

FOWLERVILLE COMMUNITY SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required and additional
supplementary information)

YEAR ENDED JUNE 30, 2025

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AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE

WITH *GOVERNMENT AUDITING STANDARDS*76-77



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
🖨 517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Fowlerville Community Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fowlerville Community Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Fowlerville Community Schools' 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, each major fund, and the aggregate remaining fund information of Fowlerville Community Schools as of June 30, 2025, and the respective changes in financial position 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 Fowlerville Community Schools 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.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Fowlerville Community Schools' 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 Fowlerville Community Schools' 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 Fowlerville Community Schools' 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 and other required supplementary 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 Fowlerville Community Schools' basic financial statements. The accompanying additional supplementary information, as identified 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 additional 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 October 20, 2025 on our consideration of Fowlerville Community Schools' 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 Fowlerville Community Schools' 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 Fowlerville Community Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

October 20, 2025

FOWLerville COMMUNITY SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Fowlerville Community Schools' (FCS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Total District revenues were approximately \$49.2 million with expenses of approximately \$39.5 million; total District revenues exceeded expenses by approximately \$9.7 million. The District has continued to participate in the School Bond Loan Fund and School Loan Revolving Fund, borrowing for debt repayment while the debt millage remained at 9.55 mills.

In 2024-2025, the District's general fund was funded primarily with a \$9,608 per pupil State of Michigan foundation allowance. The General Fund received 80% of its revenue from state sources.

The student blended count for 2024-2025 was 2,398.

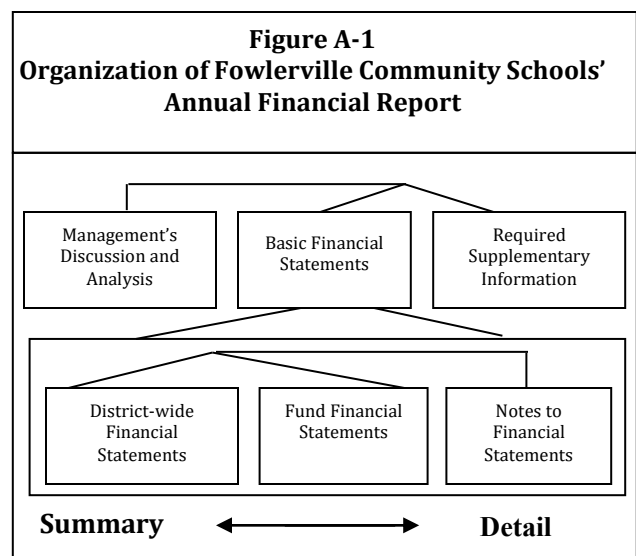
At June 30, 2025, the fund balance of the general fund was \$4,139,473. This is an increase from fiscal year 2024 of \$374,809.

During the 2024-2025 fiscal year the District repaid \$5.195 million of principal from its long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic services* like regular and special education were financed in the *short-term* as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year as well as required schedules related to the net pension liability and net OPEB asset. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

FOWLERVILLE COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-2 Major Features of District-Wide and Fund Financial Statements		
	District-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

FOWLerville COMMUNITY SCHOOLS **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets, deferred outflows, deferred inflows and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets, deferred outflows, deferred inflows and liabilities - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- *Governmental Activities* - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like food service, student/school activities and community service).

The District has one type of fund:

- *Governmental Funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

FOWLerville COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-3 Fowlerville Community Schools' Net Position		
	2025	2024*
Current or other assets	\$ 27,023,648	\$ 39,709,821
Net other postemployment benefits asset	6,608,454	904,251
Capital assets	91,629,000	81,030,688
Total assets	125,261,102	121,644,760
Deferred outflows of resources	14,248,319	19,782,388
Long-term debt outstanding	111,894,613	117,772,613
Other liabilities	14,019,304	11,349,476
Net pension liability	38,396,540	52,905,109
Total liabilities	164,310,457	182,027,198
Deferred inflows of resources	23,685,472	16,942,214
Net position		
Net investment in capital assets	(10,551,401)	(12,241,212)
Restricted for debt service	1,071,220	1,106,084
Restricted for net other postemployment benefits	6,608,454	904,251
Unrestricted	(45,614,781)	(47,311,387)
Total net position	\$ (48,486,508)	\$ (57,542,264)
*The 2024 numbers have not been updated for the adoption of GASB 101		

FOWLerville COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-4		
Changes in Fowlerville Community Schools' Net Position		
	2025	2024*
Revenues		
Program revenues		
Charges for services	\$ 1,268,381	\$ 1,384,264
Operating grants and contributions	14,587,819	9,913,814
General revenues		
Property taxes	11,245,646	10,190,697
State aid - unrestricted	19,098,780	24,111,777
Other	3,013,134	3,532,451
Total revenues	<u>49,213,760</u>	<u>49,133,003</u>
Expenses		
Instruction	17,240,669	19,454,002
Support services	12,506,294	11,418,695
Community services	1,439,791	1,536,444
Student/school activities	480,673	420,119
Food services	1,627,316	1,743,690
Interest on long-term debt	3,633,114	3,722,351
Unallocated depreciation	2,617,283	2,322,095
Total expenses	<u>39,545,140</u>	<u>40,617,396</u>
Change in net position	<u>\$ 9,668,620</u>	<u>\$ 8,515,607</u>
*The 2024 numbers have not been updated for the adoption of GASB 101		

District Governmental Activities

The District's financial condition is relatively stable. The District has experienced a decrease in enrollment for 2024-2025 of 4.27%. In 2024-2025, the District's enrollment of 2,398 was below the 2023-2024 enrollment level by 107.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds:

Fund balance:

General fund	\$ 4,139,473
2022 capital projects fund	\$ 10,653,335
Nonmajor governmental funds	\$ 5,412,492

This is a combined fund balance of \$20,205,300 compared to a fund balance of \$34,002,211 in 2024.

FOWLerville COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund and Budget Highlights

During the 2024-2025 fiscal year, the District's budget was amended in the fall to reflect student count, staff changes, and teacher contracts. Additional subsequent amendments were done to capture minor changes throughout the year.

Overall, the difference between the final General Fund amended expenditure budget and end of the year actual figures amounted approximately 1.42%. Revenue received was less than the final June 30, 2025 Board adopted budget by \$148,257. This decrease was primarily less intergovernmental transfers and state revenue than expected. District expenditures ended the year with \$554,907 less expended than the final approved budget. District wide cost containment in personnel, supplies, and energy accounted for a large share of these adjustments.

At June 30, 2025, the District general fund ending fund balance is \$4,139,473, which represents 12% of general fund expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Table A-5 Fowlerville Community Schools' Capital Assets				
	2025		2024	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 924,508	\$ -	\$ 924,508	\$ 924,508
Construction in progress	4,546,491	-	4,546,491	19,680,241
Land improvements	15,288,968	11,555,761	3,733,207	3,804,871
Buildings and additions	120,029,125	43,252,794	76,776,331	50,345,218
Machinery and equipment	14,452,145	9,775,055	4,677,090	5,062,277
Transportation equipment	2,540,354	1,568,981	971,373	1,213,573
Total	<u>\$ 157,781,591</u>	<u>\$ 66,152,591</u>	<u>\$ 91,629,000</u>	<u>\$ 81,030,688</u>

At year end, the District had approximately \$118.6 million in general obligation bonds and other long-term debt outstanding.

Table A-6 Fowlerville Community Schools Outstanding Long-Term Obligations		
	2025	2024*
General obligation bonds (financed with property taxes)	\$ 98,359,714	\$ 104,150,190
Notes from direct borrowings and direct placements	19,371,231	18,543,734
Accumulated compensated absences	887,409	304,102
Total	<u>\$ 118,618,354</u>	<u>\$ 122,998,026</u>
*The 2024 numbers have not been updated for the adoption of GASB 101		

FOWLerville COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of two existing factors that could significantly affect its financial health in the future:

The 2024-25 base State Aid Foundation allowance of \$9,608 is expected to be increased next year by \$452 per student with a budgeted amount per student amount of \$10,050.

The District continues to project losses in enrollment due to reduced population in the county and state as well as competition from other districts for "Schools of Choice" students. For the 2025-2026 school year, the District anticipates the loss of about 130 students from the 2025 fall count.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Fowlerville Community Schools, 7677 W. Sharpe Road, Suite A, Fowlerville, MI 48836.

BASIC FINANCIAL STATEMENTS

FOWLerville COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,572,494
Restricted cash and cash equivalents - 2022 capital projects fund	9,378,920
Restricted investments - 2022 capital projects fund	3,476,925
Receivables	
Intergovernmental	5,544,712
Inventories	47,390
Prepays	3,207
Net other postemployment benefits asset	6,608,454
Capital assets not being depreciated	5,470,999
Capital assets, net of accumulated depreciation	86,158,001
TOTAL ASSETS	125,261,102
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of amortization	1,197,624
Related to other postemployment benefits	1,613,153
Related to pensions	11,437,542
TOTAL DEFERRED OUTFLOWS OF RESOURCES	14,248,319
LIABILITIES	
Accounts payable	2,225,654
Accrued salaries and related items	2,152,720
Accrued retirement	937,479
Accrued interest	513,601
Unearned revenue	1,466,109
Noncurrent liabilities	
Due within one year	6,723,741
Due in more than one year	111,894,613
Net pension liability	38,396,540
TOTAL LIABILITIES	164,310,457
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	8,804,713
Related to pensions	12,821,976
Related to state aid funding for pension	2,058,783
TOTAL DEFERRED INFLOWS OF RESOURCES	23,685,472
NET POSITION	
Net investment in capital assets	(10,551,401)
Restricted for debt service	1,071,220
Restricted for net other postemployment benefits	6,608,454
Unrestricted	(45,614,781)
TOTAL NET POSITION	\$ (48,486,508)

See notes to financial statements.

FOWLerville COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 17,240,669	\$ 21,142	\$ 7,938,620	\$ (9,280,907)
Support services	12,506,294	164,227	4,302,823	(8,039,244)
Community services	1,439,791	927,129	21,432	(491,230)
Food services	1,627,316	155,883	1,827,127	355,694
Student/school activities	480,673	-	497,817	17,144
Interest on long-term debt	3,633,114	-	-	(3,633,114)
Unallocated depreciation	2,617,283	-	-	(2,617,283)
Total governmental activities	<u>\$ 39,545,140</u>	<u>\$ 1,268,381</u>	<u>\$ 14,587,819</u>	<u>(23,688,940)</u>
General revenues				
Property taxes, levied for general purposes				3,472,564
Property taxes, levied for debt service				7,773,082
Investment earnings				1,290,069
State sources - unrestricted				19,098,780
Intermediate sources				1,633,048
Other				<u>90,017</u>
Total general revenues				<u>33,357,560</u>
CHANGE IN NET POSITION				9,668,620
NET POSITION, beginning of year as previously reported				<u>(57,542,264)</u>
Adjustment to beginning net position				<u>(612,864)</u>
NET POSITION, beginning of year as restated				<u>(58,155,128)</u>
NET POSITION, end of year				<u>\$ (48,486,508)</u>

See notes to financial statements.

**FOWLerville COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	2022 Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,187,754	\$ -	\$ 3,384,740	\$ 8,572,494
Restricted cash and cash equivalents	-	9,378,920	-	9,378,920
Restricted investments	-	3,476,925	-	3,476,925
Receivables				
Intergovernmental	5,509,146	-	35,566	5,544,712
Due from other funds	-	824,173	1,816,619	2,640,792
Inventories	23,044	-	24,346	47,390
Prepays	3,207	-	-	3,207
TOTAL ASSETS	\$ 10,723,151	\$ 13,680,018	\$ 5,261,271	\$ 29,664,440
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 416,953	\$ 1,807,134	\$ 1,567	\$ 2,225,654
Accrued salaries and related items	2,152,720	-	-	2,152,720
Accrued retirement	937,479	-	-	937,479
Due to other funds	1,629,383	919,549	91,860	2,640,792
Unearned revenue	1,447,143	-	18,966	1,466,109
TOTAL LIABILITIES	6,583,678	2,726,683	112,393	9,422,754
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	-	-	36,386	36,386
FUND BALANCES				
Nonspendable				
Inventories	23,044	-	24,346	47,390
Prepays	3,207	-	-	3,207
Restricted for				
Debt service	-	-	1,584,821	1,584,821
Food service	-	-	889,259	889,259
Capital projects	-	10,953,335	326,938	11,280,273
Committed for				
Community service	-	-	810,077	810,077
Student/school activities	-	-	606,746	606,746
Assigned for				
Compensated absences	887,409	-	-	887,409
Subsequent year expenditures	248,057	-	-	248,057
Capital projects	-	-	870,305	870,305
Unassigned - general fund	2,977,756	-	-	2,977,756
TOTAL FUND BALANCES	4,139,473	10,953,335	5,112,492	20,205,300
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 10,723,151	\$ 13,680,018	\$ 5,261,271	\$ 29,664,440

See notes to financial statements.

**FOWLerville COMMUNITY SCHOOLS
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total governmental fund balances		\$ 20,205,300
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - charges on refunding, net of amortization		1,197,624
Deferred outflows of resources - related to pensions		11,437,542
Deferred outflows of resources - related to other postemployment benefits		1,613,153
Deferred inflows of resources - related to pensions		(12,821,976)
Deferred inflows of resources - state aid funding for pension		(2,058,783)
Deferred inflows of resources - related to other postemployment benefits		(8,804,713)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		
Noncurrent assets at year-end consist of:		
Net other postemployment benefits asset		6,608,454
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	\$ 157,781,591	
Accumulated depreciation is	<u>(66,152,591)</u>	
		91,629,000
Revenue not recorded in the funds due to not being collected until after September 1st		
Deferred inflows of resources - unavailable revenue		36,386
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds and related debt		(98,359,714)
Direct borrowing and direct placement		(19,371,231)
Compensated absences		(887,409)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(513,601)
Net pension liability		<u>(38,396,540)</u>
Net position of governmental activities		<u><u>\$ (48,486,508)</u></u>

FOWLerville COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	2022 Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	\$ 3,472,564	\$ -	\$ 7,773,082	\$ 11,245,646
Tuition and fees	160,684	-	967,240	1,127,924
Investment earnings	77,020	738,834	474,215	1,290,069
Food sales	-	-	155,883	155,883
Student/school activities	-	-	497,817	497,817
Other	91,917	-	46,410	138,327
Total local sources	3,802,185	738,834	9,914,647	14,455,666
State sources	28,041,327	-	1,348,845	29,390,172
Federal sources	1,549,413	-	1,167,185	2,716,598
Incoming transfers and other	1,654,190	-	-	1,654,190
TOTAL REVENUES	35,047,115	738,834	12,430,677	48,216,626
EXPENDITURES				
Current				
Instruction	21,059,629	-	-	21,059,629
Supporting services	12,191,671	-	-	12,191,671
Food service activities	-	-	1,791,859	1,791,859
Student/school activities	-	-	480,673	480,673
Community service activities	13,616	-	1,569,330	1,582,946
Outgoing transfers and other transactions	725,328	-	-	725,328
Capital outlay	-	15,268,073	482,879	15,750,952
Debt service				
Principal repayment	225,000	-	4,970,000	5,195,000
Interest	70,600	-	3,165,561	3,236,161
Other	-	-	7,063	7,063
TOTAL EXPENDITURES	34,285,844	15,268,073	12,467,365	62,021,282
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	761,271	(14,529,239)	(36,688)	(13,804,656)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1,643	-	-	1,643
Miscellaneous	-	-	6,102	6,102
Transfers in	67,000	300,000	190,105	557,105
Transfers out	(455,105)	-	(102,000)	(557,105)
TOTAL OTHER FINANCING SOURCES (USES)	(386,462)	300,000	94,207	7,745
NET CHANGE IN FUND BALANCES	374,809	(14,229,239)	57,519	(13,796,911)
FUND BALANCES				
Beginning of year	3,764,664	25,182,574	5,054,973	34,002,211
End of year	\$ 4,139,473	\$ 10,953,335	\$ 5,112,492	\$ 20,205,300

See notes to financial statements.

FOWLERVILLE COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net change in fund balances total governmental funds \$ (13,796,911)

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation

Depreciation expense	(3,261,936)
Capital outlay	13,860,248

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	539,360
Accrued interest payable, end of the year	(513,601)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Payments on debt and long-term accrued interest	5,195,000
Long-term interest on school bond loan and school loan revolving funds	(827,497)
Amortization of deferred charges on refundings	(186,128)
Amortization of bond premium	595,476

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred inflows - Unavailable revenue, beginning of the year	(122,907)
Deferred inflows - Unavailable revenue, end of the year	36,386

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year, as restated	916,966
Accrued compensated absences, end of the year	(887,409)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	4,355,427
Other postemployment benefit related items	2,684,134

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period:

State aid funding, beginning of year	3,140,795
State aid funding, end of year	(2,058,783)

Change in net position of governmental activities	\$ 9,668,620
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FOWLerville COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Fowlerville Community Schools (the "District") is governed by the Fowlerville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and other nonexchange transactions.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2022 Capital Projects Fund* include capital project activities funded with bonds. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete, and a subsequent year audit is expected.

**FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Beginning with the year of bond issuance, the District has reported annual construction activity in the 2022 capital projects fund. The projects for which the 2022 bonds were issued were in process as June 30, 2025. The following is a summary of the revenue and expenditures for the capital projects bond activity since inception:

	<u>2022 Capital Projects</u>
Revenue and other financing sources	<u>\$ 45,404,949</u>
Expenditures and other financing uses	<u>\$ 34,751,614</u>

Revenue and other financing sources include net bond proceeds of \$41,963,995.

The District reports the following *Other Nonmajor Funds*:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, student/school activities and community service activities in the special revenue funds.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *2016 Capital Projects Fund* accounts for transfers from the general fund for the acquisition of fixed assets or construction of major capital projects.

The *2018 Energy Conservation Bonds Capital Projects Fund* accounts for bonds issued for the construction, acquisition and installation of energy conservation improvements in school buildings. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete, and a subsequent year audit is expected.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended June 30, 2025. The District does not consider these amendments to be significant.

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The District'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.

Investments

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

- a. Bonds, securities, and other obligations 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 bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- 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.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

**FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, construction in progress, building and additions, land improvements, machinery and equipment and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Land improvements	15 - 20
Buildings and additions	20 - 50
Machinery and equipment	5 - 20
Transportation equipment	8

Defined Benefit Plans

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

**FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position 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 assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received more than 60 days after year end. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. The second is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The third and fourth items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

In the computation of net invested in capital assets, school bond loan and school loan revolving fund principal proceeds of \$16,939,024 are considered capital-related debt. Accrued interest on the school bond loan and school loan revolving funds of \$2,432,207 is not considered capital related debt.

During the year ended June 30, 2020, the District issued bonded debt in the amount of \$21,210,000 used to make principal and interest payments related to the School Bond Loan fund and the School Loan Revolving fund. 3.6% of these proceeds are not considered capital related debt, as this amount was used to pay off accrued interest. The current allocation of this debt not considered capital related to debt at June 30, 2025 is \$640,440.

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2025, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	9.55

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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.

**FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2025, the District had deposits and investments 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 District's deposits may not be returned to it. As of June 30, 2025, \$20,267,006 of the District's bank balance of \$20,517,006 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$17,951,414.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Municipal Bonds	\$ 1,301,555	0.7896
Government and Agency Bonds	<u>2,175,370</u>	0.1259
	<u><u>\$ 3,476,925</u></u>	
Portfolio weighted average maturity		<u><u>2.0926</u></u>

One day maturity equals approximately .0027 years.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

FOWLERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any on type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
Municipal Bonds	\$ 1,301,555	Aa1	Standard & Poor's
Government and Agency Bonds	<u>2,175,370</u>	AA+	Standard & Poor's
	<u><u>\$ 3,476,925</u></u>		

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That 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 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 District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance at June 30, 2025</u>
Investments by fair value level				
Municipal Bonds	\$ -	\$ 1,301,555	\$ -	\$ 1,301,555
Government and Agency Bonds	<u>-</u>	<u>2,175,370</u>	<u>-</u>	<u>2,175,370</u>
	<u><u>\$ -</u></u>	<u><u>\$ 3,476,925</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,476,925</u></u>

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.

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts of June 30, 2025:

Cash and cash equivalents	\$ 8,572,494
Restricted cash and cash equivalents - 2022 capital projects fund	9,378,920
Restricted investments - 2022 capital projects fund	<u>3,476,925</u>
	<u><u>\$ 21,428,339</u></u>

NOTE 3 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2024	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2025
Assets not being depreciated				
Land	\$ 924,508	\$ -	\$ -	\$ 924,508
Construction in progress	19,680,241	13,359,790	28,493,540	4,546,491
Subtotal	<u>20,604,749</u>	<u>13,359,790</u>	<u>28,493,540</u>	<u>5,470,999</u>
Capital assets being depreciated				
Land improvements	15,047,991	240,977	-	15,288,968
Buildings and additions	91,483,709	28,545,416	-	120,029,125
Machinery and equipment	14,244,540	207,605	-	14,452,145
Transportation equipment	2,540,354	-	-	2,540,354
Subtotal	<u>123,316,594</u>	<u>28,993,998</u>	<u>-</u>	<u>152,310,592</u>
Accumulated depreciation				
Land improvements	11,243,120	312,641	-	11,555,761
Buildings and additions	41,138,491	2,114,303	-	43,252,794
Machinery and equipment	9,182,263	592,792	-	9,775,055
Transportation equipment	1,326,781	242,200	-	1,568,981
Subtotal	<u>62,890,655</u>	<u>3,261,936</u>	<u>-</u>	<u>66,152,591</u>
Net capital assets being depreciated	<u>60,425,939</u>	<u>25,732,062</u>	<u>-</u>	<u>86,158,001</u>
Net governmental capital assets	<u><u>\$ 81,030,688</u></u>	<u><u>\$ 39,091,852</u></u>	<u><u>\$ 28,493,540</u></u>	<u><u>\$ 91,629,000</u></u>

**FOWLERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS (continued)

Depreciation expense was charged to programs of the District as follows:

Governmental activities	
Instruction	\$ 372,264
Support services	234,770
Food service	37,619
Unallocated	<u>2,617,283</u>
 Total governmental activities	 <u><u>\$ 3,261,936</u></u>

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2025 consist of the following:

	<u>Governmental Funds</u>
Other governmental units	
State aid	\$ 5,361,208
Federal revenue	147,938
Other	<u>35,566</u>
	 <u><u>\$ 5,544,712</u></u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary based on previous experience.

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of long-term obligations for the District for the year ended June 30, 2025:

	Accumulated Compensated Absences*	Notes from Direct Borrowings and Direct Placements	General Obligation Bonds	Total
Balance July 1, 2024, as restated	\$ 916,966	\$ 18,543,734	\$ 104,150,190	\$ 123,610,890
Additions	-	827,497	-	827,497
Deletions	<u>(29,557)</u>	<u>-</u>	<u>(5,790,476)</u>	<u>(5,820,033)</u>
Balance, June 30, 2025	887,409	19,371,231	98,359,714	118,618,354
Due within one year	<u>88,741</u>	<u>-</u>	<u>6,635,000</u>	<u>6,723,741</u>
Due in more than one year	<u>\$ 798,668</u>	<u>\$ 19,371,231</u>	<u>\$ 91,724,714</u>	<u>\$ 111,894,613</u>

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

The District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2025, \$49,410,000 of bonds outstanding are considered defeased.

**FOWLERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2025 is comprised of the following issues:

General Obligation Bonds

2018 Energy Conservation Improvement serial bonds due in annual installments of \$235,000 to \$285,000 through May 1, 2033, with interest from 3.00% to 3.25%.	\$ 2,070,000
2018 Building and site serial bonds due in annual installments of \$250,000 to \$450,000 through May 2034 with interest from 3.00% to 4.00%.	3,690,000
2019 Refunding serial bonds due in an annual installment of \$775,000 to \$800,000 through May 1, 2026 with interest of 5.00%.	775,000
2019 Building and site serial bonds due in annual installments of \$360,000 to \$760,000 through May 2043 with interest from 4.00% to 5.00%.	9,880,000
2020 Refunding serial bonds due in annual installments of \$100,000 to \$2,315,000 through May 1, 2028 with interest from 1.55% to 2.46%.	4,715,000
2020 Refunding serial bonds due in annual installments of \$2,150,000 to \$3,270,000 through May 1, 2031 with interest from 1.50% to 2.46%.	17,790,000
2022 Refunding serial bonds due in annual installments of \$2,115,000 to \$2,565,000 through May 1, 2034 with interest from 3.00% to 4.00%.	16,650,000
2022 Building and site serial bonds due in annual installments of \$650,000 to \$3,840,000 through May 2044 with interest from 3.00% to 4.00%.	33,630,000
Plus premium on bond refundings	<u>9,159,714</u>
Total general obligation bonds	98,359,714

Notes from Direct Borrowings and Direct Placements

Borrowings from the State of Michigan under the School Bond Loan and School Loan Revolving Funds, including interest. Interest at June 30, 2025 was 4.22% for the School Bond Loan and School Loan Revolving Funds.	<u>19,371,231</u>
Total general obligation bonds and notes from direct borrowings and direct placements	117,730,945
Obligation under contract for compensated absences	<u>887,409</u>
Total general long-term obligations	<u><u>\$ 118,618,354</u></u>

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term outstanding exclusive of compensated absences payments as of June 30, 2025, including interest payments are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2026	\$ 6,635,000	\$ 3,021,058	\$ -	\$ -	\$ -	\$ 9,656,058
2027	6,905,000	2,828,248	-	-	-	9,733,248
2028	7,075,000	2,669,422	-	-	-	9,744,422
2029	7,205,000	2,500,700	-	-	-	9,705,700
2030	7,420,000	2,305,137	-	-	-	9,725,137
2031 - 2035	24,355,000	8,322,743	-	-	-	32,677,743
2036 - 2040	15,125,000	4,759,200	-	-	-	19,884,200
2041 - 2044	14,480,000	1,477,000	-	-	-	15,957,000
	89,200,000	27,883,508	-	-	-	117,083,508
Premium on bond refundings	9,159,714	-	-	-	-	9,159,714
School Bond Loan and School Loan Revolving Funds	-	-	16,939,024	2,432,207	-	19,371,231
Accumulated compensated absences	-	-	-	-	887,409	887,409
	<u>\$ 98,359,714</u>	<u>\$ 27,883,508</u>	<u>\$ 16,939,024</u>	<u>\$ 2,432,207</u>	<u>\$ 887,409</u>	<u>\$ 146,501,862</u>

Interest (all funds) on long-term debt for the year ended June 30, 2025 was approximately \$3,200,000.

At June 30, 2025, \$1,584,821 is available in the debt service funds to service the general obligation debt.

Borrowing from the State of Michigan - The School Loan Revolving and School Bond Loan Funds payable represent notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30, 2025 was 4.22%. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.45 mills. The school district is required to levy 7.45 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 9.55 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

**FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2025 are as follows:

	Due to Other Funds			Total
	General Fund	2022 Capital Projects	Nonmajor Governmental Funds	
Due from other funds				
Nonmajor governmental funds	\$ 1,629,383	\$ 919,549	\$ 91,860	\$ 2,640,792

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan Members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus Members: a flat 7% contribution

**FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution Plan that provides a 50% employer match (up to 3% of salary) on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus Plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 Plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 Plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 Plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017 (continued)

New employees hired between February 1, 2018 and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant to the DC Plan; if no election is made they will default to the DC Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant in the DC Plan; if no election is made they will remain in the Pension Plus 2 Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees' Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution Plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2024 were determined as of the September 30, 2021 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021 are amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2024- September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023- September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately \$6,911,000. Of the total pension contributions approximately \$6,710,000 was contributed to fund the Defined Benefit Plan and approximately \$201,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately \$208,000. Of the total OPEB contributions approximately \$86,000 was contributed to fund the Defined Benefit Plan and approximately \$122,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures.

The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u><i>MPSERS (Plan) Non-University Employers</i></u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total pension liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan fiduciary net position	\$ 71,283,482,728	\$ 62,581,762,238
Net pension liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate share	0.15684%	0.16346%
Net pension liability for the District	\$ 38,396,540	\$ 52,905,109

For the year ended June 30, 2025, the District recognized pension expense of \$2,355,064.

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 4,003,067	\$ 2,813,252
Net difference between projected and actual plan investment earnings	-	7,327,687
Differences between expected and actual experience	1,041,725	417,184
Changes in proportion and differences between employer contributions and proportionate share of contributions	234,518	2,263,853
Reporting Unit's contributions subsequent to the measurement date	6,158,232	
	<u>\$ 11,437,542</u>	<u>\$ 12,821,976</u>

\$6,158,232, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2026	\$ (1,735,676)
2027	(410,481)
2028	(3,280,940)
2029	(2,115,569)
	<u>\$ (7,542,666)</u>

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures.

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-University Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total other postemployment benefit liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan fiduciary net position	\$ 14,295,943,589	\$ 11,789,347,341
Net other postemployment benefit liability (asset)	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.15353%	0.15985%
Net other postemployment benefit liability (asset)	\$ (6,608,454)	\$ (904,251)

For the year ended June 30, 2025, the District recognized OPEB benefit of \$2,598,119.

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,443,381	\$ 165,905
Net difference between projected and actual plan investment earnings	-	1,251,056
Differences between expected and actual experience	-	7,002,943
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,222	384,809
Reporting Unit's contributions subsequent to the measurement date	<u>34,550</u>	<u>-</u>
	<u>\$ 1,613,153</u>	<u>\$ 8,804,713</u>

\$34,550, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

**FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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 Ended June 30,	Amount
2026	\$ (2,341,153)
2027	(1,381,329)
2028	(1,394,086)
2029	(1,274,836)
2030	(703,555)
2031	(131,151)
	\$ (7,226,110)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions -

Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

**FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees who elected coverage are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2024 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
International Equity Pools	15.0%	6.5%
Private Equity Pools	16.0%	9.0%
Real Estate and Infrastructure Pools	10.0%	7.1%
Fixed Income Pools	13.0%	2.2%
Absolute Return Pools	9.0%	5.2%
Real Return/Opportunistic Pools	10.0%	6.9%
Short Term Investment Pools	2.0%	1.4%
	100.0%	

* Long term rate of return are net of administrative expenses and 2.3% inflation.

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension 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 periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 56,289,740	\$ 38,396,540	\$ 23,497,008

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability (asset) calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	<u>\$ (5,107,068)</u>	<u>\$ (6,608,454)</u>	<u>\$ (7,906,561)</u>

Sensitivity to the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	<u>\$ (7,906,575)</u>	<u>\$ (6,608,454)</u>	<u>\$ (5,216,226)</u>

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**FOWLERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2025 or any of the prior three years.

NOTE 9 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2025 are as follows:

	<u>Transfers In</u>			
	General Fund	2022 Capital Projects	Nonmajor Governmental Funds	Total
Transfers out				
General fund	\$ -	\$ 300,000	\$ 67,000	\$ 367,000
Nonmajor governmental funds	67,000	-	190,105	190,105
	<u>\$ 67,000</u>	<u>\$ 300,000</u>	<u>\$ 257,105</u>	<u>\$ 557,105</u>

During the year, transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations

NOTE 10 - CONTINGENT LIABILITIES

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

FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds by municipality under this program are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
Handy Township - operating	\$ 132,563
Handy Township - debt	<u>66,281</u>
	<u><u>\$ 198,844</u></u>

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no abatements made by the District.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;

**FOWLerville COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*.

Summary: 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.

**FOWLERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - ADJUSTMENTS TO BEGINNING NET POSITION

During fiscal year 2025, changes to beginning net position are as follows:

	<u>Governmental Activities</u>
Net position, as previously reported	\$ (57,542,264)
Change in accounting principle (GASB 101)	<u>(612,864)</u>
Net position, as restated	<u><u>\$ (58,155,128)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**FOWLerville COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 3,375,069	\$ 3,809,981	\$ 3,802,185	\$ (7,796)
State sources	28,447,716	28,098,885	28,041,327	(57,558)
Federal sources	1,539,664	1,593,806	1,549,413	(44,393)
Incoming transfers and other	1,739,331	1,692,700	1,654,190	(38,510)
TOTAL REVENUES	35,101,780	35,195,372	35,047,115	(148,257)
EXPENDITURES				
Instruction				
Basic programs	16,600,741	16,086,540	16,160,172	(73,632)
Added needs	4,850,446	4,827,926	4,899,457	(71,531)
Total instruction	21,451,187	20,914,466	21,059,629	(145,163)
Supporting services				
Pupil	1,291,534	1,153,114	1,218,391	(65,277)
Instructional staff	832,347	1,048,490	875,561	172,929
General administration	852,760	949,421	929,222	20,199
School administration	2,041,409	1,930,000	1,826,834	103,166
Business	488,950	548,230	546,849	1,381
Operation/maintenance	3,440,486	3,556,659	3,753,766	(197,107)
Pupil transportation	1,750,850	1,753,094	1,601,740	151,354
Central	454,147	748,771	637,449	111,322
Athletics	741,740	800,431	801,859	(1,428)
Total supporting services	11,894,223	12,488,210	12,191,671	296,539
Community services	3,023	-	13,616	(13,616)
Outgoing transfers and other transactions	1,321,914	1,142,475	725,328	417,147
Debt service	295,600	295,600	295,600	-
TOTAL EXPENDITURES	34,965,947	34,840,751	34,285,844	554,907
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	135,833	354,621	761,271	406,650
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,000	1,643	1,643	-
Transfers in	67,000	67,000	67,000	-
Transfers out	-	(455,105)	(455,105)	-
TOTAL OTHER FINANCING SOURCES (USES)	69,000	(386,462)	(386,462)	-
NET CHANGE IN FUND BALANCE	\$ 204,833	\$ (31,841)	374,809	\$ 406,650
FUND BALANCE				
Beginning of year			3,764,664	
End of year			\$ 4,139,473	

**FOWLerville COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Reporting Unit's proportion of net pension liability (%)	0.15684%	0.16346%	0.16727%	0.16495%	0.16458%	0.16817%	0.16698%	0.16314%	0.16493%
Reporting Unit's proportionate share of net pension liability	\$ 38,396,540	\$ 52,905,109	\$ 62,909,195	\$ 39,052,233	\$ 56,533,914	\$ 55,693,657	\$ 50,198,158	\$ 42,275,983	\$ 41,149,227
Reporting Unit's covered-employee payroll	\$ 16,123,230	\$ 15,907,834	\$ 16,016,374	\$ 14,902,440	\$ 14,430,117	\$ 14,523,803	\$ 14,475,498	\$ 13,566,425	\$ 13,896,083
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	238.14%	332.57%	392.78%	262.05%	391.78%	383.46%	346.78%	311.62%	296.12%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

**FOWLerville COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSIONS CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 6,710,491	\$ 6,299,802	\$ 7,404,250	\$ 5,446,196	\$ 4,781,245	\$ 4,436,329	\$ 4,546,988	\$ 4,318,130	\$ 3,872,043	\$ 3,566,985	\$ 3,022,952
Contributions in relation to statutorily required contributions	<u>6,710,491</u>	<u>6,299,802</u>	<u>7,404,250</u>	<u>5,446,196</u>	<u>4,781,245</u>	<u>4,436,329</u>	<u>4,546,988</u>	<u>4,318,130</u>	<u>3,872,043</u>	<u>3,566,985</u>	<u>3,022,952</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 16,540,846	\$ 16,237,062	\$ 15,738,435	\$ 15,349,028	\$ 14,695,549	\$ 14,528,444	\$ 14,524,800	\$ 14,351,526	\$ 13,991,778	\$ 13,838,526	\$ 13,814,049
Contributions as a percentage of covered-employee payroll	40.57%	38.80%	47.05%	35.48%	32.54%	30.54%	31.30%	30.09%	27.67%	25.78%	21.88%

**FOWLerville COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY (ASSET)
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability (asset) (%)	0.15353%	0.15985%	0.16588%	0.16584%	0.16243%	0.16664%	0.17026%	0.16304%
Reporting Unit's proportionate share of net OPEB liability (asset)	\$ (6,608,454)	\$ (904,251)	\$ 3,513,390	\$ 2,531,418	\$ 8,701,712	\$ 11,960,684	\$ 13,533,546	\$ 14,438,129
Reporting Unit's covered-employee payroll	\$ 16,123,230	\$ 15,907,834	\$ 16,016,374	\$ 14,902,440	\$ 14,430,117	\$ 14,523,803	\$ 14,475,498	\$ 13,566,425
Reporting Unit's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll (%)	40.99%	5.68%	21.94%	16.99%	60.30%	82.35%	93.49%	106.43%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, reporting units should present information for those years for which information is available.

**FOWLerville COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 86,015	\$ 1,301,416	\$ 1,288,523	\$ 1,264,009	\$ 1,268,112	\$ 1,228,923	\$ 1,105,124	\$ 1,231,318
Contributions in relation to statutorily required contributions	<u>86,015</u>	<u>1,301,416</u>	<u>1,288,523</u>	<u>1,264,009</u>	<u>1,268,112</u>	<u>1,228,923</u>	<u>1,105,124</u>	<u>1,231,318</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 16,540,846	\$ 16,237,062	\$ 15,738,435	\$ 15,349,028	\$ 14,695,549	\$ 14,528,444	\$ 14,524,800	\$ 14,351,526
Contributions as a percentage of covered-employee payroll	0.52%	8.02%	8.19%	8.24%	8.63%	8.46%	7.61%	8.84%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, reporting units should present information for those years for which information is available.

**FOWLERVILLE COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 - PENSION INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

NOTE 2 - OPEB INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2024 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

FOWLerville COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 2 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

ADDITIONAL SUPPLEMENTARY INFORMATION

**FOWLerville COMMUNITY SCHOOLS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2025**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	\$ 1,422,225	\$ 1,584,821	\$ 377,694	\$ 3,384,740
Intergovernmental receivables	35,566	-	-	35,566
Due from other funds	946,314	-	870,305	1,816,619
Inventories	24,346	-	-	24,346
TOTAL ASSETS	\$ 2,428,451	\$ 1,584,821	\$ 1,247,999	\$ 5,261,271
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,567	\$ -	\$ -	\$ 1,567
Due to other funds	41,104	-	50,756	91,860
Unearned revenue	18,966	-	-	18,966
TOTAL LIABILITIES	61,637	-	50,756	112,393
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	36,386	-	-	36,386
FUND BALANCES				
Nonspendable				
Inventories	24,346	-	-	24,346
Restricted for debt service	-	1,584,821	-	1,584,821
Restricted for food service	889,259	-	-	889,259
Restricted for capital projects	-	-	326,938	326,938
Committed for				
Student/school activities	606,746	-	-	606,746
Community service	810,077	-	-	810,077
Assigned for capital projects	-	-	870,305	870,305
TOTAL FUND BALANCES	2,330,428	1,584,821	1,197,243	5,112,492
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 2,428,451	\$ 1,584,821	\$ 1,247,999	\$ 5,261,271

**FOWLerville COMMUNITY SCHOOLS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Funds
REVENUES				
Local sources				
Property taxes	\$ -	\$ 7,773,082	\$ -	\$ 7,773,082
Tuition and fees	967,240	-	-	967,240
Student/school activities	497,817	-	-	497,817
Investment earnings	7,951	36,099	430,165	474,215
Food sales	155,883	-	-	155,883
Other	46,410	-	-	46,410
Total local sources	1,675,301	7,809,181	430,165	9,914,647
State sources	1,082,127	266,718	-	1,348,845
Federal sources	1,167,185	-	-	1,167,185
TOTAL REVENUES	3,924,613	8,075,899	430,165	12,430,677
EXPENDITURES				
Current				
Food service activities	1,791,859	-	-	1,791,859
Student/school activities	480,673	-	-	480,673
Community service activities	1,569,330	-	-	1,569,330
Capital outlay	178,168	-	304,711	482,879
Debt service				
Principal repayment	-	4,970,000	-	4,970,000
Interest	-	3,165,561	-	3,165,561
Other	-	7,063	-	7,063
TOTAL EXPENDITURES	4,020,030	8,142,624	304,711	12,467,365
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(95,417)	(66,725)	125,454	(36,688)
OTHER FINANCING SOURCES (USES)				
Miscellaneous	-	6,102	-	6,102
Transfers in	190,105	-	-	190,105
Transfers out	(102,000)	-	-	(102,000)
TOTAL OTHER FINANCING SOURCES (USES)	88,105	6,102	-	94,207
NET CHANGE IN FUND BALANCES	(7,312)	(60,623)	125,454	57,519
FUND BALANCES				
Beginning of year	2,337,740	1,645,444	1,071,789	5,054,973
End of year	\$ 2,330,428	\$ 1,584,821	\$ 1,197,243	\$ 5,112,492

**FOWLERVILLE COMMUNITY SCHOOLS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2025**

	Food Service	Student/School Activities	Community Service	Total
ASSETS				
Cash and cash equivalents	\$ 773,575	\$ 647,850	\$ 800	\$ 1,422,225
Intergovernmental receivables	-	-	35,566	35,566
Due from other funds	131,558	-	814,756	946,314
Inventories	24,346	-	-	24,346
TOTAL ASSETS	\$ 929,479	\$ 647,850	\$ 851,122	\$ 2,428,451
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 645	\$ -	\$ 922	\$ 1,567
Due to other funds	-	41,104	-	41,104
Unearned revenue	15,229	-	3,737	18,966
TOTAL LIABILITIES	15,874	41,104	4,659	61,637
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	-	-	36,386	36,386
FUND BALANCES				
Nonspendable				
Inventories	24,346	-	-	24,346
Restricted for food service	889,259	-	-	889,259
Committed for				
Community service	-	-	810,077	810,077
Student/school activities	-	606,746	-	606,746
TOTAL FUND BALANCES	913,605	606,746	810,077	2,330,428
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 929,479	\$ 647,850	\$ 851,122	\$ 2,428,451

**FOWLERVILLE COMMUNITY SCHOOLS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2025**

	Food Service	Student/School Activities	Community Service	Total
REVENUES				
Food sales	\$ 155,883	\$ -	\$ -	\$ 155,883
Tuition and fees	-	-	967,240	967,240
Investment earnings	7,951	-	-	7,951
State sources	659,942	-	422,185	1,082,127
Federal sources	1,116,323	-	50,862	1,167,185
Student/school activities	-	497,817	-	497,817
Other	-	-	46,410	46,410
TOTAL REVENUES	1,940,099	497,817	1,486,697	3,924,613
EXPENDITURES				
Salaries	500,095	-	435,227	935,322
Benefits	320,351	-	268,027	588,378
Purchased services	32,571	-	649,542	682,113
Supplies and materials	930,714	-	164,680	1,095,394
Capital outlay	138,188	-	39,980	178,168
Student/school activities	-	480,673	-	480,673
Other	8,128	-	51,854	59,982
TOTAL EXPENDITURES	1,930,047	480,673	1,609,310	4,020,030
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,052	17,144	(122,613)	(95,417)
OTHER FINANCING SOURCES (USES)				
Transfers in	68,620	-	121,485	190,105
Transfers out	(67,000)	-	(35,000)	(102,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,620	-	86,485	88,105
NET CHANGE IN FUND BALANCES	11,672	17,144	(36,128)	(7,312)
FUND BALANCES				
Beginning of year	901,933	589,602	846,205	2,337,740
End of year	\$ 913,605	\$ 606,746	\$ 810,077	\$ 2,330,428

**FOWLERVILLE COMMUNITY SCHOOLS
NONMAJOR DEBT SERVICE
COMBINING BALANCE SHEET
JUNE 30, 2025**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2022</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	<u>\$ 76,376</u>	<u>\$ 263,367</u>	<u>\$ 261,718</u>	<u>\$ 983,360</u>	<u>\$ 1,584,821</u>
FUND BALANCES					
Restricted for debt service	<u>\$ 76,376</u>	<u>\$ 263,367</u>	<u>\$ 261,718</u>	<u>\$ 983,360</u>	<u>\$ 1,584,821</u>

**FOWLerville COMMUNITY SCHOOLS
NONMAJOR DEBT SERVICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025**

	2018	2019	2020	2022	Total
REVENUES					
Local sources					
Property taxes	\$ 431,132	\$ 1,538,585	\$ 2,270,801	\$ 3,532,564	\$ 7,773,082
Investment earnings	2,118	7,120	10,509	16,352	36,099
Total local sources	433,250	1,545,705	2,281,310	3,548,916	7,809,181
State sources	14,802	52,785	77,921	121,210	266,718
TOTAL REVENUES	448,052	1,598,490	2,359,231	3,670,126	8,075,899
EXPENDITURES					
Principal repayment	250,000	1,130,000	2,020,000	1,570,000	4,970,000
Interest	140,650	505,350	532,511	1,987,050	3,165,561
Other	1,253	1,403	1,833	2,574	7,063
TOTAL EXPENDITURES	391,903	1,636,753	2,554,344	3,559,624	8,142,624
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	56,149	(38,263)	(195,113)	110,502	(66,725)
OTHER FINANCING SOURCES (USES)					
Miscellaneous	-	1,281	1,984	2,837	6,102
NET CHANGE IN FUND BALANCES	56,149	(36,982)	(193,129)	113,339	(60,623)
FUND BALANCES					
Beginning of year	20,227	300,349	454,847	870,021	1,645,444
End of year	\$ 76,376	\$ 263,367	\$ 261,718	\$ 983,360	\$ 1,584,821

**FOWLERVILLE COMMUNITY SCHOOLS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2025**

	2016 Capital Projects	2018 Energy Bonds Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 377,694	\$ 377,694
Due from other funds	870,305	-	870,305
TOTAL ASSETS	<u>\$ 870,305</u>	<u>\$ 377,694</u>	<u>\$ 1,247,999</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other funds	\$ -	\$ 50,756	\$ 50,756
TOTAL LIABILITIES	<u>-</u>	<u>50,756</u>	<u>50,756</u>
FUND BALANCE			
Restricted for capital projects	-	326,938	326,938
Assigned for capital projects	870,305	-	870,305
TOTAL FUND BALANCE	<u>870,305</u>	<u>326,938</u>	<u>1,197,243</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 870,305</u>	<u>\$ 377,694</u>	<u>\$ 1,247,999</u>

**FOWLERVILLE COMMUNITY SCHOOLS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2025**

	2016 Capital Projects	2018 Energy Bonds Capital Projects	Total
REVENUE			
Local sources			
Investment earnings	\$ 423,276	\$ 6,889	\$ 430,165
EXPENDITURES			
Capital outlay	84,711	220,000	304,711
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	338,565	(213,111)	125,454
FUND BALANCES			
Beginning of year	531,740	540,049	1,071,789
End of year	\$ 870,305	\$ 326,938	\$ 1,197,243

FOWLerville COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS -2018 ENERGY CONSERVATION DEBT
JUNE 30, 2025

Bond issue dated March 29, 2018 for the purpose of constructing, acquiring, and installing energy conservation improvements to school buildings.

Interest Due		Principal Due May 1	Debt Service Requirement for Fiscal Year	
November 1	May 1		June 30,	Amount
\$ 31,925	\$ 31,925	\$ 235,000	2026	\$ 298,850
28,400	28,400	240,000	2027	296,800
24,800	24,800	245,000	2028	294,600
21,125	21,125	255,000	2029	297,250
17,300	17,300	260,000	2030	294,600
13,400	13,400	270,000	2031	296,800
9,181	9,181	280,000	2032	298,362
4,631	4,631	285,000	2033	294,262
<u>\$ 150,762</u>	<u>\$ 150,762</u>	<u>\$ 2,070,000</u>		<u>\$ 2,371,524</u>

The above bonds have interest rates from 3.00% to 3.25%.

FOWLerville COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS -2019 REFUNDING
JUNE 30, 2025

Bond issue dated February 1, 2019 for the purpose of refunding a portion of the School District's outstanding 2009B refunding bonds, dated October 1, 2009.

Interest Due		Principal Due May 1	Debt Service Requirement for Fiscal Year	
November 1	May 1		June 30,	Amount
<u>\$ 19,375</u>	<u>\$ 19,375</u>	<u>\$ 775,000</u>	2026	<u>\$ 813,750</u>

The above bonds have an interest rate of 5.00%.

FOWLerville COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS -2018 BUILDING AND SITE DEBT
JUNE 30, 2025

Bond issue dated July 10, 2018 for the purpose of remodeling, equipping, reequipping, refurbishing and furnishing school facilities; acquiring, installing and equipping school facilities with instructional technology and preparing, developing, improving and equipping athletic fields, facilities and sites.

Interest Due		Principal Due May 1	Debt Service Requirement for Fiscal Year	
November 1	May 1		June 30,	Amount
\$ 66,575	\$ 66,575	\$ 250,000	2026	\$ 383,150
62,825	62,825	350,000	2027	475,650
57,575	57,575	400,000	2028	515,150
51,575	51,575	440,000	2029	543,150
43,875	43,875	450,000	2030	537,750
36,000	36,000	450,000	2031	522,000
27,000	27,000	450,000	2032	504,000
18,000	18,000	450,000	2033	486,000
9,000	9,000	450,000	2034	468,000
<u>\$ 372,425</u>	<u>\$ 372,425</u>	<u>\$ 3,690,000</u>		<u>\$ 4,434,850</u>

The above bonds have interest rates from 3.00% to 4.00%.

FOWLerville COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS -2019 BUILDING AND SITE DEBT
JUNE 30, 2025

Bond issue dated February 1, 2019 for the purposes of purpose of remodeling, equipping, reequipping, refurbishing and furnishing school facilities; acquiring, installing and equipping school facilities with instructional technology and preparing, developing, improving and equipping athletic fields, facilities and sites.

Interest Due		Principal Due May 1	Debt Service Requirement for Fiscal Year	
November 1	May 1		June 30,	Amount
\$ 205,050	\$ 205,050	\$ 360,000	2026	\$ 770,100
196,050	196,050	370,000	2027	762,100
186,800	186,800	370,000	2028	743,600
177,550	177,550	390,000	2029	745,100
167,800	167,800	400,000	2030	735,600
159,800	159,800	420,000	2031	739,600
151,400	151,400	470,000	2032	772,800
142,000	142,000	480,000	2033	764,000
132,400	132,400	490,000	2034	754,800
122,600	122,600	580,000	2035	825,200
111,000	111,000	610,000	2036	832,000
98,800	98,800	630,000	2037	827,600
86,200	86,200	655,000	2038	827,400
73,100	73,100	680,000	2039	826,200
59,500	59,500	715,000	2040	834,000
45,200	45,200	740,000	2041	830,400
30,400	30,400	760,000	2042	820,800
15,200	15,200	760,000	2043	790,400
<u>\$ 2,160,850</u>	<u>\$ 2,160,850</u>	<u>\$ 9,880,000</u>		<u>\$ 14,201,700</u>

The above bonds have interest rates from 4.00% to 5.00%.

FOWLerville COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS -2020A DEBT
JUNE 30, 2025

Bond issue dated May 28, 2020 for the purpose of refunding a portion of the School District's outstanding 2012 refunding bonds, dated August 30, 2012.

Interest Due		Principal Due May 1	Debt Service Requirement for Fiscal Year	
November 1	May 1		June 30,	Amount
\$ 49,802	\$ 49,802	\$ 100,000	2026	\$ 199,604
48,818	48,818	2,300,000	2027	2,397,636
25,048	25,048	2,315,000	2028	2,365,096
<u>\$ 123,668</u>	<u>\$ 123,668</u>	<u>\$ 4,715,000</u>		<u>\$ 4,962,336</u>

The above bonds have interest rates from 1.55% to 2.46%.

FOWLerville COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS -2020B DEBT
JUNE 30, 2025

Bond issue dated May 28, 2020 for the purpose of refunding a portion of the School District's outstanding School Bond Loan Fund dated June 30, 1996.

Interest Due		Principal Due May 1	Debt Service Requirement for Fiscal Year	
November 1	May 1		June 30,	Amount
\$ 198,102	\$ 198,102	\$ 2,150,000	2026	\$ 2,546,204
176,956	176,956	2,965,000	2027	3,318,912
146,313	146,313	3,065,000	2028	3,357,626
113,150	113,150	3,120,000	2029	3,346,300
77,831	77,831	3,270,000	2030	3,425,662
39,671	39,671	3,220,000	2031	3,299,342
<u>\$ 752,023</u>	<u>\$ 752,023</u>	<u>\$ 17,790,000</u>		<u>\$ 19,294,046</u>

The above bonds have interest rates from 1.50% to 2.46%.

FOWLerville COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS -2022 BUILDING AND SITE DEBT
JUNE 30, 2025

Bond issue dated February 1, 2022 for the purposes of purpose of erecting, furnishing, and equipping a new elementary school building; acquiring and installing instructional technology and instructional technology equipment for the new elementary school building; remodeling school buildings; and preparing, developing, improving, and equipping playgrounds and sites.

Interest Due		Principal Due May 1	Debt Service Requirement for Fiscal Year	
November 1	May 1		June 30,	Amount
\$ 659,100	\$ 659,100	\$ 650,000	2026	\$ 1,968,200
649,350	649,350	680,000	2027	1,978,700
639,150	639,150	680,000	2028	1,958,300
628,950	628,950	690,000	2029	1,947,900
618,600	618,600	700,000	2030	1,937,200
604,600	604,600	895,000	2031	2,104,200
586,700	586,700	945,000	2032	2,118,400
567,800	567,800	1,075,000	2033	2,210,600
546,300	546,300	1,160,000	2034	2,252,600
523,100	523,100	2,100,000	2035	3,146,200
481,100	481,100	2,180,000	2036	3,142,200
437,500	437,500	2,270,000	2037	3,145,000
392,100	392,100	2,365,000	2038	3,149,200
344,800	344,800	2,465,000	2039	3,154,600
295,500	295,500	2,555,000	2040	3,146,000
244,400	244,400	2,665,000	2041	3,153,800
191,100	191,100	2,785,000	2042	3,167,200
135,400	135,400	2,930,000	2043	3,200,800
76,800	76,800	3,840,000	2044	3,993,600
<u>\$ 8,622,350</u>	<u>\$ 8,622,350</u>	<u>\$ 33,630,000</u>		<u>\$ 50,874,700</u>

The above bonds have interest rates from 3.00% to 4.00%.

FOWLERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS -2022 REFUNDING
JUNE 30, 2025

Bond issue dated February 1, 2022 for the purpose of refunding a portion of the School District's outstanding 2012 refunding bonds, dated August 30, 2012.

Interest Due		Principal Due May 1	Debt Service Requirement for Fiscal Year	
November 1	May 1		June 30,	Amount
\$ 310,875	\$ 310,875	\$ 2,115,000	2026	\$ 2,736,750
279,150	279,150	-	2027	558,300
279,150	279,150	-	2028	558,300
279,150	279,150	2,310,000	2029	2,868,300
244,500	244,500	2,340,000	2030	2,829,000
197,700	197,700	2,400,000	2031	2,795,400
149,700	149,700	2,440,000	2032	2,739,400
100,900	100,900	2,480,000	2033	2,681,800
51,300	51,300	2,565,000	2034	2,667,600
<u>\$ 1,892,425</u>	<u>\$ 1,892,425</u>	<u>\$ 16,650,000</u>		<u>\$ 20,434,850</u>

The above bonds have interest rates from 3.00% to 4.00%.

**FOWLERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BORROWING - SCHOOL BOND LOAN FUND
AND SCHOOL LOAN REVOLVING FUND
JUNE 30, 2025**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan and School Loan Revolving Programs. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State under this program have been summarized as follows:

Year Ended June 30,	Loan Proceeds	Interest Expense	Loan Balance (Net Change)
1996	\$ 1,561,544	\$ 164,664	\$ 1,726,208
1997	1,316,776	111,431	1,428,207
1998	2,225,414	209,835	2,435,249
1999	930,028	318,987	1,249,015
2000	1,692,500	385,914	2,078,414
2001	1,679,527	475,004	2,154,531
2002	1,426,547	488,901	1,915,448
2003	1,009,418	455,201	1,464,619
2004 refinance payment	(11,806,245)	(2,274,395)	(14,080,640)
2004	1,453,524	123,819	1,577,343
2005	2,650,529	81,300	2,731,829
2006	3,116,488	249,854	3,366,342
2007	3,122,515	453,701	3,576,216
2008	2,988,701	588,001	3,576,702
2009	2,276,101	782,542	3,058,643
2010	2,467,932	1,012,503	3,480,435
2011	1,739,457	934,647	2,674,104
2012	2,820,058	879,821	3,699,879
2013	1,526,811	975,810	2,502,621
2014	2,408,793	1,112,976	3,521,769
2015	536,346	1,189,731	1,726,077
2016	-	913,523	913,523
2016 refinance payment	(27,139,261)	(9,633,739)	(36,773,000)
2017	145,026	3,254	148,280
2018	6,303,671	51,723	6,355,394
2019	6,847,835	274,127	7,121,962
2020	6,974,794	435,838	7,410,632
2020 refinance payment	(20,270,537)	(764,463)	(21,035,000)
2021	7,499,508	57,456	7,556,964
2022	6,641,880	218,412	6,860,292
2023	2,117,664	555,083	2,672,747
2024	675,680	773,249	1,448,929
2025	-	827,497	827,497
Totals June 30, 2025	<u>\$ 16,939,024</u>	<u>\$ 2,432,207</u>	<u>\$ 19,371,231</u>



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
🖨 517.323.6346

**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 Board of Education
Fowlerville Community Schools

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, each major fund, and the aggregate remaining fund information of Fowlerville Community Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Fowlerville Community Schools' basic financial statements, and have issued our report thereon dated October 20, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fowlerville Community Schools' internal control over financial reporting (internal control) as a basis for designing 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 Fowlerville Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Fowlerville Community Schools' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fowlerville Community Schools' 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Maney Costeiran PC

October 20, 2025



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

October 20, 2025

To the Board of Education
Fowlerville Community Schools

In planning and performing our audit of the financial statements of Fowlerville Community Schools as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Fowlerville Community Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 13, 2025 on the financial statements of Fowlerville Community Schools. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Fowlerville Community Schools develop a plan to spend down the excess by June 30, 2025.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
🖨 517.323.6346

October 20, 2025

To the Board of Education
Fowlerville Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fowlerville Community Schools for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 Fowlerville Community Schools are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the Fowlerville Community Schools during the year for which there is a lack of authoritative guidance or consensus. There are 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:

The calculation of the net pension liability and related deferred outflows and inflows of resources is based on an actuarial study which utilized certain actuarial assumptions.

The calculation of the net other post-employment benefits asset and related deferred outflows and inflows of resources is based upon an actuarial study which utilized certain actuarial assumptions.

Management's calculation of the accrued compensated absences is based on current hourly rates, historical usage, and policies regarding payment of sick and vacation banks.

Management's calculation of the depreciation expense is based on the estimated useful lives of the capital assets.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, 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.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 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 Fowlerville Community Schools' 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 Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Fowlerville Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Maney Costeiran PC