

FOWLER PUBLIC SCHOOLS
FOWLER, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2025



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 30, 2025

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, 2025 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 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, 2025 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in 2025, the School District adopted GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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 and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

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 nonmajor 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 to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining nonmajor 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 30, 2025, 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, 2025

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, 2025.

Financial Highlights

The School District's net position increased by \$1,238,769 or 27%. Program revenues were \$2,370,419 or 30% of total revenues, and general revenues were \$5,529,864 or 70%.

The General Fund reported a positive fund balance of \$1,248,919. The Capital Projects Fund reported a positive fund balance of \$292,392. The 2020 Bond Debt Fund reported a positive fund balance of \$502,663.

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, the 2020 Bond Debt 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, 2025

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, 2025

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, 2025 and 2024:

Exhibit A	Governmental Activities	
	2025	2024
Assets		
Current and other assets	\$ 3,324,030	\$ 4,164,359
Net OPEB asset	1,103,192	147,005
Capital assets - net of accumulated depreciation	20,617,497	20,084,394
Total assets	25,044,719	24,395,758
Deferred Outflows of Resources		
Related to pensions and OPEB	2,177,547	3,221,495
Liabilities		
Current liabilities	1,439,557	1,412,245
Long-term liabilities	24,934,430	27,829,014
Total liabilities	26,373,987	29,241,259
Deferred Inflows of Resources		
Related to pensions and OPEB	4,182,902	2,949,386
Net Position		
Net investment in capital assets	2,111,250	2,117,318
Restricted	910,792	530,179
Restricted for net OPEB asset	1,103,192	147,005
Unrestricted	(7,459,857)	(7,367,894)
Total net position	\$ (3,334,623)	\$ (4,573,392)

The analysis above focuses on net position (see Exhibit A). The School District's net position was \$(3,334,623) at June 30, 2025. Investment in property and equipment, net of related debt totaling \$2,111,250, 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 \$(7,459,857) 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.

FOWLER PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2025

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 \$6,336,210 for 2025 and \$8,904,099 for 2024.

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, an (asset) liability of \$(1,103,192) for 2025 and \$(147,005) for 2024.

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, 2025 and 2024.

Exhibit B	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
Revenues		
Program revenue:		
Charges for services	\$ 422,707	\$ 381,535
Grants and categoricals	1,947,712	2,270,600
General revenue:		
Property taxes	1,266,512	1,205,490
State aid	4,183,671	4,289,057
Other	79,681	254,389
Total revenues	<u>7,900,283</u>	<u>8,401,071</u>
Function/Program Expenses		
Instruction	3,236,645	3,640,004
Support services	1,458,162	1,657,946
Community services	33,389	38,022
Food services	235,498	232,403
Athletics	304,204	279,835
Student/school activities	207,957	212,005
Facilities acquisition, construction and improvement	12,263	0
Interest	561,796	574,081
Depreciation/amortization (unallocated)	611,600	518,930
Total expenses	<u>6,661,514</u>	<u>7,153,226</u>
Change in Net Position	<u>\$ 1,238,769</u>	<u>\$ 1,247,845</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$6,661,514. Certain activities were partially funded from those who benefited from the programs, \$422,707, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$1,947,712. We paid for the remaining "public benefit" portion of our governmental activities with \$1,266,512 in taxes, \$4,183,671 in State aid and with our other revenues, such as interest and entitlements.

FOWLER PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2025

The School District had an increase in net position of \$1,238,769. 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.

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 \$2,476,199, which is below last year's total of \$3,269,090. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2025 and 2024.

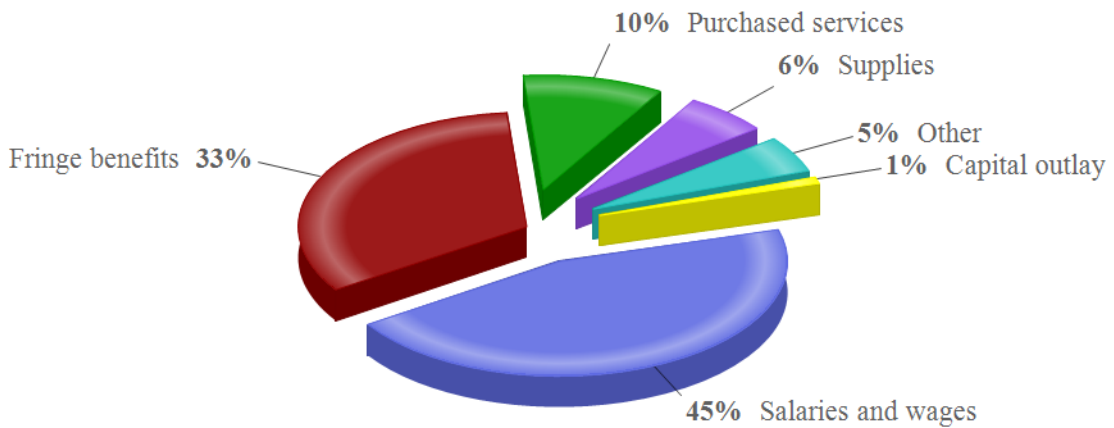
	Fund Balance <u>6/30/2025</u>	Fund Balance <u>6/30/2024</u>	Increase (Decrease)
General	\$ 1,248,919	\$ 1,098,320	\$ 150,599
Capital Projects	292,392	1,292,557	(1,000,165)
Special Revenue	317,274	334,806	(17,532)
Debt Service	617,614	543,407	74,207
	<u>\$ 2,476,199</u>	<u>\$ 3,269,090</u>	<u>\$ (792,891)</u>

- The General Fund increase in fund balance is attributable to increased categorical revenue funding that could be supplanted with current expenditures. The categorical referenced are 35J, enrollment stabilization, 31aa grant, 22I transportation, and ISD special education millage. We also had a decrease in expenditures across multiple functions.
- The Capital Projects Fund decrease in fund balance is due to the scheduled and ongoing facility additions/improvements and curriculum updates for the 2024-2025 year.
- The Special Revenue Funds decrease in fund balance is due largely in part from the purchase of a new walk in cooler/freezer at our Waldron building.
- 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, 2025

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>2025</u>	<u>2024</u>
Salaries and wages	\$ 2,726,503	\$ 2,741,945
Fringe benefits	1,917,676	2,052,046
Purchased services	606,012	618,176
Supplies	385,969	363,334
Capital outlay	81,570	175,288
Other	313,572	311,106
Total	<u>\$ 6,031,302</u>	<u>\$ 6,261,895</u>

Expenditures decreased by \$230,593 from the prior year due to overall improvements in various areas.

Overall there has been a reduction in instructional and administrative costs that contributed to a decrease in salaries and wages. As a result of these across the board salary reductions, the fringe benefits decreased.

The supply line increased due to the purchase of new curriculum materials.

Capital outlay decreased due to not purchasing major components in the 2024-2025 fiscal year as we did in the 2023-2024 fiscal year.

FOWLER PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2025

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 \$30,000, which was largely due to unanticipated state funds pertaining to new categorical funding such as; enrollment stabilization, transportation, at risk, and mental health. The funding for these categorical was unknown as the district did not know if the State would continue funding.
- The overall change in budgeted expenditures decreased by approximately \$55,000, which was primarily the result of not purchasing large capital equipment, such as cameras, and a decrease in expenditures across all functions.
- The actual revenues were more than final budgeted revenues by \$13,986 due to property tax revenue recorded.
- The final budgeted expenditures were more than actual expenditures by \$109,778 due to the 147G categorical.

Capital Assets

At June 30, 2025, the School District had \$20,617,497 invested in a broad range of capital assets, including buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of 3% from last year.

	2025	2024
Land	\$ 50,000	\$ 50,000
Construction in progress	328,600	347,274
Buildings and improvements	24,999,768	25,105,504
Buses and other vehicles	322,817	336,769
Furniture and equipment	1,420,095	1,284,285
Right to use asset - copiers	50,752	50,752
Total capital assets	27,172,032	27,174,584
Less accumulated depreciation/amortization	6,554,535	7,090,190
Net capital assets	\$ 20,617,497	\$ 20,084,394

Additions are from completing the renovations to Waldron and the High School, HVAC update at Waldron, roof at Waldron, school doors, furnishing of the Industrial Arts/STEM Center, and equipment for student athletics.

We present more detailed information about our capital assets in the notes to the financial statements.

FOWLER PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Debt

At the end of this year, the School District had \$18,082,519 in debt outstanding versus \$18,423,832 in the previous year.

	<u>2025</u>	<u>2024</u>
2020 bond refunding	\$ 2,030,000	\$ 2,250,000
2020 school building and site bonds, series I	8,510,000	8,510,000
2022 school building and site bonds, series II	2,880,000	2,945,000
2023 school building and site bonds, series III	4,635,000	4,650,000
Lease liability	27,519	37,287
Huntington loan - security and lighting project	0	31,545
	<u>\$ 18,082,519</u>	<u>\$ 18,423,832</u>

We present more detailed information about our long term debt in the notes to the financial statements.

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 their 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 District's enrollment is starting to stabilize, but the need to meet new student demands in academic and mental needs is increasing. Fowler Schools will need to be creative with staffing and budgeting as they continue to carry out the mission statement and goals of the District.

The District will continue to build up the capital improvement fund and plan for the replacement of HVAC/boiler at the High School as well as long term facility improvements along with continued K-12 curriculum updates.

The 2026 fiscal year budget was adopted in June 2025, based on an estimate of students that would be enrolled in September 2025. 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, 2025

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, 2025

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 2,335,872
Receivables - net:	
Accounts receivable	225
Due from other governmental units	972,112
Long-term CD	15,821
Capital assets less accumulated depreciation/amortization \$6,554,535	20,617,497
Net OPEB asset	<u>1,103,192</u>
Total assets	<u>25,044,719</u>
<u>Deferred Outflows of Resources</u>	
Related to pensions	1,870,568
Related to OPEB	<u>306,979</u>
Total Deferred Outflows of Resources	<u>2,177,547</u>
<u>Liabilities</u>	
Accounts payable	86,502
State aid anticipation note payable	218,131
Accrued payroll and other liabilities	490,120
Deferred revenue	53,078
Accrued interest payable	103,225
Long-term liabilities:	
Due within one year	488,501
Due in more than one year	18,598,220
Net pension liability	<u>6,336,210</u>
Total liabilities	<u>26,373,987</u>
<u>Deferred Inflows of Resources</u>	
Related to Pensions	2,667,888
Related to OPEB	<u>1,515,014</u>
Total deferred inflows of resources	<u>4,182,902</u>
<u>Net Position</u>	
Net investment in capital assets	2,111,250
Restricted for debt service	514,389
Restricted for capital projects	292,392
Restricted for food service	104,011
Restricted for net OPEB asset	1,103,192
Unrestricted	<u>(7,459,857)</u>
Total net position	<u>\$ (3,334,623)</u>

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2025

	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	\$ 3,236,645	\$ 22,540	\$ 1,693,052	\$ (1,521,053)
Support services	1,458,162	4,919	0	(1,453,243)
Community services	33,389	0	0	(33,389)
Food services	235,498	18,594	254,660	37,756
Athletics	304,204	142,058	0	(162,146)
Student/school activities	207,957	234,596	0	26,639
Facilities acquisition, construction and improvement	12,263	0	0	(12,263)
Interest	561,796	0	0	(561,796)
Depreciation/amortization (unallocated)	611,600	0	0	(611,600)
Total governmental activities	\$ 6,661,514	\$ 422,707	\$ 1,947,712	(4,291,095)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				260,193
Property taxes, levied for debt service				1,006,319
State aid				4,183,671
Interest and investment earnings				68,925
Gain on disposal of assets				3,930
Other				6,826
				5,529,864
Change in net position				1,238,769
Net position - beginning of year				(4,573,392)
Net position - end of year				\$ (3,334,623)

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2025

	<u>General</u>	<u>Capital Projects</u>	<u>2020 Bond Debt</u>	<u>Other Nonmajor Governmental Fund</u>	<u>Total</u>
<u>Assets</u>					
Cash and investments	\$ 1,088,661	\$ 290,668	\$ 502,663	\$ 453,880	\$ 2,335,872
Receivables - net:					
Accounts receivable	225	0	0	0	225
Due from other funds	11,692	51,584	0	18,230	81,506
Due from other governmental units	972,112	0	0	0	972,112
Long-term CD	0	0	0	15,821	15,821
Total assets	\$ 2,072,690	\$ 342,252	\$ 502,663	\$ 487,931	\$ 3,405,536
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 44,212	\$ 38,610	\$ 0	\$ 3,680	\$ 86,502
Due to other funds	18,230	11,250	0	52,026	81,506
State aid anticipation note payable	218,131	0	0	0	218,131
Accrued payroll and other liabilities	490,120	0	0	0	490,120
Unearned revenue	53,078	0	0	0	53,078
Total liabilities	823,771	49,860	0	55,706	929,337
<u>Fund Balance</u>					
Restricted for debt service	0	0	502,663	114,951	617,614
Restricted for capital projects	0	292,392	0	0	292,392
Restricted for food service	0	0	0	104,097	104,097
Committed for capital improvements	50,000	0	0	0	50,000
Committed for student/school activities	0	0	0	213,177	213,177
Unassigned	1,198,919	0	0	0	1,198,919
Total fund balance	1,248,919	292,392	502,663	432,225	2,476,199
Total liabilities and fund balance	\$ 2,072,690	\$ 342,252	\$ 502,663	\$ 487,931	\$ 3,405,536

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2025

Total fund balance - governmental funds	\$ 2,476,199
<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	27,172,032
Accumulated depreciation/amortization	(6,554,535)
<p>Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:</p>	
Related to pensions	1,870,568
Related to OPEB	306,979
<p>Some assets are not current financial resources and therefore are not reported in governmental funds. Non-current assets at year-end consist of:</p>	
Net OPEB asset	1,103,192
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(18,055,000)
Bond premium	(714,396)
Compensated absences	(289,806)
Loans payable	(27,519)
Net pension liability	(6,336,210)
Accrued interest payable is included as a liability in governmental activities	(103,225)
<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	(2,667,888)
Related to OPEB	(1,515,014)
Total net position - governmental activities	\$ (3,334,623)

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, 2025

	General	Capital Projects	2020 Bond Debt	Other Nonmajor Governmental Fund	Total
<u>Revenues</u>					
Local sources	\$ 465,734	\$ 40,708	\$ 689,902	\$ 571,435	\$ 1,767,779
State sources	5,372,575	0	1,120	155,476	5,529,171
Federal sources	92,047	0	0	99,710	191,757
Interdistrict and other sources	248,638	0	0	0	248,638
Total revenues	<u>6,178,994</u>	<u>40,708</u>	<u>691,022</u>	<u>826,621</u>	<u>7,737,345</u>
<u>Expenditures</u>					
Current:					
Instruction	3,851,384	0	0	0	3,851,384
Support services	1,796,653	0	0	0	1,796,653
Community services	33,389	0	0	0	33,389
Athletics	308,563	0	0	0	308,563
Food services	0	0	0	299,167	299,167
Student/school activities	0	0	0	224,661	224,661
Principal	41,313	0	80,000	220,000	341,313
Interest and other	0	0	538,109	96,124	634,233
Facilities acquisition, construction and improvement	0	1,040,873	0	0	1,040,873
Total expenditures	<u>6,031,302</u>	<u>1,040,873</u>	<u>618,109</u>	<u>839,952</u>	<u>8,530,236</u>
Excess (deficiency) of revenues over expenditures	<u>147,692</u>	<u>(1,000,165)</u>	<u>72,913</u>	<u>(13,331)</u>	<u>(792,891)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers in	2,907	0	0	0	2,907
Transfers out	0	0	0	(2,907)	(2,907)
Total other financing sources (uses)	<u>2,907</u>	<u>0</u>	<u>0</u>	<u>(2,907)</u>	<u>0</u>
Net change in fund balance	150,599	(1,000,165)	72,913	(16,238)	(792,891)
Fund balance - beginning of year	<u>1,098,320</u>	<u>1,292,557</u>	<u>429,750</u>	<u>448,463</u>	<u>3,269,090</u>
Fund balance - end of year	<u>\$ 1,248,919</u>	<u>\$ 292,392</u>	<u>\$ 502,663</u>	<u>\$ 432,225</u>	<u>\$ 2,476,199</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, 2025

Net change in fund balance - total governmental funds	\$ (792,891)
<p>Amounts reported for governmental activities in the statements of activities are different because:</p>	
<p style="padding-left: 20px;">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	(611,600)
Capital outlay/right to use asset	1,144,703
<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 issued, 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>	
Payment on long-term debt	341,313
Amortization of bond premium	69,820
<p>Increases 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>	
	(161,806)
<p>Accrued interest is reported as a reduction in expenditures on the Statement of Activities</p>	
	2,618
<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	805,672
OPEB related items	440,940
	1,238,769
Change in net position of governmental activities	\$ 1,238,769

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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, 2025

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.

2020 Bond Debt Fund - The 2020 Bond Debt Fund is used to account for recording of debt activity related to the bonded debt for the school building and site bonds series I, II, and III.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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, 2025

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

Long-term Obligations - In the 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, 2025

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 \$50,000 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.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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. 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 and other postemployment benefits liability in the following year. Deferred outflows are also present for the result of a difference between what the plan expected to experience and what was actually experienced. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. There is also a deferred outflow for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense.

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. The amount is the result of a difference between what the plan expected to experience and what it actually experienced. 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. There is also a deferred inflow for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount will be amortized over the next six years and included in pension and other postemployment benefits expense.

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.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025, 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, 2025, the foundation allowance was based on the average pupil membership counts taken in February and October of 2024.

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 2024 - August 2025. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2025 relating to state aid is \$971,657.

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.

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
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 - BUDGETS (CONTINUED)

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.
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.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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	\$ 1,845,847
Investments	505,846
	\$ 2,351,693

Nonnegotiable Certificates of Deposit - The School District holds nonnegotiable CDs with original maturities of 3 months or more that are considered cash and cash equivalents. As of June 30, 2025, the balance of nonnegotiable CD's is \$15,821, which is included on the Statement of Net Position as long-term CD's.

As of June 30, 2025 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, 2025, \$1,895,385 of the School District's bank balance of \$2,145,385 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.

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.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
MILAF External Investment Pool - Max Class	\$ <u>505,846</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.

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - Max Class	\$ <u>505,846</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:

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.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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 - Max Class	<u>\$ 505,846</u>

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, 2025

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	<u>Balance</u> <u>June 30, 2024</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2025</u>
Assets not being depreciated/amortized:				
Land	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Construction in progress	<u>347,274</u>	<u>328,600</u>	<u>(347,274)</u>	<u>328,600</u>
Subtotal	<u>397,274</u>	<u>328,600</u>	<u>(347,274)</u>	<u>378,600</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	25,105,504	968,814	(1,074,550)	24,999,768
Buses and other vehicles	336,769	40,000	(53,952)	322,817
Furniture and equipment	1,284,285	154,563	(18,753)	1,420,095
Right to use asset - copiers	<u>50,752</u>	<u>0</u>	<u>0</u>	<u>50,752</u>
Subtotal	<u>26,777,310</u>	<u>1,163,377</u>	<u>(1,147,255)</u>	<u>26,793,432</u>
Accumulated depreciation/amortization:				
Buildings and improvements	6,133,376	497,449	(1,074,550)	5,556,275
Buses and other vehicles	224,377	27,546	(53,952)	197,971
Furniture and equipment	718,058	76,455	(18,753)	775,760
Right to use asset - copiers	<u>14,379</u>	<u>10,150</u>	<u>0</u>	<u>24,529</u>
Subtotal	<u>7,090,190</u>	<u>611,600</u>	<u>(1,147,255)</u>	<u>6,554,535</u>
Net capital assets being depreciated/amortized	<u>19,687,120</u>	<u>551,777</u>	<u>0</u>	<u>20,238,897</u>
Net capital assets	<u>\$ 20,084,394</u>	<u>\$ 880,377</u>	<u>\$ (347,274)</u>	<u>\$ 20,617,497</u>

Depreciation/amortization expense for fiscal year ended June 30, 2025 was \$611,600. 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, 2025

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2025 are as follows:

		Payables				Total
		General	Food Service	Student Activities Fund	Capital Projects	
Receivables	General	\$ 0	\$ 0	\$ 442	\$ 11,250	\$ 11,692
	Food Service	18,230	0	0	0	18,230
	Capital Projects	0	51,584	0	0	51,584
		\$ 18,230	\$ 51,584	\$ 442	\$ 11,250	\$ 81,506

A summary of interfund transfers made during the year ended June 30, 2025 are as follows:

Transfers Out	
Food Service	
Transfers In	\$ 2,907

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 the General Fund covering the lunch debt write off in the food service fund and in-direct costs between the General Fund and Food Service Fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2025 consist of accounts (fees), intergovernmental grants and interest.

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

State aid and grants	\$ 971,657
Other	455
	\$ 972,112

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 \$53,078.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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, 2025, the School District has issued state aid anticipation notes payable in the amount of \$200,000 and \$150,000, with an interest rate of 3.33% and 3.31%. One matures on July 21, 2025 with the other one maturing on August 20, 2025. 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, 2025 is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
State Aid Anticipation Note	\$ 175,000	\$ 350,000	\$ 306,869	\$ 218,131

In August 2025, the School District issued new state aid anticipation (SAN) notes for the 2025-2026 fiscal year. The School District issued SAN notes for \$285,000 with an interest rate of 2.79% that matures in July 2026 and \$100,000 with an interest rate of 2.77% that matures in August 2026.

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, 2025:

	Balance June 30, 2024	Additions	Retirements and Payments	Balance June 30, 2025	Amount Due Within One Year
General obligation bonds	\$ 19,139,216	\$ 0	\$ 369,820	\$ 18,769,396	\$ 409,820
Notes from direct borrowings and direct placements	68,832	0	41,313	27,519	10,452
Compensated absences*	128,000	161,806	0	289,806	68,229
	\$ 19,336,048	\$ 161,806	\$ 411,133	\$ 19,086,721	\$ 488,501

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

*The change in compensated absences is presented as a net change from prior year with no restatement of the previous balance since the implementation of GASB 101 was not a material impact at the government-wide statements.

Long-term obligations at June 30, 2025 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%	\$ 2,030,000
\$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%	2,880,000
\$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>4,635,000</u>
Subtotal	18,055,000
Bond premium	<u>714,396</u>
Total bonded debt	<u>\$ 18,769,396</u>

Notes from direct borrowings and direct placements:

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>\$ 27,519</u>
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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, 2025, the unused sick days and voluntary severance has been reflected in the district-wide financial statements in the amount of \$289,806.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

The annual debt service requirements on long-term debt as of June 30, 2025, 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
2026	\$ 340,000	\$ 618,444	\$ 958,444	\$ 10,452	\$ 1,547	\$ 11,999
2027	365,000	602,344	967,344	11,184	815	11,999
2028	475,000	585,094	1,060,094	5,883	117	6,000
2029	525,000	561,494	1,086,494	0	0	0
2030	575,000	535,394	1,110,394	0	0	0
2031 - 2035	3,380,000	2,315,420	5,695,420	0	0	0
2036 - 2040	4,000,000	1,748,263	5,748,263	0	0	0
2041 - 2045	4,700,000	1,061,883	5,761,883	0	0	0
2046 - 2050	3,695,000	321,676	4,016,676	0	0	0
	<u>\$ 18,055,000</u>	<u>\$ 8,350,012</u>	<u>\$ 26,405,012</u>	<u>\$ 27,519</u>	<u>\$ 2,479</u>	<u>\$ 29,998</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, 2025

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.

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, 2025

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, 2025

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, 2025

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

Pension Reform of 2023

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

Benefits Provided – Other postemployment benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

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

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, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.09% - 23.03%	7.06% - 8.31%

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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

The School District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately \$1,114,000. Of the total pension contributions approximately \$1,064,000 was contributed to fund the Defined Benefit Plan and approximately \$50,000 was contributed to fund the Defined Contribution Plan.

The School District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately \$46,000. Of the total OPEB contributions approximately \$38,000 was contributed to fund the Defined Benefit Plan and approximately \$8,000 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, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The 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.

<u>MPSERS (Plan) Non-University Employers:</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total Pension Liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan Fiduciary Net Position	\$ 71,283,482,728	\$ 62,581,762,238
Net Pension Liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate share	0.02588 %	0.02751 %
Net Pension liability for the School District	\$ 6,336,210	\$ 8,904,099

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

For the year ended June 30, 2025, the School District recognized pension expense of approximately \$480,000.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 171,906	\$ (68,844)
Net difference between projected and actual earnings on pension plan investments	0	(1,209,218)
Changes in assumptions	660,587	(464,244)
Changes in proportion and differences between employer contributions and proportionate share of contributions	103,815	(581,925)
Unearned revenue related to pension portion of section 147 c	0	(343,657)
School District's contributions subsequent to the measurement date	934,260	0
Total	\$ 1,870,568	\$ (2,667,888)

\$934,260, 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:

Year Ended June 30	Amount
2026	\$ (311,811)
2027	(119,586)
2028	(590,751)
2029	(365,775)
	\$ (1,387,923)

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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

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

OPEB (Asset) Liabilities

The net OPEB (asset) liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB (asset) 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, 2024	September 30, 2023
Total OPEB Liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan Fiduciary Net Position	\$ 14,295,943,589	\$ 11,789,347,341
Net OPEB (Asset) Liability	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.02563 %	0.02599 %
Net OPEB (Asset) Liability for the School District	\$ (1,103,192)	\$ (147,005)

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

For the year ended June 30, 2025, the School District recognized OPEB expense of approximately \$(235,768).

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ 0	\$ (1,169,047)
Net difference between projected and actual plan investments	0	(208,847)
Changes in assumption	240,953	(27,696)
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,421	(109,424)
School District's contributions subsequent to the measurement date	2,605	0
Total	\$ 306,979	\$ (1,515,014)

\$2,605, 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 (asset) 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:

Year Ended June 30	Amount
2026	\$ (380,313)
2027	(235,754)
2028	(230,850)
2029	(220,900)
2030	(121,761)
Thereafter	(21,062)
	\$ (1,210,640)

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, 2025

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

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2024. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses 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, 7.14% for year one and graded to 3.5% for year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

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

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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, 2024 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Rate of return - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing 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, 2025

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:

	Pension		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net pension liability	<u>\$9,288,952</u>	<u>\$6,336,210</u>	<u>\$3,877,484</u>

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

	Other postemployment benefit		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net OPEB (asset) liability	<u>\$(852,556)</u>	<u>\$(1,103,192)</u>	<u>\$(1,319,894)</u>

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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

Sensitivity to the net OPEB (asset) 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 (asset) 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:

	Other postemployment benefit		
	1% Decrease	Current Healthcare cost trend rates	1% Increase
School District's proportionate share of the net OPEB (asset) liability	<u>\$(1,319,896)</u>	<u>\$(1,103,192)</u>	<u>\$(870,779)</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 2023 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 87% 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, 2025

NOTE 14 - BOND FUND COMPLIANCE

The capital project fund includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund was considered substantially complete during fiscal year 2024.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the School District implemented the following new pronouncement:

GASB Statement No. 101, *Compensated Absences*.

Summary:

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 16 - 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 17 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

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

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENT (CONTINUED)

- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

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

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription asset recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires additional disclosures for capital assets held for sale. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

FOWLER PUBLIC SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 428,511	\$ 453,648	\$ 465,734	\$ 12,086
State sources	5,381,957	5,366,325	5,372,575	6,250
Federal sources	83,612	92,094	92,047	(47)
Interdistrict and other sources	241,365	252,941	248,638	(4,303)
Total revenues	<u>6,135,445</u>	<u>6,165,008</u>	<u>6,178,994</u>	<u>13,986</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	3,391,723	3,320,359	3,258,594	61,765
Added needs	617,794	609,482	592,790	16,692
Support services:				
Pupil	75,505	78,337	78,255	82
Instructional staff	36,768	33,686	40,452	(6,766)
General administrative	410,223	433,055	424,904	8,151
School administrative	431,407	426,288	423,816	2,472
Business services	75,480	82,175	84,952	(2,777)
Operations and maintenance	567,461	555,573	537,623	17,950
Transportation	219,120	207,868	188,854	19,014
Information services	21,195	17,661	17,797	(136)
Community services	29,560	28,400	33,389	(4,989)
Athletics	280,535	306,096	308,563	(2,467)
Debt service	39,000	42,100	41,313	787
Total expenditures	<u>6,195,771</u>	<u>6,141,080</u>	<u>6,031,302</u>	<u>109,778</u>
Excess (deficiency) of revenues over expenditures	(60,326)	23,928	147,692	123,764
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	5,500	1,500	2,907	1,407
Total other financing sources (uses)	<u>5,500</u>	<u>1,500</u>	<u>2,907</u>	<u>1,407</u>
Net change in fund balance	(54,826)	25,428	150,599	125,171
Fund balance - beginning of year	<u>1,098,320</u>	<u>1,098,320</u>	<u>1,098,320</u>	<u>0</u>
Fund balance - end of year	<u>\$ 1,043,494</u>	<u>\$ 1,123,748</u>	<u>\$ 1,248,919</u>	<u>\$ 125,171</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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reporting unit's proportion of net pension liability (%)	0.02588 %	0.02751 %	0.02860 %	0.02760 %	0.02739 %	0.02717 %	0.02733 %	0.02706 %	0.02739 %	0.02978 %
Reporting unit's proportionate share of net pension liability	\$ 6,336,210	\$ 8,904,099	\$ 10,755,936	\$ 6,534,606	\$ 9,407,660	\$ 8,996,429	\$ 8,216,974	\$ 7,012,295	\$ 6,833,658	\$ 7,272,566
Reporting unit's covered-employee payroll*	\$ 2,687,273	\$ 2,570,423	\$ 2,796,611	\$ 2,460,553	\$ 2,431,625	\$ 2,365,275	\$ 2,326,610	\$ 2,301,211	\$ 2,222,997	\$ 2,529,827
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	235.78587 %	346.40598 %	384.60608 %	265.57469 %	386.88778 %	380.35446 %	353.17367 %	304.72195 %	307.40743 %	287.47286 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.44000 %	65.91000 %	60.77000 %	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	62.92000 %

* 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.

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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions	\$ 1,063,596	\$ 1,075,052	\$ 1,294,414	\$ 950,208	\$ 817,598	\$ 743,515	\$ 721,044	\$ 692,819	\$ 624,958	\$ 661,818
Contributions in relation to statutorily required contributions*	<u>1,063,596</u>	<u>1,075,052</u>	<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>
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>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 2,637,880	\$ 2,702,089	\$ 2,684,207	\$ 2,660,894	\$ 2,399,741	\$ 2,448,574	\$ 2,352,740	\$ 2,321,261	\$ 2,532,430	\$ 2,211,910
Contributions as a percentage of covered-employee payroll	40.32 %	39.79 %	48.22 %	35.71 %	34.07 %	30.37 %	30.65 %	29.85 %	24.68 %	29.92 %

* 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.

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

	<u>2024</u>	<u>2023</u>	<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 (asset) liability (%)	0.02563 %	0.02599 %	0.02911 %	0.02746 %	0.02754 %	0.02712 %	0.02737 %	0.02708 %
Reporting unit's proportionate share of net OPEB (asset) liability	\$ (1,103,192)	\$ (147,005)	\$ 616,553	\$ 419,134	\$ 1,475,461	\$ 1,946,770	\$ 2,175,708	\$ 2,398,386
Reporting unit's covered-employee payroll*	\$ 2,687,273	\$ 2,570,423	\$ 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 (asset) liability as a percentage of its covered-employee payroll	(243.59069)%	748.52760)%	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)	143.08000 %	105.04000 %	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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 38,448	\$ 214,474	\$ 208,584	\$ 212,905	\$ 198,624	\$ 190,761	\$ 184,451	\$ 188,076
Contributions in relation to statutorily required contributions*	<u>38,448</u>	<u>214,474</u>	<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>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 2,637,880	\$ 2,702,089	\$ 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	1.46 %	7.94 %	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, 2025

NOTE 1 - PENSION INFORMATION

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

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

- ◆ **2023** - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- ◆ **2022** - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by .80 percentage points.
- ◆ **2019** - The discount rate used in the September 3, 2018 actuarial valuation decreased by 0.25 percentage points.
- ◆ **2018** - The discount rate used in the September 3, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- ◆ **2017** - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

NOTE 2 - OPEB INFORMATION

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

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

- ◆ **2024** - The healthcare cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage point for members over 65.
- ◆ **2023** - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- ◆ **2022** - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.

FOWLER PUBLIC SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2025

NOTE 2 - OPEB INFORMATION (CONTINUED)

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

FOWLER PUBLIC SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		Debt Service Fund	
	Food Services	Student Activities Fund	2020 Refunding	Total
<u>Assets</u>				
Cash and investments	\$ 140,136	\$ 198,793	\$ 114,951	\$ 453,880
Accounts receivable:				
Due from other funds	18,230	0	0	18,230
Long-term CD	0	15,821	0	15,821
Total assets	\$ 158,366	\$ 214,614	\$ 114,951	\$ 487,931
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 2,685	\$ 995	\$ 0	\$ 3,680
Due to other funds	51,584	442	0	52,026
Total liabilities	54,269	1,437	0	55,706
<u>Fund Balance</u>				
Committed for student/school activities	0	213,177	0	213,177
Restricted for debt service	0	0	114,951	114,951
Restricted for food service	104,097	0	0	104,097
Total fund balance	104,097	213,177	114,951	432,225
Total liabilities and fund balance	\$ 158,366	\$ 214,614	\$ 114,951	\$ 487,931

FOWLER PUBLIC SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds		Debt Service Fund	
	Food Services	Student Activities Fund	2020 Refunding	Total
<u>Revenues</u>				
Local sources	\$ 19,947	\$ 234,596	\$ 316,892	\$ 571,435
State sources	154,950	0	526	155,476
Federal sources	99,710	0	0	99,710
Total revenues	274,607	234,596	317,418	826,621
<u>Expenditures</u>				
Current:				
Food services	299,167	0	0	299,167
Student/school activities	0	224,661	0	224,661
Principal	0	0	220,000	220,000
Interest and other	0	0	96,124	96,124
Total expenditures	299,167	224,661	316,124	839,952
Excess (deficiency) of revenues over expenditures	(24,560)	9,935	1,294	(13,331)
<u>Other Financing Sources (Uses)</u>				
Operating transfers out	(2,907)	0	0	(2,907)
Net change in fund balance	(27,467)	9,935	1,294	(16,238)
Fund balance - beginning of year	131,564	203,242	113,657	448,463
Fund balance - end of year	\$ 104,097	\$ 213,177	\$ 114,951	\$ 432,225

FOWLER PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2020 Refunding Bond
For the Year Ended June 30, 2025

<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	\$ 730,000	
	During current year	<u>220,000</u>	<u>950,000</u>
<u>BALANCE OUTSTANDING - June 30, 2025</u>			<u>\$ 2,030,000</u>

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,030,000</u>	<u>\$ 320,450</u>	<u>\$ 2,350,450</u>

FOWLER PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2020 Bond
For the Year Ended June 30, 2025

<u>PURPOSE</u>	2020 School Building and Site Bonds, Series I		
<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, 2025</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>
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>\$ 3,567,362</u>	<u>\$ 12,077,362</u>

FOWLER PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2022 Series II Bond
For the Year Ended June 30, 2025

<u>PURPOSE</u>	2022 School Buildings and Site Bonds, Series II	
<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	\$ 165,000
	During current year	65,000
		230,000
<u>BALANCE OUTSTANDING - June 30, 2025</u>		\$ 2,880,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
		\$ 2,880,000	\$ 1,740,800	\$ 4,620,800

FOWLER PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness
For the Year Ended June 30, 2025

<u>PURPOSE</u>	2023 School Building and Site Bonds, Series III	
<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 year	15,000
		15,000
<u>BALANCE OUTSTANDING - June 30, 2025</u>		\$ 4,635,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
		\$ 4,635,000	\$ 2,721,400	\$ 7,356,400



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 30, 2025

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, 2025 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 30, 2025.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

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*.

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, 2025

There are no matters reported.

FOWLER PUBLIC SCHOOLS
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2025

There were no matters reported in the prior year's audit.