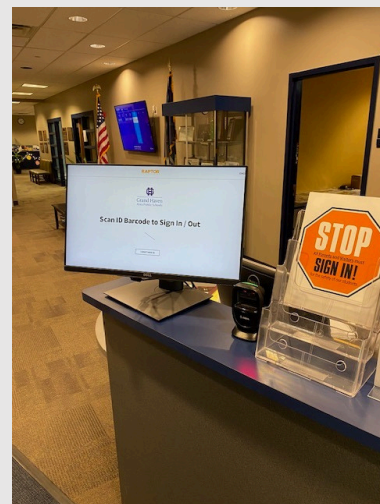
Door Numbering:

The District completed this project with a State grant, ensuring first responders can quickly locate specific entry points during emergencies, which can save lives by reducing response time. Additionally, clear door numbering enhances security by allowing our personnel and law enforcement to easily identify doors, preventing unauthorized access and addressing threats efficiently.



Main Office Intercoms:

The District completed this project with a State grant, installing main office intercoms across our school buildings. These intercoms allow office staff to clearly communicate with individuals trying to enter the building, ensuring that they can verify identities before granting access. This added layer of security helps prevent unauthorized entry and enhances overall safety within our schools.



Bus Cameras:

The District used a State grant to upgrade bus cameras across our fleet. These cameras record activities, helping to deter inappropriate behavior, resolve incidents, and enhance student safety during transit. This upgrade is a crucial step in ensuring a secure environment for our students while they travel.



Upcoming projects in fiscal year 2025 are new generators at Lake Hills, Robinson, and the ESC, high school chiller, and playground structures at Griffin, Peach Plains, and Ferry. In fiscal year 2026, the District will be starting the first set of sinking fund projects. High priority projects are district wide elevator updates, district wide public announcement system upgrades, and chromebooks.

Generators:

Generators have been replaced at Robinson, Lake Hills, and the ESC. This will allow for operation to continue during a power outage. The generators had a 50+ week lead time.



High School Chiller:

The high school chiller has aged out and is in need of replacement. As of this report, a section of the wall has been cut into the side of the high school so the new chiller can be installed. This will occur in the fall when it is not as warm out.



Playground Structures:

In the Fall of fiscal year 2025, playground structures will be installed at Griffin, Ferry, and Peach Plains elementary. The poured in place rubber will be installed in the Spring when the weather warms. The three schools mentioned above were most affected by the removal of structures in the fall of 2023, which occurred due to safety code concerns. Long-term playground plans were developed in collaboration with building and community stakeholders during fiscal year 2024.

