

FOWLER PUBLIC SCHOOLS  
FOWLER, MICHIGAN

FINANCIAL STATEMENTS  
JUNE 30, 2023



**WEINLANDER FITZHUGH**  
Certified Public Accountants & Advisors

TABLE OF  
CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 12
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	15
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balance	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	18
Notes to Financial Statements	19 - 47
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	48
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability	49
Schedule of the Reporting Unit's Pension Contributions	50
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability	51
Schedule of the Reporting Unit's OPEB Contributions	52
Notes to Required Supplementary Information	53
Other Supplemental Information	
Balance Sheet - Nonmajor Governmental Funds	54

TABLE OF  
CONTENTS

	<u>Page</u>
Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	55
Schedules of Bonded Indebtedness	56 - 59
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	60 - 61
Schedule of Findings and Responses	62
Summary Schedule of Prior Year Findings	63



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## INDEPENDENT AUDITOR'S REPORT

October 24, 2023

Board of Education  
Fowler Public Schools  
Fowler, Michigan

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fowler Public Schools (School District), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Fowler Public Schools as of June 30, 2023 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Basis for Opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District, 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.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; 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.



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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, misrepresentation or the override of internal control. Misstatements, including omissions, 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 GAAS 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 Fowler Public 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 Fowler Public 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.



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### **Required Supplementary Information**

U.S. generally accepted accounting principles requires that the management's discussion and analysis, budgetary comparison information and pension and OPEB schedules, as noted in the table of contents to 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining non-major fund financial statements and schedules of bonded indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly for 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 GAAS. In our opinion, the combining non-major fund financial statements and schedules of bonded indebtedness are 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 24, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Weinlander Fitzhugh*

**FOWLER PUBLIC SCHOOLS**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023

Our discussion and analysis of Fowler Public Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2023.

**Financial Highlights**

The School District's net position increased by \$263,189 or 4%. Program revenues were \$1,975,046 or 27% of total revenues, and general revenues were \$5,305,861 or 73%.

The General Fund reported a positive fund balance of \$906,749. The Capital Projects Fund reported a positive fund balance of \$4,364,552.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Capital Projects Fund with all other funds presented in one column as nonmajor funds. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Pension Schedules (Required Supplemental Information)

OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

FOWLER PUBLIC SCHOOLS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023

**Reporting the District as a Whole**

*The Statement of Net Position and Statement of Activities*

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue.

*Governmental Funds*

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.



**FOWLER PUBLIC SCHOOLS**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023

**District-wide Financial Analysis**

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2023 and 2022:

<b>Exhibit A</b>	Governmental Activities	
	2023	2022
<b>Assets</b>		
Current and other assets	\$ 7,594,331	\$ 10,263,938
Capital assets - net of accumulated depreciation	17,173,349	9,923,394
Total assets	24,767,680	20,187,332
<b>Deferred Outflows of Resources</b>		
Related to pensions and OPEB	4,280,162	1,999,653
<b>Liabilities</b>		
Current liabilities	2,027,455	2,372,854
Long-term liabilities	30,741,322	21,725,777
Total liabilities	32,768,777	24,098,631
<b>Deferred Inflows of Resources</b>		
Related to pensions and OPEB	2,100,302	4,172,780
<b>Net Position</b>		
Net investment in capital assets	2,523,565	2,624,816
Restricted	337,283	421,579
Unrestricted	(8,682,085)	(9,130,821)
Total net position	\$ (5,821,237)	\$ (6,084,426)

The analysis above focuses on net position (see Exhibit A). The School District's net position was \$(5,821,237) at June 30, 2023. Investment in property and equipment, net of related debt totaling \$2,523,565, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use that net position for day-to-day operations.

The \$(8,682,085) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The School District implemented GASB Statement No. 68 in 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$10,755,936 for 2023 and \$6,534,606 for 2022.

**FOWLER PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2023

The School District implemented GASB Statement No. 75 in 2018. The effect of this Statement required the School District to report in the summary of net position, a liability of \$616,553 for 2023 and \$419,134 for 2022.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2023 and 2022.

<b>Exhibit B</b>	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Program revenue:		
Charges for services	\$ 510,279	\$ 358,654
Grants and categoricals	1,464,767	1,630,361
General revenue:		
Property taxes	1,126,907	1,075,732
State aid	4,015,336	3,986,736
Other	163,618	41,696
Total revenues	<u>7,280,907</u>	<u>7,093,179</u>
<b>Function/Program Expenses</b>		
Instruction	3,895,152	3,350,116
Support services	1,642,631	1,425,217
Community services	37,202	43,531
Food services	183,360	190,062
Athletics	213,502	203,966
Student/school activities	178,603	173,000
Interest	471,424	313,800
Depreciation/amortization (unallocated)	328,700	204,426
Loss on disposal of assets	5,541	0
Bond issuance costs	61,603	92,523
Total expenses	<u>7,017,718</u>	<u>5,996,641</u>
<b>Change in Net Position</b>	<u>\$ 263,189</u>	<u>\$ 1,096,538</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$7,017,718. Certain activities were partially funded from those who benefited from the programs, \$510,279, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$1,464,767. We paid for the remaining "public benefit" portion of our governmental activities with \$1,126,907 in taxes, \$4,015,336 in State aid and with our other revenues, such as interest and entitlements.

The School District had an increase in net position of \$263,189. This was primarily due to budgeting changes. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

**FOWLER PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2023

**The School District's Funds**

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of \$6,033,439, which is below last year's total of \$8,417,287. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2023 and 2022.

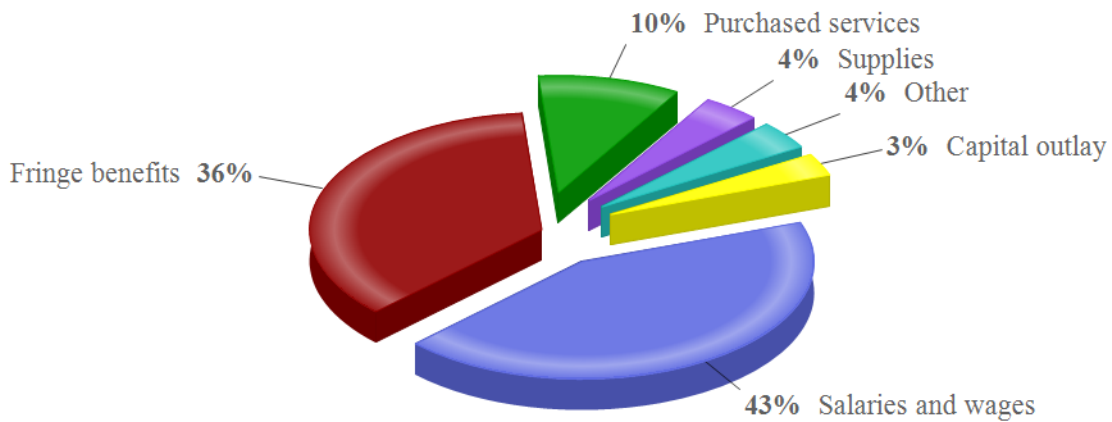
	Fund Balance <u>6/30/2023</u>	Fund Balance <u>6/30/2022</u>	Increase (Decrease)
General	\$ 906,749	\$ 967,488	\$ (60,739)
Capital Projects	4,364,552	6,695,964	(2,331,412)
Special Revenue	283,814	347,832	(64,018)
Debt Service	478,324	406,003	72,321
	<u>\$ 6,033,439</u>	<u>\$ 8,417,287</u>	<u>\$ (2,383,848)</u>

- The General Fund decrease in fund balance is attributable to overall increases in expenses that were not able to be supplanted by ESSER funds.
- The Capital Projects Fund decrease in fund balance is due to scheduled, ongoing, facility additions and improvements for the 2022-2023 year.
- The Special Revenue Funds decrease in fund balance is due to spending down the excess fund balance on purchasing supplies and equipment for a new high school kitchen.
- Debt Service Fund increase in fund balance is due to the continuation of levying 7.4 mills.

**FOWLER PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2023

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.

**Expenditures**



<u>Expenditures by object</u>	<u>2023</u>	<u>2022</u>
Salaries and wages	\$ 2,689,027	\$ 2,672,131
Fringe benefits	2,247,882	1,879,782
Purchased services	608,543	605,282
Supplies	275,223	239,911
Capital outlay	175,487	226,467
Other	270,549	273,589
Total	<u>\$ 6,266,711</u>	<u>\$ 5,897,162</u>

Expenditures increased by \$369,549 from the prior year.

Salaries and wages increased due to increased severance and sick day pay outs for several retirements. An additional, unplanned, one-time section 147c(2) UAAL payment of \$287,000 that was distributed in March of 2023 and allocated to certain functions, as well as an increase in section 147c(1) UAAL funding of \$66,000 affected only the fringe benefits.

Supplies and Capital Outlay costs changed primarily due to the final installation of a new phone system and the increased utility costs for the additional athletic center/building.

**FOWLER PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2023

The increase in purchased services was due to an increase in property/casualty insurance.

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- The overall change in budgeted revenues increased by approximately \$378,000, which was largely due to the unplanned one-time state payment, in March 2023, toward MPSERS unfunded liability as well as increased federal revenue due to requesting more 11T ESSER III grant funds than anticipated.
- The overall change in budgeted expenditures increased by approximately \$387,000, which was primarily the result of additional unplanned 147c(2) UAAL expenses that affected certain function codes.
- The actual revenues to final budgeted revenues results were more by \$71,974 due to increased federal revenue due to requesting more 11T ESSER III grant funds than anticipated, and the reclassification of an E-rate discount.
- The final budgeted expenditures to actual expenditures results were less by \$20,480 due to overall improvements in various areas.

**Capital Assets**

At June 30, 2023, the School District had \$17,173,349 invested in a broad range of capital assets, including buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of 73% from last year.

	2023	2022
Land	\$ 50,000	\$ 50,000
Construction in progress	751,759	5,507,521
Buildings and improvements	21,464,579	9,553,524
Buses and other vehicles	336,769	336,769
Furniture and equipment	1,110,780	780,102
Right to use asset - copiers	50,752	0
Total capital assets	23,764,639	16,227,916
Less accumulated depreciation/amortization	6,591,290	6,304,522
Net capital assets	\$ 17,173,349	\$ 9,923,394

**FOWLER PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2023**

Additions are from the purchase of a new playground, new kitchen, a pole vault pit, a new football field sign, a new telephone system, a new lease for copy machines, the recreational facility was completed, updates to the Waldron building and started work on the new STEM center.

**Debt**

At the end of this year, the School District had \$18,677,510 in debt outstanding versus \$14,381,145 in the previous year.

	<u>2023</u>	<u>2022</u>
2020 bond refunding	\$ 2,455,000	\$ 2,645,000
2020 school building and site bonds	8,510,000	8,510,000
2022 Bond series II	2,945,000	3,110,000
2023 Bond series III	4,650,000	0
Lease liability	47,148	0
Huntington loan - security and lighting project	7,950	23,531
Huntington loan - buses	62,412	92,614
	<u>\$ 18,677,510</u>	<u>\$ 14,381,145</u>

**Factors Expected to have an Effect on Future Operations**

The School District continues to combine the high school principal and superintendent positions, the building/grounds supervisor and the transportation supervisor positions, and continues to contract the school bus fleet maintenance with another district. In addition to the aforementioned, Fowler Public Schools contracts Chartwells for some labor positions as well as a manager to oversee the food service program and contracts various business and technology services with their local ISD. All of these efforts help maintain the School District's fund balance and avoids layoffs for teachers, support and extracurricular staff; layoffs that indeed would affect the children of the District.

The School District continues to monitor enrollment trends. If future enrollment trends decline, the District will need to restructure the curriculum staff. As additional ESSER funds start to diminish, the Board of Education and Administration will need to make economic and staffing decisions to carry out the District's mission statement and goals and to maintain a stable fund equity.

The 2023 fiscal year budget was adopted in June 2022, based on an estimate of students that would be enrolled in September 2022. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Although the State has budgeted more funding for schools, new or repealed laws could potentially impact the School District. The Board of Education members and administrators will continue to focus on student-classroom level challenges, social and emotional learning, personalized instruction, and to remain fiscally responsible for years to come.

**FOWLER PUBLIC SCHOOLS**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023

**Requests for Information**

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent  
Fowler Public Schools  
700 South Main Street  
Fowler, MI 48835

FOWLER PUBLIC SCHOOLS  
Statement of Net Position  
June 30, 2023

	Governmental Activities
<u>Assets</u>	
Cash and investments	\$ 6,405,478
Receivables - net:	
Accounts receivable	2,368
Due from other governmental units	1,186,485
Capital assets less accumulated depreciation/amortization \$6,591,290	17,173,349
Total assets	24,767,680
<u>Deferred Outflows of Resources</u>	
Related to pensions	3,423,542
Related to OPEB	856,620
Total Deferred Outflows of Resources	4,280,162
<u>Liabilities</u>	
Accounts payable	606,836
State aid anticipation note payable	221,143
Accrued payroll and other liabilities	612,129
Deferred revenue	120,784
Accrued interest payable	143,850
Long-term liabilities:	
Due within one year	322,713
Due in more than one year	19,368,833
Net pension liability	10,755,936
Net OPEB liability	616,553
Total liabilities	32,768,777
<u>Deferred Inflows of Resources</u>	
Related to Pensions	830,104
Related to OPEB	1,270,198
Total deferred inflows of resources	2,100,302
<u>Net Position</u>	
Net investment in capital assets	2,523,565
Restricted for debt service	334,474
Restricted for food service	2,809
Unrestricted	(8,682,085)
Total net position	\$ (5,821,237)

See accompanying notes to financial statements.



**FOWLER PUBLIC SCHOOLS**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 3,895,152	\$ 31,534	\$ 1,339,547	\$ (2,524,071)
Support services	1,642,631	4,005	0	(1,638,626)
Community services	37,202	0	0	(37,202)
Food services	183,360	99,001	125,220	40,861
Athletics	213,502	124,666	0	(88,836)
Student/school activities	178,603	251,073	0	72,470
Interest	471,424	0	0	(471,424)
Depreciation/amortization (unallocated)	328,700	0	0	(328,700)
Loss on disposal of assets	5,541	0	0	(5,541)
Bond issuance costs	61,603	0	0	(61,603)
	<u>\$ 7,017,718</u>	<u>\$ 510,279</u>	<u>\$ 1,464,767</u>	<u>(5,042,672)</u>
Total governmental activities				
General revenues:				
Taxes:				
Property taxes, levied for general purposes				245,189
Property taxes, levied for debt service				881,718
State aid				4,015,336
Interest and investment earnings				144,050
Other				19,568
				<u>5,305,861</u>
Total general revenues				
Change in net position				263,189
Net position - beginning of year				<u>(6,084,426)</u>
Net position - end of year				<u>\$ (5,821,237)</u>

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS  
Governmental Funds  
Balance Sheet  
June 30, 2023

	General	Capital Projects	Other Nonmajor Governmental Fund	Total
<u>Assets</u>				
Cash and investments	\$ 708,740	\$ 4,881,760	\$ 814,978	\$ 6,405,478
Receivables - net:				
Accounts receivable	2,368	0	0	2,368
Due from other funds	32	51,584	6,577	58,193
Due from other governmental units	1,186,485	0	0	1,186,485
Total assets	\$ 1,897,625	\$ 4,933,344	\$ 821,555	\$ 7,652,524
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 30,243	\$ 568,792	\$ 7,801	\$ 606,836
Due to other funds	6,577	0	51,616	58,193
State aid anticipation note payable	221,143	0	0	221,143
Accrued payroll and other liabilities	612,129	0	0	612,129
Unearned revenue	120,784	0	0	120,784
Total liabilities	990,876	568,792	59,417	1,619,085
<u>Fund Balance</u>				
Restricted for debt service	0	0	478,324	478,324
Restricted for capital projects	0	4,364,552	0	4,364,552
Restricted for food service	0	0	75,770	75,770
Committed for capital improvements	22,887	0	0	22,887
Committed for student/school activities	0	0	208,044	208,044
Unassigned	883,862	0	0	883,862
Total fund balance	906,749	4,364,552	762,138	6,033,439
Total liabilities and fund balance	\$ 1,897,625	\$ 4,933,344	\$ 821,555	\$ 7,652,524

See accompanying notes to financial statements.

**FOWLER PUBLIC SCHOOLS**  
**Reconciliation of Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2023

Total fund balance - governmental funds	\$ 6,033,439
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds:</p>	
Cost of the capital assets/right to use asset	23,764,639
Accumulated depreciation/amortization	(6,591,290)
<p>Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:</p>	
Related to pensions	3,423,542
Related to OPEB	856,620
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(18,560,000)
Bond premium	(854,036)
Compensated absences	(160,000)
Loans payable	(117,510)
Net pension liability	(10,755,936)
Net OPEB liability	(616,553)
Accrued interest payable is included as a liability in governmental activities	(143,850)
<p>Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:</p>	
Related to pensions	(830,104)
Related to OPEB	(1,270,198)
Total net position - governmental activities	<u>\$ (5,821,237)</u>

See accompanying notes to financial statements.

**FOWLER PUBLIC SCHOOLS**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**

	General	Capital Projects	Other Nonmajor Governmental Fund	Total
<u>Revenues</u>				
Local sources	\$ 443,262	\$ 125,548	\$ 1,233,606	\$ 1,802,416
State sources	5,212,031	0	21,935	5,233,966
Federal sources	314,077	0	104,522	418,599
Interdistrict and other sources	181,180	0	0	181,180
Total revenues	<u>6,150,550</u>	<u>125,548</u>	<u>1,360,063</u>	<u>7,636,161</u>
<u>Expenditures</u>				
Current:				
Instruction	4,113,413	0	0	4,113,413
Support services	1,828,367	0	0	1,828,367
Community services	37,202	0	0	37,202
Athletics	238,342	0	0	238,342
Food services	0	0	329,786	329,786
Student/school activities	0	0	205,991	205,991
Principal	49,387	0	355,000	404,387
Interest and other	0	0	456,313	456,313
Facilities acquisition, construction and improvement	0	7,274,032	0	7,274,032
Total expenditures	<u>6,266,711</u>	<u>7,274,032</u>	<u>1,347,090</u>	<u>14,887,833</u>
Excess (deficiency) of revenues over expenditures	<u>(116,161)</u>	<u>(7,148,484)</u>	<u>12,973</u>	<u>(7,251,672)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	4,670	0	0	4,670
Transfers out	0	0	(4,670)	(4,670)
Bond proceeds	0	4,650,000	0	4,650,000
Bond premium	0	228,675	0	228,675
Issuance costs	0	(61,603)	0	(61,603)
Loan proceeds	50,752	0	0	50,752
Total other financing sources (uses)	<u>55,422</u>	<u>4,817,072</u>	<u>(4,670)</u>	<u>4,867,824</u>
Net change in fund balance	(60,739)	(2,331,412)	8,303	(2,383,848)
Fund balance - beginning of year	967,488	6,695,964	753,835	8,417,287
Fund balance - end of year	<u>\$ 906,749</u>	<u>\$ 4,364,552</u>	<u>\$ 762,138</u>	<u>\$ 6,033,439</u>

See accompanying notes to financial statements.

**FOWLER PUBLIC SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

Net change in fund balance - total governmental funds	\$ (2,383,848)
<p>Amounts reported for governmental activities in the statements of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation/amortization</p>	
Depreciation/amortization expense	(328,700)
Capital outlay/right to use asset	7,586,511
Proceeds on sale of assets	(2,315)
Loss on sale of assets	(5,541)
<p>The issuance of long-term debt (e.g. bonds) provide 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, discounts, and similar items when debt is first issues, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items as follows:</p>	
Proceeds from issuance of debt	(4,700,752)
Premium on issuance	(228,675)
Payment on long-term debt	404,387
Amortization of bond premium	63,192
<p>Decreases in compensated absences are reported as an addition in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6</p>	
	3,000
<p>Accrued interest is reported as a reduction in expenditures on the Statement of Activities</p>	
	(78,308)
<p>Some revenue and 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</p>	
Pension related items	(485,104)
OPEB related items	419,342
Change in net position of governmental activities	\$ 263,189

See accompanying notes to financial statements.

**FOWLER PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

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

The accounting policies of Fowler Public Schools (School District) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items that are not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**District-wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Amounts reported as program revenue include; (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are 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.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

**General Fund** - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Capital Projects Fund** - The Capital Projects Fund is used to account for the recording of transactions relative to the improvements of the facilities of the School District.

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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

**Assets, Liabilities, and Net Position or Equity**

**Cash and Investments** - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

**Inventory and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. The School District does not have infrastructure-type assets.

Buildings, equipment and vehicles are depreciated/amortized using the straight-line method over the following useful lives:

Buildings and improvements	15-50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years
Right to use - leased copier	5 years

**Leases**

Lessee: The School District is a lessee for a noncancelable lease of a copier. The School District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.



FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments include in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

**Compensated Absences** - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-term Obligations** - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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

**Defined Benefit Plan** - For purposes of measuring the net pension and other postemployment benefit liability, 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 School Employees Retirement Systems (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.

**Fund Equity** - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The Board committed \$22,887 for capital improvements. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have an assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Deferred Outflows and Inflows of Resources**

**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 position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. They are the deferred charge on pension and other postemployment benefits contributions reported in the government-wide statement of net position. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and other postemployment benefits contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

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

**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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For district-wide financial statements, the School District reports deferred inflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period.

**Use of Estimates** - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. 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.

**Property Taxes** - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

**State Aid** - For the fiscal year ended June 30, 2023, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide 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 year ended June 30, 2023, the foundation allowance was based on the average pupil membership counts taken in February and October of 2022.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2022 - August 2023. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2023 relating to state aid is \$978,119.

The School 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 categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**FOWLER PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

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

**Events Occurring After Reporting Date**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

**NOTE 2 - BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Fowler Public Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

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.

**NOTE 3 - CASH AND INVESTMENTS**

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

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

2. 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.
3. 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.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. 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.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government
Cash and cash equivalents	\$ 6,098,348
Investments	307,130
	\$ 6,405,478

As of June 30, 2023 the School District had deposits and investments subject to the following risk:

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2023, \$6,238,181 of the School District's bank balance of \$6,488,181 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

The School 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 School District will do business.

**Interest rate risk.** In accordance with its investment policy, the School 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 School District's cash requirements.

<b>Investment type</b>	<b>Fair value</b>	<b>Weighted average maturity (years)</b>
MILAF External Investment Pool - CMC	\$ <u>307,130</u>	N/A

**Concentration of credit risk.** The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one 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 by credit quality.

<b>Investment type</b>	<b>Fair value</b>	<b>Rating</b>	<b>Rating Agency</b>
MILAF External Investment Pool - CMC	\$ <u>307,130</u>	AAAm	Standard & Poor's

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

**Fair value measurement.** The School 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:

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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 School District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The School District does not have any investments subject to the fair value hierarchy.

The School District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the School District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximates fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment pool - CMC	\$ 307,130

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.

**FOWLER PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in governmental capital assets follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2023</u>
Assets not being depreciated/amortized:				
Land	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Construction in progress	<u>5,507,521</u>	<u>751,759</u>	<u>(5,507,521)</u>	<u>751,759</u>
Subtotal	<u>5,557,521</u>	<u>751,759</u>	<u>(5,507,521)</u>	<u>801,759</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	9,553,524	11,911,055	0	21,464,579
Buses and other vehicles	336,769	0	0	336,769
Furniture and equipment	780,102	380,466	(49,788)	1,110,780
Right to use asset - copiers	<u>0</u>	<u>50,752</u>	<u>0</u>	<u>50,752</u>
Subtotal	<u>10,670,395</u>	<u>12,342,273</u>	<u>(49,788)</u>	<u>22,962,880</u>
Accumulated depreciation/amortization:				
Buildings and improvements	5,428,002	276,499	0	5,704,501
Buses and other vehicles	175,119	24,629	0	199,748
Furniture and equipment	701,401	23,343	(41,932)	682,812
Right to use asset - copiers	<u>0</u>	<u>4,229</u>	<u>0</u>	<u>4,229</u>
Subtotal	<u>6,304,522</u>	<u>328,700</u>	<u>(41,932)</u>	<u>6,591,290</u>
Net capital assets being depreciated/amortized	<u>4,365,873</u>	<u>12,013,573</u>	<u>(7,856)</u>	<u>16,371,590</u>
Net capital assets	<u>\$ 9,923,394</u>	<u>\$ 12,765,332</u>	<u>\$ (5,515,377)</u>	<u>\$ 17,173,349</u>

Depreciation/amortization expense for fiscal year ended June 30, 2023 was \$328,700. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.



FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A summary of interfund receivable and payable balances at June 30, 2023 are as follows:

		Payables			
		General	Food Service	Student Activities Fund	Total
Receivables	General Fund	\$ 0	\$ 0	\$ 32	\$ 32
	Food Services	6,577	0	0	6,577
	Capital Projects	0	51,584	0	51,584
		\$ 6,577	\$ 51,584	\$ 32	\$ 58,193

A summary of interfund transfers made during the year ended June 30, 2023 are as follows:

		<u>Transfers Out</u>
		<u>Food Service</u>
Transfers In	General	\$ 4,670

These interfund receivable and payable balances resulted 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.

Interfund transfer resulted from in-direct costs between the General Fund and Food Service Fund.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2023 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and grants	\$ 978,119
Federal grants	208,247
Other	119
	\$ 1,186,485

**NOTE 7 - UNEARNED REVENUE**

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$120,784.

**FOWLER PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTE 8 - SHORT-TERM DEBT ACTIVITY**

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the School District's cash flow obligation to operating expenses precede the collection of state aid. At June 30, 2023, the School District has issued state aid anticipation notes payable in the amount of \$350,000 and \$150,000, with an interest rate of 1.97% and 1.99%, respectively. One matures on July 20, 2023 with the other one maturing on August 20, 2023. The notes are secured by the full faith and credit of the School District as well as pledged state aid. In an event of a default on the notes, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2023 is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
State Aid Anticipation Note	\$ 135,714	\$ 500,000	\$ 414,571	\$ 221,143

**NOTE 9 - LONG-TERM OBLIGATIONS**

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Retirements and Payments	Balance June 30, 2023	Amount Due Within One Year
General obligation bonds	\$ 14,953,553	\$ 4,878,675	\$ 418,192	\$ 19,414,036	\$ 274,820
Notes from direct borrowings and direct placements	116,145	50,752	49,387	117,510	47,893
Compensated absences	163,000	0	3,000	160,000	0
	\$ 15,232,698	\$ 4,929,427	\$ 470,579	\$ 19,691,546	\$ 322,713

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)**

Long-term obligations at June 30, 2023 are comprised of the following issues:

General obligation bonds:

\$2,980,000, 2020 bond refunding of 2013 School Building and site bonds due in annual installments of \$160,000 to \$345,000 through May 1, 2032, interest at 2.00% to 5.00%	\$ 2,455,000
\$9,075,000, Bond issuance for 2020 school building and site bonds due in installments of \$190,000 to \$525,000 through May 2050, interest at 2.00% to 5.00%.	8,510,000
\$3,110,000, 2022 School Building and Site Bonds, Series II, due in annual installments of \$65,000 to \$170,000 through November 2050, interest at 4.00%	2,945,000
\$4,650,000, 2023 School Building and Site Bonds, Series III, due in annual installments of \$15,000 to \$410,000 through May 2046, interest at 4.00% to 5.00%.	<u>4,650,000</u>
Subtotal	18,560,000
Bond premium	<u>854,036</u>
Total bonded debt	<u><u>\$ 19,414,036</u></u>

Notes from direct borrowings and direct placements:

Huntington loan - On December 18, 2017, the School District borrowed \$88,500 to finance a security and lighting project. The note is due in monthly installments of \$1,337 including interest at 2.8% and matures in December 2023.	\$ 7,950
Huntington loan - On November 16, 2021, the School District purchased two school buses. The note is due in yearly installments of \$32,240 including interest at 2.2% and matures in May 2025	62,412
On February 1, 2023, the School District entered into a lease agreement for four copiers. The note is due in monthly installments of \$1,000, including interest at 6.79% and matures in February 2028.	<u>47,148</u>
Total direct borrowings and direct placements	<u><u>\$ 117,510</u></u>

**FOWLER PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
For the Year Ended June 30, 2023

**NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)**

Under the terms of the present contracts between the Fowler Public Schools Board of Education and the various employee associations, the School District is contingently liable for unused sick days. Each employee may accumulate various numbers of sick days and it must be paid to them upon retirement. The School District has also entered into a voluntary severance plan with certain School District employees. At June 30, 2023, the unused sick days and voluntary severance has been reflected in the district-wide financial statements in the amount of \$160,000.

The annual debt service requirements on long-term debt as of June 30, 2023, including interest payments are as follows:

Year Ended June 30	General Obligation Bonds			Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 205,000	\$ 680,397	\$ 885,397	\$ 47,893	\$ 4,351	\$ 52,244
2025	300,000	632,794	932,794	41,258	2,980	44,238
2026	340,000	618,444	958,444	10,393	1,606	11,999
2027	365,000	602,344	967,344	11,121	878	11,999
2028	475,000	585,094	1,060,094	6,845	156	7,001
2029 - 2033	3,040,000	2,551,520	5,591,520	0	0	0
2034 - 2038	3,765,000	1,983,888	5,748,888	0	0	0
2039 - 2043	4,400,000	1,354,745	5,754,745	0	0	0
2044 - 2048	4,300,000	590,939	4,890,939	0	0	0
2049 - 2050	1,370,000	63,038	1,433,038	0	0	0
	<u>\$ 18,560,000</u>	<u>\$ 9,663,203</u>	<u>\$ 28,223,203</u>	<u>\$ 117,510</u>	<u>\$ 9,971</u>	<u>\$ 127,481</u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates, operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**FOWLER PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
For the Year Ended June 30, 2023

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Michigan Public School Employees' Retirement System (MPSERS) (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.michigan.gov/orsschools](http://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 pension plans offered by MPSERS 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

**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%.

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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

**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.

**FOWLER PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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 worked on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution 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 contribution 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.

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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.

**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 60<sup>th</sup> 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.



FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019, are amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The School District’s 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:

	Pension	Other Postemployment Benefit
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The School District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$1,330,000. Of the total pension contributions approximately \$1,294,000 was contributed to fund the Defined Benefit Plan and approximately \$36,000 was contributed to fund the Defined Contribution Plan.

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

The School District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$212,000. Of the total OPEB contributions approximately \$209,000 was contributed to fund the Defined Benefit Plan and approximately \$3,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefits, 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**

**Pension Liabilities**

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The School 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.

MPSERS (Plan) Non-University Employers:	September 30, 2022	September 30, 2021
Total Pension Liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan Fiduciary Net Position	\$ 58,268,076,344	\$ 62,717,060,920
Net Pension Liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate share	0.02860 %	0.02760 %
Net Pension liability for the School District	\$ 10,755,936	\$ 6,534,606

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2023, the School District recognized pension expense of approximately \$1,462,000.

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Differences between expected and actual experience	\$ 107,597	\$ (24,049)
Net difference between projected and actual earnings on pension plan investments	25,223	0
Changes in assumptions	1,848,255	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	283,563	(25,260)
Unearned revenue related to pension portion of section 147 c	0	(780,795)
School District's contributions subsequent to the measurement date	1,158,904	0
<b>Total</b>	<b>\$ 3,423,542</b>	<b>\$ (830,104)</b>

\$1,158,904, reported as deferred outflows of resources related to pensions resulting from School 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:

<b>Year Ended June 30</b>	<b>Amount</b>
2024	\$ 648,106
2025	499,692
2026	425,263
2027	642,268
	<b>\$ 2,215,329</b>

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

**OPEB Liabilities**

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB liability 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.

MPSERS (Plan) Non-University Employers:	September 30, 2022	September 30, 2021
Total OPEB Liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan Fiduciary Net Position	\$ 10,404,650,683	\$ 10,520,015,621
Net OPEB Liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate share	0.02911 %	0.02746 %
Net OPEB liability for the School District	\$ 616,553	\$ 419,134

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

For the year ended June 30, 2023, the School District recognized OPEB expense of approximately \$(197,000).

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

At June 30, 2023, the School District 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>
Difference between expected and actual experience	\$ 0	\$ (1,207,592)
Net difference between projected and actual plan investments	48,188	0
Changes in assumption	549,554	(44,748)
Changes in proportion and differences between employer contributions and proportionate share of contributions	104,995	(17,858)
School District's contributions subsequent to the measurement date	<u>153,883</u>	<u>0</u>
<b>Total</b>	<u>\$ 856,620</u>	<u>\$ (1,270,198)</u>

\$153,883, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<b>Year Ended June 30</b>	<b>Amount</b>
2024	\$ (213,650)
2025	(189,794)
2026	(167,644)
2027	(2,592)
2028	2,873
Thereafter	3,346
	<u>\$ (567,461)</u>

**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 groups.

**FOWLER PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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:** RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

**Active:** RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

**Disabled Retirees:** RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

**Experience study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

**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 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan and OPEB 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, 7.75% for year one and graded to 3.5% for year fifteen. Post 65, 5.25% 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.

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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

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

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Investment Category</b>	<b>Target Allocation*</b>	<b>Long-Term Expected Real Rate of Return*</b>
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity Pools	15.0%	6.7%
Fixed Income Pools	13.0%	(0.2)%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Oppportunistic Pools	10.0%	5.8%
Short Term Investment Pools	2.0%	(0.5)%
<b>Total</b>	<b>100.0%</b>	

\*Long term rate of return are net of administrative expenses and 2.2% inflation.

**Rate of return** - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount 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 long-term 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.

FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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 School District's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the School District'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:

	<b>Pension</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
School District's proportionate share of the net pension liability	<u>\$14,193,839</u>	<u>\$10,755,936</u>	<u>\$7,922,948</u>

**Sensitivity of the net OPEB liability to changes in the discount rate** - The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB 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:

	<b>Other postemployment benefit</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
School District's proportionate share of the net OPEB liability	<u>\$1,034,209</u>	<u>\$616,553</u>	<u>\$264,835</u>



FOWLER PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2023

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates** - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the School District's proportionate share of the net other postemployment benefit liability 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:

	<b>Other postemployment benefit</b>		
	<b>1% Decrease</b>	<b>Current Healthcare cost trend rates</b>	<b>1% Increase</b>
School District's proportionate share of the net OPEB liability	<u>\$258,183</u>	<u>\$616,553</u>	<u>\$1,018,831</u>

**Pension and OPEB Plan Fiduciary Net Position** - Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2022 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 included in the financial statements as a liability titled accrued payroll and payroll liabilities. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**NOTE 12 - GRANTS**

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

**NOTE 13 - ECONOMIC DEPENDENCY**

The School District received approximately 85% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

**FOWLER PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTE 14 - TAX ABATEMENTS**

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

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

There are no significant abatements made by the School District.

**NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT**

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

FOWLER PUBLIC SCHOOLS  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 382,537	\$ 434,557	\$ 443,262	\$ 8,705
State sources	4,908,384	5,217,707	5,212,031	(5,676)
Federal sources	235,895	245,188	314,077	68,889
Interdistrict and other sources	173,500	181,124	181,180	56
Total revenues	<u>5,700,316</u>	<u>6,078,576</u>	<u>6,150,550</u>	<u>71,974</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	3,335,703	3,605,339	3,548,782	56,557
Added needs	577,883	559,611	564,631	(5,020)
Support services:				
Pupil	79,898	68,705	54,379	14,326
Instructional staff	23,807	23,904	24,887	(983)
General administrative	480,152	521,790	550,243	(28,453)
School administrative	348,106	343,847	341,631	2,216
Business services	45,628	64,682	114,457	(49,775)
Operations and maintenance	499,167	571,621	525,639	45,982
Transportation	197,385	198,776	201,807	(3,031)
Information services	18,192	15,027	15,324	(297)
Community services	35,150	26,380	37,202	(10,822)
Athletics	214,252	238,122	238,342	(220)
Debt service	45,353	49,387	49,387	0
Total expenditures	<u>5,900,676</u>	<u>6,287,191</u>	<u>6,266,711</u>	<u>20,480</u>
Excess (deficiency) of revenues over expenditures	(200,360)	(208,615)	(116,161)	92,454
<u>Other Financing Sources (Uses)</u>				
Transfers in	7,500	6,000	4,670	(1,330)
Loan proceeds	0	60,000	50,752	(9,248)
Total other financing sources (uses)	<u>7,500</u>	<u>66,000</u>	<u>55,422</u>	<u>(10,578)</u>
Net change in fund balance	(192,860)	(142,615)	(60,739)	81,876
Fund balance - beginning of year	<u>967,488</u>	<u>967,488</u>	<u>967,488</u>	<u>0</u>
Fund balance - end of year	<u>\$ 774,628</u>	<u>\$ 824,873</u>	<u>\$ 906,749</u>	<u>\$ 81,876</u>

**FOWLER PUBLIC SCHOOLS**  
**Required Supplemental Information**  
**Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.02860 %	0.02760 %	0.02739 %	0.02717 %	0.02733 %	0.02706 %	0.02739 %	0.02978 %	0.03006 %
Reporting unit's proportionate share of net pension liability	\$ 10,755,936	\$ 6,534,606	\$ 9,407,660	\$ 8,996,429	\$ 8,216,974	\$ 7,012,295	\$ 6,833,658	\$ 7,272,566	\$ 6,620,455
Reporting unit's covered-employee payroll*	\$ 2,796,611	\$ 2,460,553	\$ 2,431,625	\$ 2,365,275	\$ 2,326,610	\$ 2,301,211	\$ 2,222,997	\$ 2,529,827	\$ 2,598,296
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	26.00063 %	37.65419 %	25.84729 %	26.29127 %	28.31468 %	32.81680 %	32.53012 %	34.78589 %	39.24649 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.77000 %	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	62.92000 %	66.15000 %

\* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

**FOWLER PUBLIC SCHOOLS**  
**Required Supplemental Information**  
**Schedule of the Reporting Unit's Pension Contributions**  
**Michigan Public School Employees Retirement Plan**  
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,294,414	\$ 950,208	\$ 817,598	\$ 743,515	\$ 721,044	\$ 692,819	\$ 624,958	\$ 661,818	\$ 521,284
Contributions in relation to statutorily required contributions*	<u>1,294,414</u>	<u>950,208</u>	<u>817,598</u>	<u>743,515</u>	<u>721,044</u>	<u>692,819</u>	<u>624,958</u>	<u>661,818</u>	<u>521,284</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 2,684,207	\$ 2,660,894	\$ 2,399,741	\$ 2,448,574	\$ 2,352,740	\$ 2,321,261	\$ 2,532,430	\$ 2,211,910	\$ 2,517,486
Contributions as a percentage of covered-employee payroll	48.22 %	35.71 %	34.07 %	30.37 %	30.65 %	29.85 %	24.68 %	29.92 %	20.71 %

\* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

\*\* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pensions and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

**FOWLER PUBLIC SCHOOLS**  
**Required Supplemental Information**  
**Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.02911 %	0.02746 %	0.02754 %	0.02712 %	0.02737 %	0.02708 %
Reporting unit's proportionate share of net OPEB liability	\$ 616,553	\$ 419,134	\$ 1,475,461	\$ 1,946,770	\$ 2,175,708	\$ 2,398,386
Reporting unit's covered-employee payroll*	\$ 2,796,611	\$ 2,460,553	\$ 2,431,625	\$ 2,365,275	\$ 2,326,610	\$ 2,301,211
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	453.58809 %	587.05641 %	164.80442 %	121.49740 %	106.93577 %	95.94832 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	83.09000 %	87.33000 %	59.44000 %	48.46000 %	42.95000 %	36.39000 %

\* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

**FOWLER PUBLIC SCHOOLS**  
**Required Supplemental Information**  
**Schedule of the Reporting Unit's OPEB Contributions**  
**Michigan Public School Employees Retirement Plan**  
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 208,584	\$ 212,905	\$ 198,624	\$ 190,761	\$ 184,451	\$ 188,076
Contributions in relation to statutorily required contributions*	<u>208,584</u>	<u>212,905</u>	<u>198,624</u>	<u>190,761</u>	<u>184,451</u>	<u>188,076</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 2,684,207	\$ 2,660,894	\$ 2,399,741	\$ 2,448,574	\$ 2,352,740	\$ 2,321,261
Contributions as a percentage of covered-employee payroll	7.77 %	8.00 %	8.28 %	7.79 %	7.84 %	8.10 %

\* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

\*\* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

FOWLER PUBLIC SCHOOLS  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2023

**Changes of benefit terms:** There were no changes of benefit terms in 2022.

**Changes of assumptions:** The assumption changes for pension for 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

The assumption changes for 2022 for OPEB were:

Discount rate decreased to 6.00% from 6.95%.



**FOWLER PUBLIC SCHOOLS**  
**Other Supplemental Information**  
**Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2023**

	Special Revenue Funds		Debt Service Funds		
	Food Services	Student Activities Fund	2020 Refunding	2020 Bond	Total
<u>Assets</u>					
Cash and investments	\$ 126,140	\$ 210,514	\$ 139,397	\$ 338,927	\$ 814,978
Accounts receivable:					
Due from other funds	6,577	0	0	0	6,577
Total assets	\$ 132,717	\$ 210,514	\$ 139,397	\$ 338,927	\$ 821,555
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 5,363	\$ 2,438	\$ 0	\$ 0	\$ 7,801
Due to other funds	51,584	32	0	0	51,616
Total liabilities	56,947	2,470	0	0	59,417
<u>Fund Balance</u>					
Restricted for debt service	0	0	139,397	338,927	478,324
Restricted for food service	75,770	0	0	0	75,770
Committed for student/school activities	0	208,044	0	0	208,044
Total fund balance	75,770	208,044	139,397	338,927	762,138
Total liabilities and fund balance	\$ 132,717	\$ 210,514	\$ 139,397	\$ 338,927	\$ 821,555

**FOWLER PUBLIC SCHOOLS**  
**Other Supplemental Information**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2023**

	Special Revenue Funds		Debt Service Fund		Total
	Food Services	Student Activities Fund	2020 Refunding	2020 Bond	
<u>Revenues</u>					
Local sources	\$ 100,136	\$ 251,073	\$ 379,346	\$ 503,051	\$ 1,233,606
State sources	20,698	0	532	705	21,935
Federal sources	104,522	0	0	0	104,522
Total revenues	225,356	251,073	379,878	503,756	1,360,063
<u>Expenditures</u>					
Current:					
Food services	329,786	0	0	0	329,786
Student/school activities	0	205,991	0	0	205,991
Principal	0	0	190,000	165,000	355,000
Interest and other	0	0	115,874	340,439	456,313
Total expenditures	329,786	205,991	305,874	505,439	1,347,090
Excess (deficiency) of revenues over expenditures	(104,430)	45,082	74,004	(1,683)	12,973
<u>Other Financing Sources (Uses)</u>					
Transfers out	(4,670)	0	0	0	(4,670)
Net change in fund balance	(109,100)	45,082	74,004	(1,683)	8,303
Fund balance - beginning of year	184,870	162,962	65,393	340,610	753,835
Fund balance - end of year	\$ 75,770	\$ 208,044	\$ 139,397	\$ 338,927	\$ 762,138

**FOWLER PUBLIC SCHOOLS**  
**Other Supplemental Information**  
**Schedule of Bonded Indebtedness - 2020 Refunding Bond**  
**For the Year Ended June 30, 2023**

<u>PURPOSE</u>	2020 Refunding of 2013 School Building and Site Bonds		
<u>DATE OF ISSUE</u>	April 23, 2020		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 2,980,000
<u>AMOUNT OF REDEEMED</u>			
	During prior years	\$ 335,000	
	During current year	<u>190,000</u>	<u>525,000</u>
<u>BALANCE OUTSTANDING - June 30, 2023</u>			<u>\$ 2,455,000</u>

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	5.00%	\$ 205,000	\$ 105,800	\$ 310,800
2025	5.00%	220,000	95,550	315,550
2026	5.00%	235,000	84,550	319,550
2027	5.00%	250,000	72,800	322,800
2028	5.00%	270,000	60,300	330,300
2029	5.00%	290,000	46,800	336,800
2030	5.00%	310,000	32,300	342,300
2031	3.00%	330,000	16,800	346,800
2032	2.00%	<u>345,000</u>	<u>6,900</u>	<u>351,900</u>
		<u>\$ 2,455,000</u>	<u>\$ 521,800</u>	<u>\$ 2,976,800</u>

**FOWLER PUBLIC SCHOOLS**  
**Other Supplemental Information**  
**Schedule of Bonded Indebtedness - 2020 Bond**  
**For the Year Ended June 30, 2023**

<u>PURPOSE</u>	2020 School Building and Site Bonds	
<u>DATE OF ISSUE</u>	October 14, 2020	
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year	
<u>AMOUNT OF ISSUE</u>		\$ 9,075,000
<u>AMOUNT OF REDEEMED</u>		
	During prior years	\$ 565,000
	During current year	<u>0</u>
		<u>565,000</u>
<u>BALANCE OUTSTANDING - June 30, 2023</u>		<u>\$ 8,510,000</u>

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024		\$ 0	\$ 227,344	\$ 227,344
2025		0	227,344	227,344
2026		0	227,344	227,344
2027		0	227,344	227,344
2028	5.00%	190,000	227,344	417,344
2029	5.00%	220,000	217,844	437,844
2030	5.00%	250,000	206,844	456,844
2031		0	194,344	194,344
2032		0	194,344	194,344
2033	2.00%	360,000	194,344	554,344
2034	2.00%	365,000	187,144	552,144
2035	2.13%	375,000	179,844	554,844
2036	2.13%	380,000	171,875	551,875
2037	2.25%	390,000	163,800	553,800
2038	2.25%	395,000	155,025	550,025
2039	2.25%	405,000	146,138	551,138
2040	2.38%	415,000	137,025	552,025
2041	2.50%	425,000	127,169	552,169
2042	2.50%	435,000	116,544	551,544
2043	2.63%	445,000	105,669	550,669
2044	2.63%	460,000	93,988	553,988
2045	2.63%	470,000	81,913	551,913
2046	2.75%	485,000	69,575	554,575
2047	2.75%	495,000	56,238	551,238
2048	2.75%	510,000	42,625	552,625
2049	2.75%	515,000	28,600	543,600
2050	2.75%	525,000	14,438	539,438
		<u>\$ 8,510,000</u>	<u>\$ 4,022,050</u>	<u>\$ 12,532,050</u>

**FOWLER PUBLIC SCHOOLS**  
**Other Supplemental Information**  
**Schedule of Bonded Indebtedness - 2022 Series II Bond**  
**For the Year Ended June 30, 2023**

<u>PURPOSE</u>	2022 Series II Bond		
<u>DATE OF ISSUE</u>	June 8, 2022		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 3,110,000
<u>AMOUNT OF REDEEMED</u>			
	During prior years	\$	0
	During current years	165,000	165,000
<u>BALANCE OUTSTANDING - June 30, 2023</u>			<u>\$ 2,945,000</u>

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024		\$ 0	\$ 117,800	\$ 117,800
2025	4.00%	65,000	117,800	182,800
2026	4.00%	90,000	115,200	205,200
2027	4.00%	100,000	111,600	211,600
2028		0	107,600	107,600
2029		0	107,600	107,600
2030		0	107,600	107,600
2031	4.00%	115,000	107,600	222,600
2032	4.00%	115,000	103,000	218,000
2033	4.00%	110,000	98,400	208,400
2034	4.00%	115,000	94,000	209,000
2035	4.00%	120,000	89,400	209,400
2036	4.00%	125,000	84,600	209,600
2037	4.00%	130,000	79,600	209,600
2038	4.00%	135,000	74,400	209,400
2039	4.00%	140,000	69,000	209,000
2040	4.00%	140,000	63,400	203,400
2041	4.00%	140,000	57,800	197,800
2042	4.00%	135,000	52,200	187,200
2043	4.00%	135,000	46,800	181,800
2044	4.00%	140,000	41,400	181,400
2045	4.00%	140,000	35,800	175,800
2046	4.00%	140,000	30,200	170,200
2047	4.00%	140,000	24,600	164,600
2048	4.00%	145,000	19,000	164,000
2049	4.00%	160,000	13,200	173,200
2050	4.00%	170,000	6,800	176,800
		<u>\$ 2,945,000</u>	<u>\$ 1,976,400</u>	<u>\$ 4,921,400</u>

FOWLER PUBLIC SCHOOLS  
Other Supplemental Information  
Schedule of Bonded Indebtedness  
For the Year Ended June 30, 2023

<u>PURPOSE</u>	2023 Series 3 Bond		
<u>DATE OF ISSUE</u>	February 21, 2023		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 4,650,000
<u>AMOUNT OF REDEEMED</u>			
	During prior years	\$	0
	During current years	0	0
<u>BALANCE OUTSTANDING - June 30, 2023</u>			<u>\$ 4,650,000</u>

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024		\$ 0	\$ 229,453	\$ 229,453
2025	5.00%	15,000	192,100	207,100
2026	5.00%	15,000	191,350	206,350
2027	5.00%	15,000	190,600	205,600
2028	4.00%	15,000	189,850	204,850
2029	4.00%	15,000	189,250	204,250
2030	4.00%	15,000	188,650	203,650
2031	5.00%	160,000	188,050	348,050
2032	5.00%	185,000	180,050	365,050
2033	5.00%	220,000	170,800	390,800
2034	4.00%	230,000	159,800	389,800
2035	4.00%	235,000	150,600	385,600
2036	4.00%	245,000	141,200	386,200
2037	4.00%	255,000	131,400	386,400
2038	4.00%	270,000	121,200	391,200
2039	4.00%	280,000	110,400	390,400
2040	4.00%	295,000	99,200	394,200
2041	4.00%	315,000	87,400	402,400
2042	4.00%	340,000	74,800	414,800
2043	4.00%	355,000	61,200	416,200
2044	4.00%	370,000	47,000	417,000
2045	4.00%	395,000	32,200	427,200
2046	4.00%	410,000	16,400	426,400
		<u>\$ 4,650,000</u>	<u>\$ 3,142,953</u>	<u>\$ 7,792,953</u>



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

October 24, 2023

Board of Education  
Fowler Public Schools  
Fowler, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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 Fowler Public Schools (School District), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Fowler Public Schools' basic financial statements and have issued our report thereon dated October 24, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fowler Public 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 Fowler Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Fowler Public 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 School District'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.



## **WEINLANDER FITZHUGH**

Certified Public Accountants & Advisors

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 may exist that were not identified.

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

As part of obtaining reasonable assurance about whether Fowler Public 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*.

### **School District's Response to Findings**

Fowler Public Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Fowler Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weinlander Fitzhugh*



FOWLER PUBLIC SCHOOLS  
Schedule of Findings and Responses  
For the Year Ended June 30, 2023

There are no matters reported.

FOWLER PUBLIC SCHOOLS  
Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2023

**2022-001**

Audit Finding

The School District had an excess fund balance due to the various funds received from the COVID-19 pandemic.

Corrective Action Taken

The School District significantly spent down their food service funds with building of a new kitchen. The remaining excess fund balance is no longer required by the Michigan Department of Education to be reported as a finding. The Michigan Department of Education is requesting that auditors inform the District via a management comment in the management letter instead.

**2022-002**

Audit Finding

The School District incurred unfavorable variances in food service expenditure account. The variance resulted in a violation of the Uniform Accounting and Budgeting Act, Michigan Public Act of 1978 (Act).

Corrective Action Taken

The School District properly monitored and amended their food service expenditure account budget throughout the year and the budgeted expenditures exceeded the actual expenditures.