

FENNVILLE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Fennville Public Schools

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville Public Schools, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fennville Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fennville Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2023 on our consideration of Fennville Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fennville Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fennville Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

September 6, 2023

**FENNVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

Fennville Public Schools, a K-12 school district located in Allegan County, Michigan.

FINANCIAL HIGHLIGHTS

Below is a table showing the fund balances for the past ten years.

<u>Date</u>	<u>General Fund Fund Balance</u>	<u>Change</u>
June 30, 2014	\$ 3,267,248	\$ 249,485
June 30, 2015	2,911,963	(355,285)
June 30, 2016	2,750,328	(161,635)
June 30, 2017	2,590,921	(159,407)
June 30, 2018	2,536,548	(54,373)
June 30, 2019	2,446,278	(90,270)
June 30, 2020	2,526,754	73,376
June 30, 2021	3,173,683	646,929
June 30, 2022	3,285,883	112,200
June 30, 2023	3,321,083	35,200

* The 2019 fund balance figure has not been updated for the adoption of GASB 84.

In 2022-2023, the total general fund revenues were approximately \$18.28 million dollars with expenditures of approximately \$18.30 million dollars. In 2021-2022, the total general fund revenues were approximately \$16.51 million dollars with expenditures of approximately \$16.33 million dollars. General fund revenues increased from the 2021-2022 school year due to an increase in revenues from state sources. General fund expenditures increased compared to the previous year due to an increase in spending on instruction and supporting services with the additional state funds received. The State Legislature also allocated additional funds to school districts to contribute more funds into the school employee pension plan to address the underfunded balance of the retirement fund, which also increased expenses and revenues.

The District did not participate in short-term borrowing during 2022-2023 and does not expect to borrow during the 2023-2024 fiscal year.

The food service fund finished the fiscal year with a decrease in fund balance of approximately \$268,000, largely due to an increase in capital outlay spending as part of the District's food service fund balance spend down plan approved by the State of Michigan. Food service finished the year with a fund balance of approximately \$812,000.

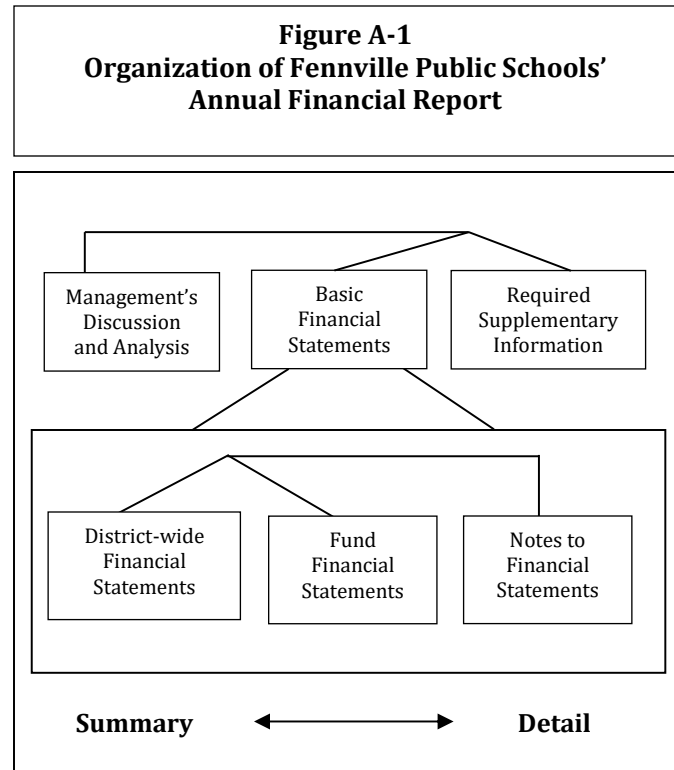
FENNVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



**FENNVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

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

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

DISTRICT-WIDE FINANCIAL STATEMENTS

All of the District's assets, deferred outflows of resources, deferred inflows of resources, liabilities, and classifications of net position are reported in the District-wide financial statements and are on a full accrual basis that is similar to those used by private-sector companies. For example, capital assets and long-term obligations of the District are reported in the statement of net position of the District-wide financial statements. The difference between the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities (net position) are one way to measure the District's financial position. However, you need to consider other non-financial factors such as changes in the District's property tax base and the condition and age of the school buildings and other facilities.

**FENNVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Most of the District's basic services are included here, such as regular education, maintenance, transportation, and administration. These activities are financed through the state foundation grant, property taxes, and various federal and state programs.

The District's combined net position at the beginning of the fiscal year was (\$13,737,621) and on June 30, 2023 it is (\$13,580,986) which represents an increase of \$156,635 as recorded in the statement of activities.

FUND FINANCIAL STATEMENTS

The fund financial statements are reported on a modified accrual basis and consist of governmental funds. Governmental funds include most of the District's basic services which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending on future District programs. Some of these funds are established by State law and by bond restrictions while others can be established for the District to control and manage money for a particular purpose such as food service, community recreation, and student/school activities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net deficit decreased as of June 30, 2023.

Table A-3 Fennville Public Schools' Net Position		
	<u>2023</u>	<u>2022*</u>
Current assets	\$ 8,864,222	\$ 8,434,506
Capital assets	<u>42,229,081</u>	<u>42,726,872</u>
Total assets	<u>51,093,303</u>	<u>51,161,378</u>
Deferred outflows of resources	<u>13,076,026</u>	<u>6,672,798</u>
Long-term obligations	37,253,051	38,669,355
Net pension liability	29,433,971	17,723,149
Net other postemployment benefits liability	1,687,085	1,157,518
Other liabilities	<u>3,416,369</u>	<u>2,511,752</u>
Total liabilities	<u>71,790,476</u>	<u>60,061,774</u>
Deferred inflows of resources	<u>5,959,839</u>	<u>11,510,023</u>
Net position		
Net investment in capital assets	5,859,462	5,112,298
Restricted for debt service	1,008,094	767,684
Restricted for special revenue (food service)	136,367	95,465
Restricted for capital projects (sinking fund)	21,181	543,388
Unrestricted	<u>(20,606,090)</u>	<u>(20,256,456)</u>
Total net position	<u><u>\$ (13,580,986)</u></u>	<u><u>\$ (13,737,621)</u></u>
*The 2022 figures have not been updated for the adoption of GASB 96.		

**FENNVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

Table A-4 Changes in Fennville Public Schools' Net Position		
	2023	2022*
Revenues		
Program revenues		
Charges for services	\$ 373,293	\$ 347,397
Operating grants and contributions	6,328,868	5,829,132
General revenues		
Property taxes	6,248,455	5,882,838
Investment earnings	37,159	1,118
State sources	8,283,485	8,372,063
Intermediate sources	799,914	757,094
Gain on sale of capital assets	-	6,385
Other	23,310	13,332
Total revenues	22,094,484	21,209,359
Expenses		
Instruction	10,884,282	9,428,723
Support services	7,878,401	6,324,413
Community services	351,268	356,911
Student / school activities	145,548	162,872
Outgoing transfers and other	143,166	-
Food services	1,185,435	1,131,860
Interest on long-term debt	1,349,749	1,381,918
Total expenses	21,937,849	18,786,697
Change in net position	\$ 156,635	\$ 2,422,662
*The 2022 figures have not been updated for the adoption of GASB 96.		

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from \$4,754 per student in 1995 to \$9,150 per student in 2022-2023. The per student State foundation allowance increased by \$450 in the current year when compared to 2021-2022. The foundation allowance increased in the previous year from \$8,111 in 2020-2021 to \$8,700 in 2021-2022.
- b. The District's non-homestead levy for 2022-2023 was 17.2974 mills which was the 18.0000 mills that the voters approved in August of 2020, reduced by the current year Headlee millage reduction fraction.

Student Enrollment

Student enrollment decreased from 1,294 in 2021-2022 to 1,249 in 2022-2023. For the 2023-2024 school year it is hopeful that enrollment will remain the same as 2022-2023. For conservative budgeting purposes, the 2023-2024 budget projects a decrease in enrollment of 20 students.

**FENNVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

GOVERNMENTAL FUNDS

Results of Operations

For the fiscal years ended June 30, 2023 and 2022, the total fund-level results of operations were:

	2023	2022*
Revenues		
Local sources		
Property taxes	\$ 6,248,455	\$ 5,882,838
Investment earnings	37,159	1,118
Food sales, athletics, tuition, student/ school activities, and transportation	225,367	286,732
Other	332,877	292,133
Total local sources	6,843,858	6,462,821
State sources	12,196,508	10,746,119
Federal sources	3,221,782	3,467,673
Intermediate sources	799,914	757,094
Total revenues	<u>\$ 23,062,062</u>	<u>\$ 21,433,707</u>
Expenditures		
Current		
Instruction	\$ 10,451,115	\$ 9,440,068
Supporting services	7,638,109	6,829,802
Food service activities	1,136,039	1,130,114
Student/school activities	145,548	162,872
Community service activities	268,285	281,176
Outgoing transfers and other	144,936	2,386
Debt service		
Principal	1,318,317	1,278,638
Interest expense	1,339,670	1,373,608
Capital outlay	1,204,803	1,172,997
Total expenditures	<u>\$ 23,646,822</u>	<u>\$ 21,671,661</u>
*The 2022 figures have not been updated for the adoption of GASB 96.		

The following summarizes the revenues and expenses by comparing fiscal year 2023 to 2022 as shown in the above table.

- State sources increased during the current year with the increase in the foundation allowance.
- Federal sources decreased during the current year with the decrease in federal revenues received to reimburse the District for meals provided to community students after the expiration of the seamless summer option at the end of the previous fiscal year.

FENNVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

- Expenses increased from \$21.7 million in 2022 to \$23.6 million in the current year, an increase of \$1,975,161. The increase in expenditures was due to an increase in instructional and support service expenditures during the current year.

The Fennville Public School District voters approved the 18-mill renewal in August 2020. The State of Michigan allows each school district to levy 18 mills on Non-PRE property, formally known as non-homestead property, and the foundation grant is calculated after the 18 mills. The District levied 17.2974 mills during fiscal year 2023 after the voter approved 18 mills was reduced by the current year Headlee millage reduction fraction. The Non-PRE levy resulted in approximately \$3.01 million in revenue for the District in fiscal year 2022-2023.

Following is a table showing the past ten years of property taxes collected on Non-PRE property, formerly known non-homestead property.

Fiscal Year	Levy	Mills
2022 - 2023	\$ 3,006,552	17.2974
2021 - 2022	2,827,254	17.7192
2020 - 2021	2,764,912	18.0000
2019 - 2020	2,752,326	18.0000
2018 - 2019	2,648,310	18.0000
2017 - 2018	2,533,700	18.0000
2016 - 2017	2,457,607	18.0000
2015 - 2016	2,400,365	18.0000
2014 - 2015	2,336,483	18.0000
2013 - 2014	2,337,769	18.0000

GENERAL FUND AND BUDGET HIGHLIGHTS

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The original 2022-2023 budget was approved in June 2022.

The 2022-2023 budget was revised two times throughout the fiscal year, with the final revision approved in June 2023. The final budget revision anticipated higher revenues and higher expenses than was expected in June 2022, when the original budget was approved. The increase in budgeted revenues was due to higher than expected revenues from state and federal sources while the increase in budgeted expenditures was due to increased spending on instruction, school administration, and operations and maintenance with the increase in budgeted available revenues.

**FENNVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2023, the District had invested \$62.86 million in a broad range of capital assets.

Table A-5 Fennville Public Schools' Capital Assets				
	2023		2022*	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 337,337	\$ -	\$ 337,337	\$ 337,337
Construction in progress	185,493	-	185,493	-
Buildings and additions	54,951,426	15,397,624	39,553,802	40,087,883
Land improvements	1,856,064	1,474,156	381,908	434,010
Computer and office equipment	3,021,668	2,387,887	633,781	736,216
Right to use - leased equipment	203,100	90,267	112,833	157,967
Right to use - subscription-based IT	58,809	8,168	50,641	-
Outdoor equipment	912,428	514,845	397,583	416,998
Transportation equipment	1,332,364	756,661	575,703	556,461
Total	\$ 62,858,689	\$ 20,629,608	\$ 42,229,081	\$ 42,726,872

*The 2022 figures have not been updated for the adoption of GASB 96.

LONG-TERM OBLIGATIONS

The 2004 construction and remodeling bond was approved by the voters on June 14, 2004 in the amount of \$25,760,000. The bonded debt was refinanced in 2007 and again in the summer of 2012 which reduced the debt obligations of the taxpayers. During 2016-2017, the 2007 refinancing was refunded again which further reduced the debt obligation to the taxpayers. On December 18, 2017, the board of education approved the issuance \$21,935,000 in building and site bonds to help fund facility and site upgrades. This issuance was approved by the voters on November 7, 2017. During 2020-2021, the 2012 refunding bonds were refinanced resulting, yet again, in a reduction to the District's debt service obligations. The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. See Note 6 for more information.

Table A-6 Fennville Public Schools Outstanding Long-Term Obligations		
	2023	2022*
General obligation bonds - net	\$ 37,064,897	\$ 38,436,827
Compensated absences	72,009	73,066
Notes from direct borrowings and direct placement	116,145	159,462
	\$ 37,253,051	\$ 38,669,355

*The 2022 figures have not been updated for the adoption of GASB 96.

FENNVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that could significantly affect the financial health of the District in the future.

- During 2022-2023, Fennville experienced a shortage in drivers due to turnover, a lack of applicants wanting to drive school busses, and federal driver requirements. This driver shortage is not felt in just Fennville but in many other districts throughout the state. Moving to a new pay scale structure has helped align Fennville Public Schools to a similar pay scale other school districts use and will be less confusing in recruiting new drivers.
- Fennville Public Schools will continue to address the impact of the COVID pandemic in the 2023-2024 school year. The State has provided additional federal funds to the school, but all of those restricted funds are for costs associated with COVID related items (address learning loss, summer school, educational technology, cleaning supplies, masks, proper air handling, etc.) and should not be used for other general purchases. It is hopeful that the student enrollment will not be drastically different than in previous years and that we will continue to make headway addressing the learning loss that has happened because of the pandemic.
- Fennville will be receiving an increase of \$458 in per pupil state aid for the 2023-2024 school year. This increase will continue to help us re-align the bottom of our teacher's pay scale, along with the pay scale minimums for our support staff to a more competitive wage. This will help us to retain the staff that we currently have and allow us to recruit new employees. This is especially important with our teacher recruiting because the pool of new teachers is shrinking at a rapid pace, and it is getting more difficult to attract new teachers.
- In the 2018-19 school year, Fennville was approved by the state for the community eligibility provision for food service which makes the District 100% free lunch. This helped the food service program funding in that families will no longer need to file applications for free or reduced lunches for their children but made it more difficult to obtain household income information, which could have a potential impact on federal funding. The District continues to request household income surveys be completed by families by doing mass mailings and reminders on the District communications systems so that the District continues to receive federal funds at the same or higher levels than in the past.
- Fennville Public Schools is exploring programs and processes that focus on Early Childhood. Currently we are able to provide daycare/educational services to children age 2 ½ and higher. We are looking at ways to be able to serve children of early ages through our daycare program and educational supports programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions about this report or need any additional information, please contact Business Services Office, Fennville Public Schools, Fennville, Michigan 49408, phone 269-722-3350.

BASIC FINANCIAL STATEMENTS

**FENNVILLE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,823,477
Investments	24,863
Receivables	
Accounts receivable	23,567
Intergovernmental	2,723,736
Leases	109,144
Inventories	83,779
Prepays	65,684
Restricted cash and cash equivalents - 2018 Building and Site fund	9,972
Capital assets not being depreciated	522,830
Capital assets, net of accumulated depreciation/amortization	41,706,251
TOTAL ASSETS	51,093,303
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	801,451
Related to pensions	9,732,384
Related to other postemployment benefits	2,542,191
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,076,026
LIABILITIES	
Payables	
Accounts payable	228,760
Accrued interest	221,145
Accrued salaries and related items	997,651
Accrued retirement	633,865
Unearned revenue	1,334,948
Noncurrent liabilities	
Due within one year	1,361,077
Due in more than one year	35,891,974
Net pension liability	29,433,971
Net other postemployment benefits liability	1,687,085
TOTAL LIABILITIES	71,790,476
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	174,419
Related to other postemployment benefits	3,510,051
Related to state aid funding for pension	2,167,090
Related to unavailable revenue - leases	108,279
TOTAL DEFERRED INFLOWS OF RESOURCES	5,959,839
NET POSITION	
Net investment in capital assets	5,859,462
Restricted for debt service	1,008,094
Restricted for capital projects (sinking fund)	21,181
Restricted for special revenue (food service)	136,367
Unrestricted	(20,606,090)
TOTAL NET POSITION	\$ (13,580,986)

See notes to financial statements.

**FENNVILLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 10,884,282	\$ -	\$ 3,053,630	\$ (7,830,652)
Support services	7,878,401	346,163	1,778,853	(5,753,385)
Community services	351,268	-	47,885	(303,383)
Outgoing transfers and other	143,166	-	-	(143,166)
Food services	1,185,435	27,130	1,301,413	143,108
Student / school activities	145,548	-	147,087	1,539
Interest on long-term debt	1,349,749	-	-	(1,349,749)
Total governmental activities	<u>\$ 21,937,849</u>	<u>\$ 373,293</u>	<u>\$ 6,328,868</u>	<u>(15,235,688)</u>
General revenues				
Property taxes, levied for general purposes				2,999,259
Property taxes, levied for debt service				2,810,218
Property taxes, levied for capital projects (sinking fund)				217,627
Property taxes, levied for community recreation				221,351
Investment earnings				37,159
State sources				8,283,485
Intermediate sources				799,914
Other				<u>23,310</u>
Total general revenues				<u>15,392,323</u>
CHANGE IN NET POSITION				156,635
NET POSITION, beginning of year				<u>(13,737,621)</u>
NET POSITION, end of year				<u>\$ (13,580,986)</u>

See notes to financial statements.

**FENNVILLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	2018 Building and Site Fund	Debt Service Fund	Food Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,934,473	\$ -	\$ 1,229,761	\$ 49,311	\$ 609,932	\$ 5,823,477
Investments	24,863	-	-	-	-	24,863
Receivables						
Accounts receivable	23,567	-	-	-	-	23,567
Intergovernmental	2,665,508	-	-	55,151	3,077	2,723,736
Due from other funds	286,503	-	1,098	750,942	777	1,039,320
Leases	109,144	-	-	-	-	109,144
Inventories	74,436	-	-	9,343	-	83,779
Prepays	65,684	-	-	-	-	65,684
Restricted cash and cash equivalents	-	9,972	-	-	-	9,972
TOTAL ASSETS	\$ 7,184,178	\$ 9,972	\$ 1,230,859	\$ 864,747	\$ 613,786	\$ 9,903,542
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 44,114	\$ -	\$ -	\$ 48,015	\$ 136,631	\$ 228,760
Due to other funds	750,943	-	1,620	808	285,949	1,039,320
Accrued salaries and related items	997,651	-	-	-	-	997,651
Accrued retirement	627,672	-	-	3,116	3,077	633,865
Unearned revenue	1,334,436	-	-	512	-	1,334,948
TOTAL LIABILITIES	3,754,816	-	1,620	52,451	425,657	4,234,544
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - leases	108,279	-	-	-	-	108,279
FUND BALANCES						
Nonspendable						
Inventories	74,436	-	-	9,343	-	83,779
Prepays	65,684	-	-	-	-	65,684
Restricted for:						
Debt service	-	-	1,229,239	-	-	1,229,239
Food service	-	-	-	802,953	-	802,953
Community recreation	-	-	-	-	27,922	27,922

See notes to financial statements.

	General Fund	2018 Building and Site Fund	Debt Service Fund	Food Service Fund	Total Nonmajor Funds	Total Governmental Funds
FUND BALANCES (continued)						
Restricted for:						
Capital projects (2018 building and site)	\$ -	\$ 9,972	\$ -	\$ -	\$ -	\$ 9,972
Capital projects (sinking fund)	-	-	-	-	21,181	21,181
Committed for student/school activities	-	-	-	-	139,026	139,026
Assigned for subsequent years' expenditures	360,796	-	-	-	-	360,796
Unassigned	2,820,167	-	-	-	-	2,820,167
TOTAL FUND BALANCES	3,321,083	9,972	1,229,239	812,296	188,129	5,560,719
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,184,178	\$ 9,972	\$ 1,230,859	\$ 864,747	\$ 613,786	\$ 9,903,542

Total governmental fund balances

\$ 5,560,719

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

Deferred outflows of resources - deferred changes on refunding	801,451
Deferred outflows of resources - related to pensions	9,732,384
Deferred inflows of resources - related to pensions	(174,419)
Deferred outflows of resources - related to other postemployment benefits	2,542,191
Deferred inflows of resources - related to other postemployment benefits	(3,510,051)
Deferred inflows of resources - related to state aid funding for pensions	(2,167,090)

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is	\$ 62,858,689
Accumulated depreciation/amortization is	(20,629,608)
	42,229,081

Long-term liabilities are not due and payable in the current period and are not reported in the funds

General obligation bonds	(37,064,897)
Direct borrowing and direct placement	(116,145)
Compensated absences	(72,009)
Accrued interest	(221,145)
Net pension liability	(29,433,971)
Net other postemployment benefits liability	(1,687,085)

Net position of governmental activities

\$ (13,580,986)

See notes to financial statements.

FENNVILLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	2018 Building and Site Fund	Debt Service Fund	Food Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Local sources						
Property taxes	\$ 2,999,259	\$ -	\$ 2,810,218	\$ -	\$ 438,978	\$ 6,248,455
Investment earnings	16,912	-	16,903	108	3,236	37,159
Food sales	-	-	-	24,276	-	24,276
Athletics	44,648	-	-	-	-	44,648
Transportation	9,356	-	-	-	-	9,356
Student/school activities	-	-	-	-	147,087	147,087
Other	330,020	-	3	2,854	-	332,877
Total local sources	3,400,195	-	2,827,124	27,238	589,301	6,843,858
State sources	12,099,486	-	21,976	56,243	18,803	12,196,508
Federal sources	1,976,612	-	-	1,245,170	-	3,221,782
Intermediate school districts	799,914	-	-	-	-	799,914
TOTAL REVENUES	18,276,207	-	2,849,100	1,328,651	608,104	23,062,062
EXPENDITURES						
Current						
Instruction	10,451,115	-	-	-	-	10,451,115
Supporting services	7,638,109	-	-	-	-	7,638,109
Food service activities	-	-	-	1,136,039	-	1,136,039
Student/school activities	-	-	-	-	145,548	145,548
Community service activities	19,566	-	-	-	248,719	268,285
Outgoing transfers and other	143,166	-	1,334	-	436	144,936

See notes to financial statements.

	General Fund	2018 Building and Site Fund	Debt Service Fund	Food Service Fund	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)						
Capital outlay	\$ -	\$ 61,703	\$ -	\$ 400,898	\$ 742,202	\$ 1,204,803
Debt service				-		
Principal repayment	43,317	-	1,275,000	-	-	1,318,317
Interest	5,734	-	1,333,936	-	-	1,339,670
TOTAL EXPENDITURES	18,301,007	61,703	2,610,270	1,536,937	1,136,905	23,646,822
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,800)	(61,703)	238,830	(208,286)	(528,801)	(584,760)
OTHER FINANCING SOURCES (USES)						
Transfers in	60,000	-	-	-	-	60,000
Transfers out	-	-	-	(60,000)	-	(60,000)
TOTAL OTHER FINANCING SOURCES (USES)	60,000	-	-	(60,000)	-	-
NET CHANGE IN FUND BALANCES	35,200	(61,703)	238,830	(268,286)	(528,801)	(584,760)
FUND BALANCES						
Beginning of year	3,285,883	71,675	990,409	1,080,582	716,930	6,145,479
End of year	\$ 3,321,083	\$ 9,972	\$ 1,229,239	\$ 812,296	\$ 188,129	\$ 5,560,719

See notes to financial statements.

FENNVILLE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances Total Governmental Funds **\$ (584,760)**

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

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

Depreciation/amortization expense	(1,917,481)
Capital outlay	1,419,690

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

Accrued interest payable, beginning of the year	222,725
Accrued interest payable, end of the year	(221,145)

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

Payments on bonded debt	1,275,000
Payments on notes from direct borrowings and direct placement	43,317
Amortization of deferred charges on refunding	(108,589)
Amortization of bond premium	96,930

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

Accrued compensated absences, beginning of the year	73,066
Accrued compensated absences, end of the year	(72,009)

Some revenues 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.

Pension related items	(279,040)
Other postemployment benefits related items	1,176,509

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

State aid funding for pension, beginning of the year	1,199,512
State aid funding for pension, end of the year	(2,167,090)

Change in net position of governmental activities	\$ 156,635
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**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Government-wide Financial Statements

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *2018 Building and Site Fund* accounts for the receipt of debt proceeds and the acquisition of capital assets or construction of major capital projects. The 2018 Building and Site Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the Revised School Code. The bonds were considered substantially complete as of June 30, 2021.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Major Governmental Funds (continued):

The following is a summary of the cumulative revenue, other financing sources (uses), and expenditures for the *2018 Building and Site Fund* activity:

Revenues and other financing sources	<u>\$ 24,891,150</u>
Expenditures and other financing uses	<u>\$ 24,881,178</u>

The above revenue and other financing sources figure does include the total 2018 bond proceeds and premium of \$23,679,270.

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

The *Food Service Fund* is a *special revenue fund* that accounts for revenue sources that are restricted for expenditures related to the District's food service activities.

The District reports the following *Other Nonmajor Funds*:

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

The *Capital Projects Sinking Fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

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

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

Measurement Focus and Basis of Accounting

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

FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

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

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general and food service funds are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended twice during the year. The final budget was approved prior to the June 30, 2023 year-end with more than originally expected revenues and appropriations. The District does not consider these amendments to be significant.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Inventories and Prepaid Items

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. The other capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Building and Additions	20 - 50 years
Land Improvements	5 - 20 years
Computer and Office Equipment	5 - 10 years
Right to use - leased equipment	5 years
Right to use - subscription-based IT	6 years
Outdoor Equipment	5 - 20 years
Transportation Equipment	10 years

Defined Benefit Plans

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

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. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred 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. The District has four items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. The last is unavailable revenues from one source: leases. These amounts are long-term leases entered into by the District in which the District is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies (continued)

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

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 15% of the preceding year's expenditures.

Leases and Subscription-based IT Arrangements (SBITA)

Lessee/subscriber: The District is a lessee for a noncancelable lease/subscription of equipment and/or subscription-based IT arrangements. The District recognizes a lease/SBITA liability and an intangible right-to-use lease/subscription asset in the government-wide financial statements. The District recognizes lease/SBITA liabilities with an initial, individual value that it considers significant to the government-wide financial statements, or with annual lease payments that are considered significant to the fund in which they are accounted for.

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

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

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

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases and Subscription-based IT Arrangements (SBITA) (continued)

Lessor: The District is a lessor for a noncancelable lease of a building. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the District determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes (continued)

For the year ended June 30, 2023, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	17.2974
Commercial Personal Property (CPP)	5.2974
Debt Service Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	6.2000
Community Recreation Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	0.4885
Capital Projects Sinking Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	0.4798

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee leaves, resignations, or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023 the District had deposits and investments subject to the following risks.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, \$5,275,738 of the District's bank balance of \$6,079,402 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$5,833,449.

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
MILAF External Investment pool - CMC	\$ 2,805	N/A
MILAF External Investment pool - MAX	22,058	N/A
Total fair value	<u>\$ 24,863</u>	
Portfolio weighted average maturity		<u>N/A</u>

Concentration of Credit Risk

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

FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk (continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment pool - CMC	\$ 2,805	AAAm	Standard & Poor's
MILAF External Investment pool - MAX	<u>22,058</u>	AAAm	Standard & Poor's
Total	<u><u>\$ 24,863</u></u>		

Foreign Currency Risk

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

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At June 30, 2023, the District does not have any investments subject to fair value measurement.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

The District voluntarily invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the 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 approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to fair value disclosures.

	Amortized Cost
MILAF External Investment pool - CMC	\$ 2,805
MILAF External Investment pool - MAX	22,058
	<u>\$ 24,863</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.

The following summarizes the categorization of these amounts as of June 30, 2023:

	Primary Government
Cash and cash equivalents	\$ 5,823,477
Investments	24,863
Restricted cash and cash equivalents - 2018 Building and Site Fund	<u>9,972</u>
	<u>\$ 5,858,312</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2023 consist of the following:

	Government- wide
State aid	\$ 2,416,870
Federal revenue	<u>306,866</u>
	<u>\$ 2,723,736</u>

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

FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2022	Additions/ Reclassification	Deletions/ Reclassification	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 337,337	\$ -	\$ -	\$ 337,337
Construction in progress	-	185,493	-	185,493
Total capital assets not being depreciated	337,337	185,493	-	522,830
Capital assets being depreciated/amortized				
Building and additions	54,102,542	907,693	58,809	54,951,426
Land improvements	1,816,030	40,034	-	1,856,064
Computer and office equipment	2,967,959	65,344	11,635	3,021,668
Right to use - leased equipment	203,100	-	-	203,100
Right to use - subscription-based IT	-	58,809	-	58,809
Outdoor equipment	870,606	41,822	-	912,428
Transportation equipment	1,211,869	120,495	-	1,332,364
Subtotal	61,172,106	1,234,197	70,444	62,335,859
Accumulated depreciation/amortization				
Building and additions	14,014,659	1,441,774	58,809	15,397,624
Land improvements	1,382,020	92,136	-	1,474,156
Computer and office equipment	2,231,743	167,779	11,635	2,387,887
Right to use - leased equipment	45,133	45,134	-	90,267
Right to use - subscription-based IT	-	8,168	-	8,168
Outdoor equipment	453,608	61,237	-	514,845
Transportation equipment	655,408	101,253	-	756,661
Total accumulated depreciation/amortization	18,782,571	1,917,481	70,444	20,629,608
Net capital assets being depreciated/amortized	42,389,535	(683,284)	-	41,706,251
Net governmental capital assets	\$ 42,726,872	\$ (497,791)	\$ -	\$ 42,229,081

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to \$1,917,481. The District allocated depreciation/amortization to the various activities as follows:

Instruction	\$ 1,067,061
Support services	736,548
Community services	91,738
Food service	22,134
	<u>\$ 1,917,481</u>

NOTE 5 - NOTE PAYABLE

The District did not obtain short-term borrowing during the 2022-2023 fiscal year.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS

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

	General Obligation Bonds	Direct Borrowings and Direct Placement	Compensated Absences	Total
Balance July 1, 2022	\$ 38,436,827	\$ 159,462	\$ 73,066	\$ 38,669,355
Additions	-	-	-	-
Deletions	(1,371,930)	(43,317)	(1,057)	(1,416,304)
Balance June 30, 2023	37,064,897	116,145	72,009	37,253,051
Due within one year	(1,310,000)	(45,076)	(6,001)	(1,361,077)
Due in more than one year	<u>\$ 35,754,897</u>	<u>\$ 71,069</u>	<u>\$ 66,008</u>	<u>\$ 35,891,974</u>

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

General Obligation Bonds

2018 Building and Site bonds due in annual installments of \$185,000 to \$1,620,000 through May 1, 2047, with interest ranging from 2.50% to 5.00%. \$ 21,495,000

2017 Serial bonds due in annual installments of \$35,000 to \$1,540,000 through May 1, 2034, with an interest rate of 4.00%. 7,230,000

2020 Refunding bonds due in annual installments of \$1,000,000 to \$1,200,000 through May 1, 2029, with interest ranging from 0.802% to 1.796%. 6,505,000

Plus issuance premium 1,834,897

Total general obligation bonds 37,064,897

Direct Borrowing and Direct Placement

Copier lease due in quarterly installments of \$12,263 through October 1, 2025, with an implied interest rate of 4.00%. 116,145

Compensated absences 72,009

Total general long-term obligations \$ 37,253,051

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The District's outstanding notes from direct borrowings and direct placement related to governmental activities of \$116,145 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding, including interest of \$18,793,151 exclusive of compensated absences payments as of June 30, 2023, are as follows:

Year Ending June 30,	General Obligation Bonds		Direct Borrowing and Direct Placement		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2024	\$ 1,310,000	\$ 1,326,866	\$ 45,076	\$ 3,975	\$ -	\$ 2,685,917
2025	1,390,000	1,313,217	46,906	2,145	-	2,752,268
2026	1,200,000	1,294,313	24,163	363	-	2,518,839
2027	1,265,000	1,273,823	-	-	-	2,538,823
2028	1,300,000	1,249,883	-	-	-	2,549,883
2029 - 2033	7,655,000	5,603,911	-	-	-	13,258,911
2034 - 2038	7,245,000	3,962,225	-	-	-	11,207,225
2039 - 2043	7,470,000	2,186,375	-	-	-	9,656,375
2044 - 2047	6,395,000	582,538	-	-	-	6,977,538
	35,230,000	18,793,151	116,145	6,483	-	54,145,779
Issuance premium	1,834,897	-	-	-	-	1,834,897
Compensated absences	-	-	-	-	72,009	72,009
	<u>\$ 37,064,897</u>	<u>\$ 18,793,151</u>	<u>\$ 116,145</u>	<u>\$ 6,483</u>	<u>\$ 72,009</u>	<u>\$ 56,052,685</u>

Interest expense (all funds) for the year ended June 30, 2023 was approximately \$1,340,000.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2023 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 286,503	General fund	\$ 750,943
Food service fund	750,942	Food service fund	808
Student/school activities fund	777	Community recreation fund	229,917
2018 Building and Site fund	<u>1,098</u>	Student/school activities fund	20,622
		Sinking fund	35,410
		Debt service fund	<u>1,620</u>
	<u>\$ 1,039,320</u>		<u>\$ 1,039,320</u>

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

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

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%.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER 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.

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.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

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.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

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

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

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

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$3,766,000. Of the total pension contributions approximately \$3,666,000 was contributed to fund the Defined Benefit Plan and approximately \$100,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$725,000. Of the total OPEB contributions approximately \$664,000 was contributed to fund the Defined Benefit Plan and approximately \$61,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

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

FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities (continued)

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

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total Pension Liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan Fiduciary Net Position	\$ 58,268,076,344	\$ 62,717,060,920
Net Pension Liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate Share	0.07826%	0.07486%
Net Pension Liability for the District	\$ 29,433,971	\$ 17,723,149

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

For the year ended June 30, 2023, the District recognized pension expense of \$3,944,972.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual pension plan investment earnings	\$ 69,023	\$ -
Differences between expected and actual experience	294,442	(65,811)
Changes in proportion and differences between employer contributions and proportionate share of contributions	871,408	(108,608)
Changes of assumptions	5,057,811	-
Reporting Unit's contributions subsequent to the measurement date	<u>3,439,700</u>	<u>-</u>
	<u>\$ 9,732,384</u>	<u>\$ (174,419)</u>

\$3,439,700, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

<u>Year Ending</u>	<u>Amount</u>
2023	\$ 1,786,139
2024	1,359,128
2025	1,198,552
2026	1,774,446

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total other postemployment benefits liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan fiduciary net position	\$ 10,404,650,683	\$ 10,520,015,621
Net other postemployment benefits liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate share	0.07965%	0.07583%
Net other postemployment benefits liability for the District	\$ 1,687,085	\$ 1,157,518

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

For the year ended June 30, 2023, the District recognized OPEB benefit of \$512,390.

FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

At June 30, 2023, the Reporting Unit 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
Net difference between projected and actual other postemployment benefits plan investment earnings	\$ 131,859	\$ -
Differences between expected and actual experience	-	(3,304,354)
Changes in proportion and differences between employer contributions and proportionate share of contributions	336,023	(83,253)
Changes of assumptions	1,503,753	(122,444)
Reporting Unit's contributions subsequent to the measurement date	570,556	-
	<u>\$ 2,542,191</u>	<u>\$ (3,510,051)</u>

\$570,556, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability 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 Ending	Amount
2023	\$ (561,774)
2024	(515,880)
2025	(479,490)
2026	7,877
2027	3,361
2028	7,490

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 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 determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

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

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

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

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

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

FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (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 Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 38,841,907	\$ 29,433,971	\$ 21,681,408

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 2,829,923	\$ 1,687,085	\$ 724,674

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

	Other Postemployment Benefits		
	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 706,471	\$ 1,687,085	\$ 2,787,845

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2022 Annual Comprehensive Financial Report.

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

NOTE 9 - RISK MANAGEMENT

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

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2023 or any of the prior three years.

NOTE 10 - TRANSFERS

During the year, the food service fund transferred \$60,000 to the general fund for indirect cost reimbursement.

NOTE 11 - CONTINGENT LIABILITIES

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

NOTE 12 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2023. Approximately \$10,000 is restricted and recorded as fund balance in the 2018 building and site fund.

FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2023, the District did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements made by the District.

NOTE 14 - LEASE RECEIVABLE

During the current fiscal year, the District entered into an agreement to lease one of its buildings to a third-party. The lease is for five years, and the District will receive monthly payments of \$2,250. The District recognized \$14,301 in lease revenue and \$2,314 in interest revenue during the current fiscal year related to this lease. As of June 30, 2023, the District's receivable for lease payments was \$109,144. Also, the District has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$108,279.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE (continued)

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no impact to the beginning balances of the District's financial statements after the adoption of GASB Statement No. 96.

REQUIRED SUPPLEMENTARY INFORMATION

**FENNVILLE PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 3,415,896	\$ 3,387,788	\$ 3,400,195	\$ 12,407
State sources	10,798,146	12,262,111	12,099,486	(162,625)
Federal sources	2,096,617	2,672,595	1,976,612	(695,983)
Intermediate school districts	836,223	799,254	799,914	660
TOTAL REVENUES	17,146,882	19,121,748	18,276,207	(845,541)
EXPENDITURES				
Current				
Instruction				
Basic programs	7,776,190	8,173,830	7,872,347	301,483
Added needs	2,317,522	2,681,786	2,578,768	103,018
Total instruction	10,093,712	10,855,616	10,451,115	404,501
Supporting services				
Pupil	806,432	949,141	950,717	(1,576)
Instructional staff	779,222	775,266	694,213	81,053
General administration	471,577	559,847	529,542	30,305
School administration	878,141	1,209,613	1,217,226	(7,613)
Business	365,986	343,809	343,299	510
Operation/maintenance	2,124,066	2,426,069	1,877,229	548,840
Pupil transportation	1,157,195	1,203,539	1,113,613	89,926
Central	426,027	471,253	426,883	44,370
Athletics	436,507	492,251	485,387	6,864
Total supporting services	7,445,153	8,430,788	7,638,109	792,679
Community services	28,214	29,234	19,566	9,668
Outgoing transfers and other	-	23,840	143,166	(119,326)
Debt service				
Principal repayment	-	50,000	43,317	6,683
Interest	-	-	5,734	(5,734)
Total debt service	-	50,000	49,051	949
TOTAL EXPENDITURES	17,567,079	19,389,478	18,301,007	1,088,471
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(420,197)	(267,730)	(24,800)	242,930
OTHER FINANCING SOURCES				
Transfers in	40,000	60,000	60,000	-
NET CHANGE IN FUND BALANCE	\$ (380,197)	\$ (207,730)	35,200	\$ 242,930
FUND BALANCE				
Beginning of year			3,285,883	
End of year			<u>\$ 3,321,083</u>	

**FENNVILLE PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 29,650	\$ 25,530	\$ 27,238	\$ 1,708
State sources	89,700	76,699	56,243	(20,456)
Federal sources	1,095,257	1,227,271	1,245,170	17,899
TOTAL REVENUES	1,214,607	1,329,500	1,328,651	(849)
EXPENDITURES				
Current				
Food service activities	1,234,250	1,178,239	1,136,039	42,200
Capital outlay	429,500	450,000	400,898	49,102
TOTAL EXPENDITURES	1,663,750	1,628,239	1,536,937	91,302
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(449,143)	(298,739)	(208,286)	90,453
OTHER FINANCING USES				
Transfers out	(40,000)	(60,000)	(60,000)	-
NET CHANGE IN FUND BALANCE	<u>\$ (489,143)</u>	<u>\$ (358,739)</u>	(268,286)	<u>\$ 90,453</u>
FUND BALANCE				
Beginning of year			1,080,582	
End of year			<u>\$ 812,296</u>	

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.07826%	0.07486%	0.07445%	0.07502%	0.07346%	0.07249%	0.07048%	0.06980%	0.06975%
Reporting Unit's proportionate share of net pension liability	\$ 29,433,971	\$ 17,723,149	\$ 25,609,962	\$ 24,844,132	\$ 22,082,082	\$ 18,786,332	\$ 17,584,141	\$ 17,049,773	\$ 15,364,096
Reporting Unit's covered-employee payroll	\$ 7,786,271	\$ 6,897,462	\$ 6,600,355	\$ 6,611,266	\$ 6,300,482	\$ 6,129,596	\$ 5,986,908	\$ 5,823,844	\$ 5,919,126
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	378.02%	256.95%	388.01%	375.78%	350.48%	306.49%	293.71%	292.76%	259.57%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

**FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED OF THE YEAR ENDED JUNE 30)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 3,665,932	\$ 2,570,182	\$ 2,203,084	\$ 2,026,897	\$ 1,959,015	\$ 1,930,758	\$ 1,682,925	\$ 1,558,887	\$ 1,240,979
Pension contributions in relation to statutorily required contributions	<u>3,665,932</u>	<u>2,570,182</u>	<u>2,203,084</u>	<u>2,026,897</u>	<u>1,959,015</u>	<u>1,930,758</u>	<u>1,682,925</u>	<u>1,558,887</u>	<u>1,240,979</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (pension)	\$ 8,067,308	\$ 7,397,907	\$ 6,747,485	\$ 6,582,348	\$ 6,570,775	\$ 6,233,679	\$ 6,307,919	\$ 5,947,143	\$ 5,812,325
Pension contributions as a percentage of covered-employee payroll	45.44%	34.74%	32.65%	30.79%	29.81%	30.97%	26.68%	26.21%	21.35%

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.07965%	0.07583%	0.07424%	0.07566%	0.07410%	0.07238%
Reporting Unit's proportionate share of net other post employment benefits liability	\$ 1,687,085	\$ 1,157,518	\$ 3,977,121	\$ 5,430,848	\$ 5,889,900	\$ 6,409,259
Reporting Unit's covered-employee payroll	\$ 7,786,271	\$ 6,897,462	\$ 6,600,355	\$ 6,611,266	\$ 6,300,482	\$ 6,129,596
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	21.67%	16.78%	60.26%	82.15%	93.48%	104.56%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	83.09%	87.33%	59.44%	48.48%	42.95%	36.39%

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefits contributions	\$ 664,119	\$ 609,658	\$ 586,147	\$ 563,485	\$ 543,982	\$ 546,701
Other postemployment benefits contributions in relation to statutorily required contributions	<u>664,119</u>	<u>609,658</u>	<u>586,147</u>	<u>563,485</u>	<u>543,982</u>	<u>546,701</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 8,067,308	\$ 7,397,907	\$ 6,747,485	\$ 6,582,348	\$ 6,570,775	\$ 6,233,679
Other post employment benefit contributions as a percentage of covered-employee payroll	8.23%	8.24%	8.69%	8.56%	8.28%	8.77%

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

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

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

ADDITIONAL SUPPLEMENTARY INFORMATION

**FENNVILLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2023**

	Special Revenue		Capital Projects	Total Nonmajor Funds
	Community Recreation	Student/ School Activities	Sinking Fund	
ASSETS				
Cash and cash equivalents	\$ 257,839	\$ 159,138	\$ 192,955	\$ 609,932
Intergovernmental receivable	3,077	-	-	3,077
Due from other funds	-	777	-	777
TOTAL ASSETS	\$ 260,916	\$ 159,915	\$ 192,955	\$ 613,786
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 267	\$ 136,364	\$ 136,631
Accrued retirement	3,077	-	-	3,077
Due to other funds	229,917	20,622	35,410	285,949
TOTAL LIABILITIES	232,994	20,889	171,774	425,657
FUND BALANCES				
Restricted	27,922	-	21,181	49,103
Committed	-	139,026	-	139,026
TOTAL FUND BALANCES	27,922	139,026	21,181	188,129
TOTAL LIABILITIES AND FUND BALANCES	\$ 260,916	\$ 159,915	\$ 192,955	\$ 613,786

**FENNVILLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2023**

	Special Revenue		Capital Projects	Total Nonmajor Funds
	Community Recreation	Student/ School Activities	Sinking Fund	
REVENUES				
Property taxes	\$ 221,351	\$ -	\$ 217,627	\$ 438,978
Student/school activities	-	147,087	-	147,087
State sources	18,803	-	-	18,803
Investment earnings	410	242	2,584	3,236
TOTAL REVENUES	240,564	147,329	220,211	608,104
EXPENDITURES				
Current				
Salaries	86,802	-	-	86,802
Benefits	55,908	-	-	55,908
Purchased services	47,790	-	-	47,790
Supplies and materials	58,219	-	-	58,219
Other	220	-	216	436
Student/school activities	-	145,548	-	145,548
Capital outlay	-	-	742,202	742,202
TOTAL EXPENDITURES	248,939	145,548	742,418	1,136,905
NET CHANGE IN FUND BALANCES	(8,375)	1,781	(522,207)	(528,801)
FUND BALANCES				
Beginning of year	36,297	137,245	543,388	716,930
End of year	\$ 27,922	\$ 139,026	\$ 21,181	\$ 188,129

**FENNVILLE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$21,935,000 Building and Site bonds issued February 8, 2018.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 185,000	\$ 476,425	\$ 476,426	2024	\$ 1,137,851
190,000	474,112	474,113	2025	1,138,225
200,000	470,312	470,313	2026	1,140,625
205,000	466,312	466,313	2027	1,137,625
215,000	462,212	462,213	2028	1,139,425
225,000	457,912	457,913	2029	1,140,825
165,000	452,287	452,288	2030	1,069,575
170,000	448,162	448,163	2031	1,066,325
180,000	443,912	443,913	2032	1,067,825
190,000	439,412	439,413	2033	1,068,825
195,000	434,662	434,663	2034	1,064,325
1,340,000	429,787	429,788	2035	2,199,575
1,365,000	396,287	396,288	2036	2,157,575
1,390,000	362,162	362,163	2037	2,114,325
1,415,000	327,413	327,414	2038	2,069,827
1,440,000	292,037	292,038	2039	2,024,075
1,470,000	256,037	256,038	2040	1,982,075
1,495,000	219,287	219,287	2041	1,933,574
1,520,000	181,913	181,913	2042	1,883,826
1,545,000	143,912	143,912	2043	1,832,824
1,570,000	115,909	115,909	2044	1,801,818
1,595,000	87,453	87,453	2045	1,769,906
1,610,000	58,544	58,544	2046	1,727,088
1,620,000	29,362	29,362	2047	1,678,724
<u>\$ 21,495,000</u>	<u>\$ 7,925,823</u>	<u>\$ 7,925,840</u>		<u>\$ 37,346,663</u>

The bonds were approved by the Board of Education at the December 18, 2017 meeting to be used for school building and site purposes.

**FENNVILLE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$7,230,000 Refunding bonds issued January 12, 2017.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ -	\$ 144,600	\$ 144,600	2024	\$ 289,200
-	144,600	144,600	2025	289,200
-	144,600	144,600	2026	289,200
35,000	144,600	144,600	2027	324,200
40,000	143,900	143,900	2028	327,800
45,000	143,100	143,100	2029	331,200
1,310,000	142,200	142,200	2030	1,594,400
1,365,000	116,000	116,000	2031	1,597,000
1,420,000	88,700	88,700	2032	1,597,400
1,475,000	60,300	60,300	2033	1,595,600
1,540,000	30,800	30,800	2034	1,601,600
<u>\$ 7,230,000</u>	<u>\$ 1,303,400</u>	<u>\$ 1,303,400</u>		<u>\$ 9,836,800</u>

The bonds were approved by the Board of Education at the October 17, 2016 meeting to refinance \$7,745,000 of the 2007 bond issuance. The bonds will refinance the 2027 through 2034 payments.

**FENNVILLE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

\$7,800,000 Refunding bonds issued December 1, 2020.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 1,125,000	\$ 42,408	\$ 42,408	2024	\$ 1,209,816
1,200,000	37,896	37,896	2025	1,275,792
1,000,000	32,244	32,244	2026	1,064,488
1,025,000	25,999	25,999	2027	1,076,998
1,045,000	18,829	18,829	2028	1,082,658
1,110,000	9,968	9,968	2029	1,129,936
<u>\$ 6,505,000</u>	<u>\$ 167,344</u>	<u>\$ 167,344</u>		<u>\$ 6,839,688</u>

The bonds were approved by the Board of Education at the October 19, 2020 meeting to refinance \$7,800,000 of the 2012 bond issuance. The bonds will refinance the 2023 through 2029 payments.

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (donated foods)									
Entitlement Donated Foods	10.555	N/A	\$ 81,865	\$ -	\$ -	\$ -	\$ 81,865	\$ 81,865	\$ -
Entitlement Donated Foods - Bonus	10.555	N/A	17,035	-	-	-	17,035	17,035	-
Total non-cash assistance (donated foods)			98,900	-	-	-	98,900	98,900	-
Cash Assistance									
National School Lunch Program - Supply Chain Assistance	10.555	230910	17,709	-	-	-	17,709	17,709	-
National School Lunch Program - Supply Chain Assistance	10.555	220910	32,551	-	-	-	32,551	32,551	-
National School Lunch Program	10.555	231960	707,658	-	-	-	707,658	680,342	27,316
National School Lunch Program	10.555	221960	123,517	-	-	-	123,517	123,517	-
National School Lunch Program - After School Snack	10.555	231980	6,123	-	-	-	6,123	5,864	259
National School Lunch Program - After School Snack	10.555	221980	129	-	-	-	129	129	-
Total ALN 10.555			986,587	-	-	-	986,587	959,012	27,575
Summer Food Service Program Operating	10.559	230900	8,015	-	-	-	8,015	-	8,015
Summer Food Service Program Operating	10.559	220900	23,377	-	-	-	23,377	23,377	-
Extended Summer Food Service Program	10.559	220904	7,025	7,025	7,025	-	-	7,025	-
Total ALN 10.559			38,417	7,025	7,025	-	31,392	30,402	8,015
School Breakfast Program	10.553	231970	194,302	-	-	-	194,302	184,668	9,634
School Breakfast Program	10.553	221970	29,754	-	-	-	29,754	29,754	-
Total ALN 10.553			224,056	-	-	-	224,056	214,422	9,634
Total cash assistance			1,150,160	7,025	7,025	-	1,143,135	1,104,936	45,224
Total Child Nutrition Cluster			1,249,060	7,025	7,025	-	1,242,035	1,203,836	45,224
COVID-19 - Pandemic EBT Local Level Costs	10.649	220980	3,135	-	-	-	3,135	3,135	-
Total U.S. Department of Agriculture			1,252,195	7,025	7,025	-	1,245,170	1,206,971	45,224

The accompanying notes are an integral part of this schedule.

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	231530-2223	\$ 410,593	\$ -	\$ -	\$ -	\$ 244,194	\$ 196,850	\$ 47,344
Title I Grants to Local Educational Agencies	84.010	221530-2122	382,102	127,710	321,801	-	22,037	149,747	-
Title I Grants to Local Educational Agencies	84.010	211530-2021	409,831	-	-	(2,653)	-	(2,653)	-
Total ALN 84.010			1,202,526	127,710	321,801	(2,653)	266,231	343,944	47,344
Migrant Education State Grant Program	84.011	231890-2223	53,973	-	-	-	23,335	10,875	12,460
Migrant Education State Grant Program	84.011	221890-2122	52,312	15,126	16,047	-	1,872	16,998	-
Migrant Education State Grant Program - Summer	84.011	231830-2223	80,439	-	-	-	17,826	-	17,826
Migrant Education State Grant Program - Summer	84.011	221830-2122	53,527	7,992	7,992	-	29,565	37,557	-
Migrant Education State Grant Program - Summer	84.011	211890-2021	33,721	-	-	(460)	-	(460)	-
Total ALN 84.011			273,972	23,118	24,039	(460)	72,598	64,970	30,286
English Language Acquisition State Grants	84.365	230580-2223	64,102	-	-	-	502	-	502
English Language Acquisition State Grants	84.365	220580-2122	41,652	9,130	10,815	-	693	9,823	-
Total ALN 84.365			105,754	9,130	10,815	-	1,195	9,823	502
Supporting Effective Instruction State Grants	84.367	230520-2223	108,673	-	-	-	34,497	31,216	3,281
Supporting Effective Instruction State Grants	84.367	220520-2122	117,907	14,122	40,125	-	10,727	24,849	-
Total ALN 84.367			226,580	14,122	40,125	-	45,224	56,065	3,281
Student Support and Academic Enrichment	84.424	230750-2223	24,821	-	-	-	24,326	24,326	-
Student Support and Academic Enrichment	84.424	220750-2122	26,982	-	-	-	315	315	-
Total ALN 84.424			51,803	-	-	-	24,641	24,641	-
Education Stabilization Fund									
COVID-19 - Elementary and Secondary School									
Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	1,170,542	284,901	919,089	-	154,998	439,899	-
Emergency Relief Fund (ESSER II Discretionary - Section 23b(2a))	84.425D	213722-2122	145,750	6,598	132,572	-	13,178	19,776	-
Emergency Relief Fund (ESSER II - Section 98c)	84.425D	213782-2223	66,938	-	-	-	66,938	56,876	10,062
Emergency Relief Fund (ESSER III - Formula)	84.425U	213713-2122	2,036,892	201,640	286,988	-	1,314,558	1,351,182	165,016
Emergency Relief Fund (Homeless Children and Youth)	84.425W	211012-2122	15,073	-	-	-	5,151	-	5,151
Total ALN 84.425			3,435,195	493,139	1,338,649	-	1,554,823	1,867,733	180,229

The accompanying notes are an integral part of this schedule.

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Education (continued)</u>									
Passed through Allegan Area Education Service Agency Special Education Cluster Special Education Preschool Grants	84.173	220460-2122	\$ 12,621	\$ -	\$ -	\$ -	\$ 12,621	\$ 12,621	\$ -
Total U.S. Department of Education			<u>5,308,451</u>	<u>667,219</u>	<u>1,735,429</u>	<u>(3,113)</u>	<u>1,977,333</u>	<u>2,379,797</u>	<u>261,642</u>
<u>U.S. Department of Health and Human Services</u>									
Passed through Allegan Area Education Service Agency Medicaid Cluster Medical Assistance Program	93.778	N/A	2,392	-	-	-	2,392	2,392	-
Total U.S. Department of Health and Human Services			<u>2,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,392</u>	<u>2,392</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 6,563,038</u>	<u>\$ 674,244</u>	<u>\$ 1,742,454</u>	<u>\$ (3,113)</u>	<u>\$ 3,224,895</u>	<u>\$ 3,589,160</u>	<u>\$ 306,866</u>

The accompanying notes are an integral part of this schedule.

FENNVILLE PUBLIC SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Fennville Public Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Fennville Public Schools, it is not intended to and does not present the financial position or changes in net position of Fennville Public Schools.

The District qualifies for low-risk auditee status. Management has utilized the NexSys, Cash Management System, and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Fennville Public Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2023:

General fund	\$ 1,976,612
Other nonmajor governmental funds	<u>1,245,170</u>
Total federal revenue in the fund financial statements	3,221,782
Less: federal expenditures reported in the prior year but paid back during the current year	<u>3,113</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 3,224,895</u></u>

NOTE 4 - ADJUSTMENTS

Adjustments were made for Assistance Listing #84.010 (\$2,653) and #84.011 (\$460) for federal expenditures reported in the prior year but paid back to the Michigan Department of Education during the current year.



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

To the Board of Education of
Fennville Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Fennville Public Schools' basic financial statements, and have issued our report thereon dated September 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fennville 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 Fennville Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Fennville 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fennville 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

September 6, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education of
Fennville Public Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fennville Public Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Fennville Public Schools' major federal programs for the year ended June 30, 2023. Fennville Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Fennville Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Fennville Public Schools and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Fennville Public Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Fennville Public Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Fennville Public Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Fennville Public Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Fennville Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Fennville Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Fennville Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maney Costeiran PC

September 6, 2023

**FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements noted? Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

 Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D, 84.425U, and 84.425W	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

**FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL STATEMENT FINDING

Finding 2022-001: Considered a significant deficiency in internal control over financial reporting and on compliance and other matters.

Criteria: In order to comply with Michigan Department of Education requirements, the District's food service fund balance cannot exceed three months of operating expenditures.

Condition: Fennville Public Schools currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during the 2022-2023 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess funds cannot be transferred to the general fund except to the extent of the allowable indirect costs transfer.

Cause: The District's received more funding than anticipated through the seamless summer option meals and was unable to reduce the fund balance before year-end.

Effect: The District has excess fund balance in the non-profit food service fund.

Recommendation: The District should submit and implement a spend down plan for the 2022-2023 school year that will adequately reduce the food service fund balance to an acceptable level in accordance with MDE guidelines.

District's Response: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Status: As of the fiscal year ended June 30, 2023, the District still has excess fund balance in the non-profit food service fund. The District has a spend down plan that goes through June 30, 2024 that has been approved by the State of Michigan. However, the State of Michigan has requested that excess fund balance is addressed in a management letter comment instead of as a financial statement finding.



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September 6, 2023

To the Board of Education of
Fennville Public Schools

In planning and performing our audit of the financial statements of Fennville Public Schools as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Fennville Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated September 6, 2023 on the financial statements of Fennville Public Schools. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control, or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

CONTINUING COMMENT FROM THE PRIOR PERIOD

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed at current year end. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Fennville Public Schools follow the State of Michigan approved spend down plan and achieve compliance by June 30, 2024.

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

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

Very truly yours,

Maner Costerisan PC



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September 6, 2023

To the Board of Education of
Fennville Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville Public Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fennville Public Schools are described in Note 1 to the financial statements. As described in Note 16 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based IT Arrangements*, during the year ended June 30, 2023. The application of existing policies was not changed during fiscal year 2023. We noted no transactions entered into by Fennville Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 6, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

Maney Costeiran PC