

FENNVILLE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2025

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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, 2025, 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, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 17 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025 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.

Manes Costeiran PC

October 23, 2025

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

Fennville Public Schools is 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, 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
June 30, 2024	4,118,453	797,370
June 30, 2025	4,947,577	829,124

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

In 2024-2025, the total general fund revenues were approximately \$20.58 million dollars with expenditures of approximately \$20.09 million dollars. In 2023-2024, the total general fund revenues were approximately \$19.68 million dollars with expenditures of approximately \$19.00 million dollars. General fund revenues increased from the 2023-2024 school year due to an increase in revenues from state and intermediate 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 and intermediate funds received.

The District did not participate in short-term borrowing during the 2024-2025 fiscal year and does not expect to borrow during the 2025-2026 fiscal year.

The food service fund finished the fiscal year with a decrease in fund balance of approximately \$162,000, which was expected with the District's food service fund balance spend down plan approved by the State of Michigan. The food service fund finished the year with a fund balance of approximately \$539,000.

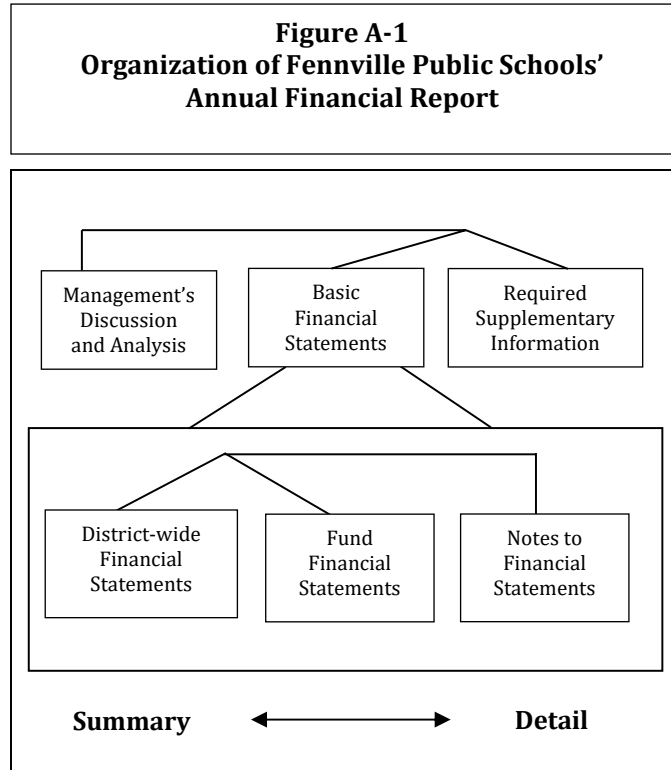
FENNVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

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 budget for the year, as well as required schedules related to the net pension liability and net OPEB asset. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**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) is 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. All 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 (\$11,970,256), as restated for the adoption of GASB 101, and on June 30, 2025 it is (\$6,769,815) which represents an increase of \$5,200,441, as recorded in the statement of activities.

FUND FINANCIAL STATEMENTS

The fund financial statements are reported on a modified accrual basis and consist of only 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 improved during the year ended June 30, 2025.

Table A-3 Fennville Public Schools' Net Position		
	2025	2024*
Current assets	\$ 11,318,369	\$ 11,027,875
Net other postemployment benefits asset	3,456,082	459,227
Capital assets	40,586,383	41,324,533
Total assets	55,360,834	52,811,635
Deferred outflows of resources	8,126,284	11,142,158
Long-term obligations	36,123,839	36,468,377
Net pension liability	19,684,699	25,985,957
Other liabilities	3,247,879	4,258,047
Total liabilities	59,056,417	66,712,381
Deferred inflows of resources	11,200,516	8,089,259
Net position		
Net investment in capital assets	6,340,680	5,727,582
Restricted for debt service	2,241,545	1,507,774
Restricted for capital projects (sinking fund)	207,125	93,963
Restricted for net other postemployment benefits	3,456,082	459,227
Unrestricted	(19,015,247)	(18,636,393)
Total net position	\$ (6,769,815)	\$ (10,847,847)
*The 2024 numbers have not been updated for the adoption of GASB 101.		

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

Table A-4 Changes in Fennville Public Schools' Net Position		
	2025	2024
Revenues		
Program revenues		
Charges for services	\$ 313,412	\$ 359,055
Operating grants and contributions	9,004,401	8,358,996
Capital grants and contributions	330,000	-
General revenues		
Property taxes	8,076,878	7,292,400
Investment earnings	119,856	111,719
State sources	7,829,203	8,372,186
Intermediate sources	1,453,357	935,520
Other	34,927	75,425
Total revenues	<u>27,162,034</u>	<u>25,505,301</u>
Expenses		
Instruction	10,623,014	11,221,385
Support services	8,090,296	8,384,625
Community services	416,166	409,123
Student / school activities	152,333	140,914
Outgoing transfers and other	23,812	4,743
Food services	1,300,344	1,241,381
Interest on long-term debt	<u>1,355,628</u>	<u>1,369,991</u>
Total expenses	<u>21,961,593</u>	<u>22,772,162</u>
Change in net position	<u><u>\$ 5,200,441</u></u>	<u><u>\$ 2,733,139</u></u>

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 \$9,608 per student in 2024-2025. The per student State foundation allowance remained the same in the current year when compared to 2023-2024. The foundation allowance increased in the previous year from \$9,150 in 2022-2023 to \$9,608 in 2023-2024.
- b. The District's non-homestead levy for 2024-2025 was 18.0000 mills which the voters approved in November of 2024.

Student Enrollment

Student enrollment decreased from 1,252 in 2023-2024 to 1,216 in 2024-2025. For the 2025-2026 school year it is hopeful that enrollment will remain the same as 2024-2025. For conservative budgeting purposes, the 2025-2026 budget projects a decrease in enrollment of 25 students.

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

GOVERNMENTAL FUNDS

Results of Operations

For the fiscal years ended June 30, 2025 and 2024, the total fund-level revenues and expenditures were:

	2025	2024
Revenues		
Local sources		
Property taxes	\$ 8,076,878	\$ 7,292,400
Investment earnings	119,856	111,719
Food sales, athletics, tuition, student/ school activities, and transportation	327,940	253,056
Other	270,244	357,496
Total local sources	8,794,918	8,014,671
State sources	14,052,438	12,985,960
Federal sources	2,008,467	3,006,973
Intermediate sources	1,453,357	935,520
Total revenues	<u>\$ 26,309,180</u>	<u>\$ 24,943,124</u>
Expenditures		
Current		
Instruction	\$ 11,596,212	\$ 10,841,516
Supporting services	8,390,340	8,053,774
Food service activities	1,297,847	1,265,224
Student/school activities	152,333	134,593
Community service activities	350,244	324,977
Outgoing transfers and other	24,170	4,925
Debt service		
Principal	1,542,803	1,465,058
Interest expense	1,347,961	1,355,906
Other	1,120	14,251
Capital outlay	567,346	897,997
Total expenditures	<u>\$ 25,270,376</u>	<u>\$ 24,358,221</u>

The following summarizes the revenues and expenses by comparing fiscal year 2025 to 2024 as shown in the above table.

- State sources increased during the current year as the District spent down a portion of its unearned revenue balance that built up during the COVID grant era.
- Federal sources decreased during the current year with the decrease in Education Stabilization Fund spending as the COVID-era grants have reached the end of their grant periods.
- Expenses increased from \$24.4 million in the previous year to \$25.3 million in the current year, an increase of \$912,155. The increase in expenditures was due in most part to an increase in instruction and support service expenditures during the current year.

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

The Fennville Public School District voters approved the 18-mill renewal in November 2024. 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 the full 18.0000 mills during fiscal year 2025. The Non-PRE levy resulted in approximately \$3.91 million in revenue for the District in fiscal year 2024-2025.

Following is a table showing the past ten years of property taxes collected on Non-PRE (formerly known as non-homestead property) and commercial property:

Fiscal Year	Levy	Mills
2024 - 2025	\$ 3,914,384	18.0000
2023 - 2024	3,579,618	18.0000
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

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 2024-2025 budget was approved in June 2024.

The 2024-2025 budget was revised two times throughout the fiscal year, with the final revision approved in June 2025. The final budget revision anticipated higher revenues and higher expenses than was expected in June 2024, when the original budget was approved. The majority of the increase in budgeted revenues was due to higher-than-expected revenues from state and intermediate sources, while the increase in budgeted expenditures was due to increased spending on instructional added needs, instructional support staff, and central office, 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 2025, the District had invested \$64.90 million in a broad range of capital assets.

Table A-5 Fennville Public Schools' Capital Assets				
	2025			2024
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 337,337	\$ -	\$ 337,337	\$ 337,337
Buildings and additions	55,861,094	18,359,492	37,501,602	38,948,027
Land improvements	2,624,339	1,659,762	964,577	289,105
Computer and office equipment	3,197,654	2,674,856	522,798	540,314
Right to use - leased equipment	272,408	40,861	231,547	121,045
Right to use - subscription-based IT	58,809	27,772	31,037	40,839
Outdoor equipment	1,099,470	638,261	461,209	514,850
Transportation equipment	1,446,567	910,291	536,276	533,016
Total	\$ 64,897,678	\$ 24,311,295	\$ 40,586,383	\$ 41,324,533

LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District also has notes from direct borrowings and direct placement which represents the District's obligations under lease agreements. In addition to general obligation bonds and notes from direct borrowing and direct placement, the District also estimates a liability related to the unused PTO banks of its employees. See Note 6 for more information.

Table A-6 Fennville Public Schools Outstanding Long-term Obligations		
	2025	2024*
General obligation bonds - net	\$ 34,671,037	\$ 36,257,967
Compensated absences	1,218,650	85,309
Notes from direct borrowings and direct placement	234,152	125,101
	\$ 36,123,839	\$ 36,468,377
*The 2024 numbers have not been updated for the adoption of GASB 101.		

**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.

- In previous years, Fennville has experienced a shortage in drivers due to turnover, a lack of applicants wanting to drive school buses, and federal driver requirements. This driver shortage is felt in not just Fennville but in many other districts throughout the state. Moving to a new pay scale structure that is more in-line with a traditional wage scale has helped alleviate some of these pressures. We continue to work through this process with the rest of the schools in our state.
- Moving into fiscal year 2026, the District will continue to navigate the post-COVID grant era as those pandemic related grants have sunset. Over the past five years, the State has provided additional federal funds to the school, but those funds are no longer available. We have other categorical funds that we have set aside to help address the lingering effects of the pandemic (addressing learning loss through the use of long-term interventionists, providing summer school opportunities, 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.
- Fennville may or may not be receiving an increase in per pupil state aid for the 2025-2026 school year since we do not have a state budget in place at the time this analysis was written. We hope that we will be able to continue to re-align our pay scales throughout all of our employee groups to maintain a competitive wage for all staff. 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. Also, keeping up with inflationary pressures is a continued challenge.
- 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 meals. 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, encouraging families to fill out the forms during Open Houses, 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 ages 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. One step that we were able to take for the 2024-25 school year was to take over the administration of our GSRP programs from Allegan Area ESA and permanently hire those teachers and aides on the Fennville payroll. This program transition was very successful and remains under the administration of Fennville Public Schools, along with programmatic support from Allegan Area ESA.
- The Fennville Public Schools voters passed a bond in August 2025 to support necessary improvements on our facilities; including roofs, HVAC, flooring, windows, doors, and other areas needing attention. This bond will help alleviate those future repair and replacement costs of higher dollar expenses that would have needed to come from the general and/or sinking funds.

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

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, 2025**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,321,581
Investments	27,482
Receivables	
Accounts	6,060
Intergovernmental	2,748,227
Leases	62,097
Inventories	77,862
Prepays	75,060
Net other postemployment benefits asset	3,456,082
Capital assets not being depreciated	337,337
Capital assets, net of accumulated depreciation/amortization	<u>40,249,046</u>
TOTAL ASSETS	<u>55,360,834</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	584,273
Related to pensions	6,565,216
Related to other postemployment benefits	<u>976,795</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,126,284</u>
LIABILITIES	
Accounts payable	287,169
Accrued interest	219,579
Accrued salaries and related items	1,298,866
Accrued retirement	476,818
Unearned revenue	965,447
Noncurrent liabilities	
Due within one year	2,438,105
Due in more than one year	33,685,734
Net pension liability	<u>19,684,699</u>
TOTAL LIABILITIES	<u>59,056,417</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	5,569,666
Related to other postemployment benefits	4,483,740
Related to state aid funding for pension	1,087,863
Related to unavailable revenue - leases	<u>59,247</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>11,200,516</u>
NET POSITION	
Net investment in capital assets	6,340,680
Restricted for debt service	2,241,545
Restricted for capital projects (sinking fund)	207,125
Restricted for net other postemployment benefits	3,456,082
Unrestricted	<u>(19,015,247)</u>
TOTAL NET POSITION	<u><u>\$ (6,769,815)</u></u>

See notes to financial statements.

**FENNVILLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities					
Instruction	\$ 10,623,014	\$ -	\$ 4,542,762	\$ -	\$ (6,080,252)
Support services	8,090,296	270,547	2,931,248	-	(4,888,501)
Community services	416,166	-	84,000	330,000	(2,166)
Outgoing transfers and other	23,812	-	-	-	(23,812)
Food services	1,300,344	42,865	1,230,212	-	(27,267)
Student/school activities	152,333	-	216,179	-	63,846
Interest on long-term debt	1,355,628	-	-	-	(1,355,628)
Total governmental activities	<u>\$ 21,961,593</u>	<u>\$ 313,412</u>	<u>\$ 9,004,401</u>	<u>\$ 330,000</u>	<u>(12,313,780)</u>
General revenues					
Property taxes, levied for general purposes					3,926,702
Property taxes, levied for debt service					3,356,930
Property taxes, levied for capital projects (sinking fund)					266,440
Property taxes, levied for community recreation					526,806
Investment earnings					119,856
State sources					7,829,203
Intermediate sources					1,453,357
Other					34,927
Total general revenues					<u>17,514,221</u>
CHANGE IN NET POSITION					<u>5,200,441</u>
NET POSITION, beginning of year, as previously stated					(10,847,847)
Adjustment to beginning net position					<u>(1,122,409)</u>
NET POSITION, beginning of year, as restated					<u>(11,970,256)</u>
NET POSITION, end of year					<u>\$ (6,769,815)</u>

See notes to financial statements.

**FENNVILLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,054,924	\$ 2,461,646	\$ 805,011	\$ 8,321,581
Investments	27,482	-	-	27,482
Receivables				
Accounts	6,060	-	-	6,060
Intergovernmental	2,693,821	-	54,406	2,748,227
Due from other funds	316,435	-	374,786	691,221
Leases	62,097	-	-	62,097
Inventories	72,679	-	5,183	77,862
Prepays	75,060	-	-	75,060
TOTAL ASSETS	\$ 8,308,558	\$ 2,461,646	\$ 1,239,386	\$ 12,009,590
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 194,443	\$ -	\$ 92,726	\$ 287,169
Due to other funds	374,786	522	315,913	691,221
Accrued salaries and related items	1,298,866	-	-	1,298,866
Accrued retirement	468,192	-	8,626	476,818
Unearned revenue	965,447	-	-	965,447
TOTAL LIABILITIES	3,301,734	522	417,265	3,719,521
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - leases	59,247	-	-	59,247
FUND BALANCES				
Nonspendable				
Inventories	72,679	-	5,183	77,862
Prepays	75,060	-	-	75,060
Restricted for				
Debt service	-	2,461,124	-	2,461,124
Food service	-	-	533,694	533,694
Capital projects (sinking fund)	-	-	207,125	207,125
Capital projects (energy conservation improvement fund)	-	-	75,213	75,213
Committed for student/school activities	-	-	230,496	230,496
Assigned for subsequent years' expenditures	643,112	-	-	643,112
Unassigned	4,156,726	-	(229,590)	3,927,136
TOTAL FUND BALANCES	4,947,577	2,461,124	822,121	8,230,822
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 8,308,558	\$ 2,461,646	\$ 1,239,386	\$ 12,009,590

See notes to financial statements.

FENNVILLE PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total governmental fund balances		\$ 8,230,822
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - deferred charges on refunding		584,273
Deferred outflows of resources - related to pensions		6,565,216
Deferred inflows of resources - related to pensions		(5,569,666)
Deferred outflows of resources - related to other postemployment benefits		976,795
Deferred inflows of resources - related to other postemployment benefits		(4,483,740)
Deferred inflows of resources - related to state aid funding for pensions		(1,087,863)
Some assets are not current financial resources and therefore are not reported in the governmental funds balance sheet. Such noncurrent asset(s) at year-end consist of:		
Net other postemployment benefits asset		3,456,082
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 64,897,678	
Accumulated depreciation/amortization is	<u>(24,311,295)</u>	
		40,586,383
Long-term obligations are not due and payable in the current period and are not reported in the funds.		
General obligation bonds		(34,671,037)
Direct borrowing and direct placement		(234,152)
Compensated absences		(1,218,650)
Accrued interest		(219,579)
Net pension liability		<u>(19,684,699)</u>
Net position of governmental activities		<u><u>\$ (6,769,815)</u></u>

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

	General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	\$ 3,926,702	\$ 3,356,930	\$ 793,246	\$ 8,076,878
Investment earnings	64,431	49,431	5,994	119,856
Food sales	-	-	41,140	41,140
Athletics	55,026	-	-	55,026
Transportation	15,595	-	-	15,595
Student/school activities	-	-	216,179	216,179
Other	265,938	-	4,306	270,244
Total local sources	4,327,692	3,406,361	1,060,865	8,794,918
State sources	13,926,457	26,303	99,678	14,052,438
Federal sources	869,093	-	1,139,374	2,008,467
Intermediate school districts	1,453,357	-	-	1,453,357
TOTAL REVENUES	20,576,599	3,432,664	2,299,917	26,309,180
EXPENDITURES				
Current				
Instruction	11,596,212	-	-	11,596,212
Supporting services	8,390,340	-	-	8,390,340
Food service activities	-	-	1,297,847	1,297,847
Student/school activities	-	-	152,333	152,333
Community service activities	18,704	-	331,540	350,244
Outgoing transfers and other	23,812	-	358	24,170
Capital outlay	-	-	567,346	567,346
Debt service				
Principal repayment	52,803	1,390,000	100,000	1,542,803
Interest	7,986	1,311,765	28,210	1,347,961
Other	-	1,120	-	1,120
TOTAL EXPENDITURES	20,089,857	2,702,885	2,477,634	25,270,376
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	486,742	729,779	(177,717)	1,038,804
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	9,974	-	-	9,974
Proceeds from leases	272,408	-	-	272,408
Transfers in	60,000	-	-	60,000
Transfers out	-	-	(60,000)	(60,000)
TOTAL OTHER FINANCING SOURCES (USES)	342,382	-	(60,000)	282,382
NET CHANGE IN FUND BALANCES	829,124	729,779	(237,717)	1,321,186
FUND BALANCES				
Beginning of year	4,118,453	1,731,345	1,059,838	6,909,636
End of year	\$ 4,947,577	\$ 2,461,124	\$ 822,121	\$ 8,230,822

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, 2025**

Net Change in Fund Balances Total Governmental Funds \$ 1,321,186

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	(1,979,640)
Capital outlay	1,362,535
Proceeds on sale of capital assets	(9,974)
Loss on termination of leases	(517)

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	223,571
Accrued interest payable, end of the year	(219,579)

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 obligations and related items and are as follows:

Proceeds from leases	(272,408)
Payments on general obligation bonds	1,490,000
Payments on notes from direct borrowings and direct placement	52,803
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, as restated	1,207,718
Accrued compensated absences, end of the year	(1,218,650)

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	1,505,619
Other postemployment benefits related items	1,226,065

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	1,611,234
State aid funding for pension, end of the year	(1,087,863)

Change in net position of governmental activities \$ 5,200,441

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

The District reports the following *Other Nonmajor Funds*:

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Other Nonmajor Funds (continued):

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 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

The *Capital Projects Energy Conservation Improvement Bond Fund* accounts for the issuance of general obligation bonds and the related spending for energy conservation improvements to school facilities. The energy conservation improvement bonds are collateralized by the sinking fund and are not subject to the provisions of §1351a of the Revised School Code.

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.

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, deferred outflows, deferred inflows, 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, or shortly thereafter. 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.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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, or shortly thereafter).

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.

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.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended twice during the year. The final budget was approved prior to the June 30, 2025 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.

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.

**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 (continued)

- 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.

Capital Assets

Capital assets, which include land, construction in progress, building and additions, land improvements, computer, and office equipment, right to use - leased equipment/subscription-based IT, 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 one year. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

**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)

Defined Benefit Plans

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

Deferred Outflows

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first 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 asset/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.

**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 Flow Assumptions

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

Fund Balance Policies

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

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

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

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.

**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)

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.

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.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property (CPP)	6.0000
Debt Service Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	6.2000
Community Recreation Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	0.9728
Capital Projects Sinking Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	0.4921

Compensated Absences

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

Long-term Obligations

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-term Obligations (continued)

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2025 the District had deposits and investments subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2025, \$7,919,318 of the District's bank balance of \$8,723,854 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 \$8,321,581.

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	\$ 3,092	N/A
MILAF External Investment Pool - MAX	24,390	N/A
Total fair value	<u>\$ 27,482</u>	

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ 3,092	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	24,390	AAAm	Standard & Poor's
Total	<u>\$ 27,482</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, 2025, 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	\$ 3,092
MILAF External Investment Pool - MAX	24,390
	<u>\$ 27,482</u>

The deposits 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, 2025:

	Primary Government
Cash and cash equivalents	\$ 8,321,581
Investments	27,482
	<u>\$ 8,349,063</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

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

	Government- wide
State aid	\$ 2,318,383
Federal revenue	104,771
Other	325,073
	<u>\$ 2,748,227</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, 2024	Additions/ Reclassification	Deletions/ Reclassification	Balance June 30, 2025
Capital assets not being depreciated				
Land	\$ 337,337	\$ -	\$ -	\$ 337,337
Capital assets being depreciated/amortized				
Building and additions	55,815,642	45,452	-	55,861,094
Land improvements	1,856,064	768,275	-	2,624,339
Computer and office equipment	3,090,390	135,192	27,928	3,197,654
Right to use - leased equipment	267,114	272,408	267,114	272,408
Right to use - subscription-based IT	58,809	-	-	58,809
Outdoor equipment	1,086,465	13,005	-	1,099,470
Transportation equipment	1,396,364	128,203	78,000	1,446,567
Subtotal	63,570,848	1,362,535	373,042	64,560,341
Accumulated depreciation/amortization				
Building and additions	16,867,615	1,491,877	-	18,359,492
Land improvements	1,566,959	92,803	-	1,659,762
Computer and office equipment	2,550,076	152,708	27,928	2,674,856
Right to use - leased equipment	146,069	40,861	146,069	40,861
Right to use - subscription-based IT	17,970	9,802	-	27,772
Outdoor equipment	571,615	66,646	-	638,261
Transportation equipment	863,348	124,943	78,000	910,291
Total accumulated depreciation/amortization	22,583,652	1,979,640	251,997	24,311,295
Net capital assets being depreciated/amortized	40,987,196	(617,105)	121,045	40,249,046
Net governmental capital assets	\$ 41,324,533	\$ (617,105)	\$ 121,045	\$ 40,586,383

Depreciation/amortization for the fiscal year ended June 30, 2025 amounted to \$1,979,640. The District allocated depreciation/amortization to the various activities as follows:

Instruction	\$ 1,021,908
Support services	787,575
Community services	91,738
Food service	78,419
	<u>78,419</u>
	<u>\$ 1,979,640</u>

NOTE 5 - NOTE PAYABLE

The District did not obtain short-term borrowing during the 2024-2025 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, 2025:

	General Obligation Bonds	Direct Borrowings and Direct Placement	Compensated Absences*	Total
Balance July 1, 2024, as restated	\$ 36,257,967	\$ 125,101	\$ 1,207,718	\$ 37,590,786
Additions	-	272,408	10,932	283,340
Deletions	(1,586,930)	(163,357)	-	(1,750,287)
Balance June 30, 2025	34,671,037	234,152	1,218,650	36,123,839
Due within one year	(1,300,000)	(51,574)	(1,086,531)	(2,438,105)
Due in more than one year	<u>\$ 33,371,037</u>	<u>\$ 182,578</u>	<u>\$ 132,119</u>	<u>\$ 33,685,734</u>

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

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

General Obligation Bonds

2018 Building and Site bonds due in annual installments of \$165,000 to \$1,620,000 through May 1, 2047, with interest ranging from 3.625% to 5.00%. \$ 21,120,000

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 \$1,110,000 through May 1, 2029, with interest ranging from 0.942% to 1.796%. 4,180,000

2023 Energy Conservation Improvement bonds due in annual installments of \$100,000 through May 1, 2030, with interest ranging from 4.49% to 5.05%. 500,000

Plus issuance premium 1,641,037

Total general obligation bonds 34,671,037

Direct Borrowing and Direct Placement

Copier lease due in monthly installments of \$5,000 through September 30, 2029, with an implied interest rate of 4.00%. 234,152

Compensated absences 1,218,650

Total general long-term obligations \$ 36,123,839

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 \$234,152 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, exclusive of compensated absences payments as of June 30, 2025, are as follows:

Year Ending June 30,	General Obligation Bonds		Direct Borrowing and Direct Placement		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2026	\$ 1,300,000	\$ 1,317,473	\$ 51,574	\$ 8,427	\$ -	\$ 2,677,474
2027	1,365,000	1,292,173	53,676	6,326	-	2,717,175
2028	1,400,000	1,263,533	55,862	4,139	-	2,723,534
2029	1,480,000	1,231,031	58,138	1,863	-	2,771,032
2030	1,575,000	1,193,465	14,902	100	-	2,783,467
2031 - 2035	7,875,000	4,983,475	-	-	-	12,858,475
2036 - 2040	7,080,000	3,267,877	-	-	-	10,347,877
2041 - 2045	7,725,000	1,496,948	-	-	-	9,221,948
2046 - 2047	3,230,000	175,812	-	-	-	3,405,812
	33,030,000	16,221,787	234,152	20,855	-	49,506,794
Issuance premium	1,641,037	-	-	-	-	1,641,037
Compensated absences	-	-	-	-	1,218,650	1,218,650
	<u>\$ 34,671,037</u>	<u>\$ 16,221,787</u>	<u>\$ 234,152</u>	<u>\$ 20,855</u>	<u>\$ 1,218,650</u>	<u>\$ 52,366,481</u>

Interest expense (all funds) for the year ended June 30, 2025 was approximately \$1,348,000.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

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

Receivable Fund		Payable Fund	
General fund	\$ 316,435	General fund	\$ 374,786
Nonmajor funds	<u>374,786</u>	Debt service fund	522
		Nonmajor funds	<u>315,913</u>
	<u>\$ 691,221</u>		<u>\$ 691,221</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 - TERMINATION BENEFITS

In the fiscal year ended June 30, 2025, the District became obligated for involuntary termination benefits as part of a mutual separation agreement with the Superintendent, effective January 1, 2025. The agreement provides for continued payment of regular compensation, including salary and associated fringe benefits (such as employer contributions to retirement plans and FICA taxes), through June 30, 2026. This arrangement affects one employee and is expected to provide benefits over an 18-month period from the termination date.

The cost of these termination benefits totals \$191,993, which has been fully recognized as a liability as of June 30, 2025, in both the government-wide and governmental fund financial statements, as the entire amount is expected to be liquidated with expendable available financial resources within the next 12 months. These termination benefits do not affect defined benefit pension or other postemployment benefit (OPEB) obligations.

The liability is measured at the undiscounted amount, as the impact of discounting is not significant and assumptions regarding compensation levels are consistent with the employee's historical pay structure. No healthcare-related benefits are included in this arrangement.

NOTE 9 - 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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

Pension Reform of 2017

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017 (continued)

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

Pension Reform of 2023

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

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

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2025, were equal to the required contribution total. Total pension contributions were approximately \$3,779,000. Of the total pension contributions approximately \$3,625,000 was contributed to fund the Defined Benefit Plan and approximately \$154,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025, were equal to the required contribution total. Total OPEB contributions were approximately \$132,000. Of the total OPEB contributions approximately \$47,000 was contributed to fund the Defined Benefit Plan and approximately \$85,000 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, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

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

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

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total Pension Liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan Fiduciary Net Position	\$ 71,283,482,728	\$ 62,581,762,238
Net Pension Liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate Share	0.08040%	0.08029%
Net Pension Liability for the District	\$ 19,684,699	\$ 25,985,957

For the year ended June 30, 2025, the District recognized pension expense of \$2,119,140.

FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual pension plan investment earnings	\$ -	\$ (3,756,675)
Differences between expected and actual experience	534,060	(213,877)
Changes in proportion and differences between employer contributions and proportionate share of contributions	697,765	(156,848)
Changes of assumptions	2,052,247	(1,442,266)
Reporting Unit's contributions subsequent to the measurement date	3,281,144	-
	<u>\$ 6,565,216</u>	<u>\$ (5,569,666)</u>

\$3,281,144, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending June 30,	Amount
2026	\$ (274,959)
2027	320,451
2028	(1,347,962)
2029	(983,124)

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total other postemployment benefits liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan fiduciary net position	\$ 14,295,943,589	\$ 11,789,347,341
Net other postemployment benefits asset	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.08029%	0.08118%
Net other postemployment benefits asset for the District	\$ (3,456,082)	\$ (459,227)

For the year ended June 30, 2025, the District recognized OPEB benefit of \$1,179,155.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual other postemployment benefits plan investment earnings	\$ -	\$ (654,276)
Differences between expected and actual experience	-	(3,662,391)
Changes in proportion and differences between employer contributions and proportionate share of contributions	207,827	(80,308)
Changes of assumptions	754,858	(86,765)
Reporting Unit's contributions subsequent to the measurement date	<u>14,110</u>	<u>-</u>
	<u>\$ 976,795</u>	<u>\$ (4,483,740)</u>

\$14,110, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ending June 30,	Amount
2026	\$ (1,152,055)
2027	(660,922)
2028	(665,334)
2029	(626,903)
2030	(348,712)
2031	(67,129)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

The Long-term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

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

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

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

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	<u>\$ 28,857,981</u>	<u>\$ 19,684,699</u>	<u>\$ 12,046,178</u>

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	<u>\$ (2,670,889)</u>	<u>\$ (3,456,082)</u>	<u>\$ (4,134,964)</u>

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	<u>\$ (4,134,972)</u>	<u>\$ (3,456,082)</u>	<u>\$ (2,727,976)</u>

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 10 - 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 the year ended June 30, 2025, or any of the prior three years.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - TRANSFERS

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

NOTE 12 - 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 13 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2025. Approximately \$75,000 is restricted and recorded as fund balance in the energy conservation improvement bond fund.

NOTE 14 - 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, 2025, 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 15 - LEASE RECEIVABLE

During the 2023 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 \$24,516 in lease revenue and \$3,007 in interest revenue during the current fiscal year related to this lease. As of June 30, 2025, the District's receivable for lease payments was \$62,097. 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, 2025, the balance of the deferred inflow of resources was \$59,247.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - ii. Currently Known Facts, Decisions, or Conditions;

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- iii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
- iv. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

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

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE (continued)

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

	<u>Governmental Activities</u>
Net position, as previously stated	\$ (10,847,847)
Change in accounting principle (GASB 101)	<u>(1,122,409)</u>
Net position, as restated	<u><u>\$ (11,970,256)</u></u>

NOTE 18 - DEFICIT UNASSIGNED FUND BALANCE

At June 30, 2025, the community recreation special revenue fund had a deficit unassigned fund balance of \$229,590. The deficit is expected to be eliminated through future tax collections of the community recreation millage.

REQUIRED SUPPLEMENTARY INFORMATION

**FENNVILLE PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 4,369,931	\$ 4,329,298	\$ 4,327,692	\$ (1,606)
State sources	13,602,516	13,946,070	13,926,457	(19,613)
Federal sources	618,428	665,119	869,093	203,974
Intermediate school districts	858,084	1,423,676	1,453,357	29,681
TOTAL REVENUES	19,448,959	20,364,163	20,576,599	212,436
EXPENDITURES				
Current				
Instruction				
Basic programs	8,021,929	7,849,297	7,758,199	91,098
Added needs	3,563,566	3,739,527	3,838,013	(98,486)
Total instruction	11,585,495	11,588,824	11,596,212	(7,388)
Supporting services				
Pupil	955,137	945,861	1,063,061	(117,200)
Instructional staff	710,423	821,128	784,461	36,667
General administration	553,071	602,579	788,796	(186,217)
School administration	1,192,077	1,108,735	1,105,817	2,918
Business	437,441	461,182	462,299	(1,117)
Operation/maintenance	2,303,587	2,156,987	1,957,473	199,514
Pupil transportation	1,183,951	1,208,105	1,135,998	72,107
Central	411,901	530,035	510,466	19,569
Athletics	569,896	580,712	581,969	(1,257)
Total supporting services	8,317,484	8,415,324	8,390,340	24,984
Community services	46,299	34,885	18,704	16,181
Outgoing transfers and other	4,743	23,812	23,812	-
Debt service				
Principal repayment	50,000	50,000	52,803	(2,803)
Interest	-	-	7,986	(7,986)
Total debt service	50,000	50,000	60,789	(10,789)
TOTAL EXPENDITURES	20,004,021	20,112,845	20,089,857	22,988
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(555,062)	251,318	486,742	235,424
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	9,974	9,974	-
Proceeds from leases	-	-	272,408	272,408
Transfers in	60,000	60,000	60,000	-
TOTAL OTHER FINANCING SOURCES (USES)	60,000	69,974	342,382	272,408
NET CHANGE IN FUND BALANCE	\$ (495,062)	\$ 321,292	829,124	\$ 507,832
FUND BALANCE				
Beginning of year			4,118,453	
End of year			\$ 4,947,577	

**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)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting Unit's proportion of net pension liability (%)	0.08040%	0.08029%	0.07826%	0.07486%	0.07445%	0.07502%	0.07346%	0.07249%	0.07048%	0.06980%
Reporting Unit's proportionate share of net pension liability	\$ 19,684,699	\$ 25,985,957	\$ 29,433,971	\$ 17,723,149	\$ 25,609,962	\$ 24,844,132	\$ 22,082,082	\$ 18,786,332	\$ 17,584,141	\$ 17,049,773
Reporting Unit's covered-employee payroll	\$ 8,583,854	\$ 8,294,631	\$ 7,786,271	\$ 6,897,462	\$ 6,600,355	\$ 6,611,266	\$ 6,300,482	\$ 6,129,596	\$ 5,986,908	\$ 5,823,844
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	229.32%	313.29%	378.02%	256.95%	388.01%	375.78%	350.48%	306.49%	293.71%	292.76%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

**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)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required pension contributions	\$ 3,624,759	\$ 3,374,708	\$ 3,665,932	\$ 2,570,182	\$ 2,203,084	\$ 2,026,897	\$ 1,959,015	\$ 1,930,758	\$ 1,682,925	\$ 1,558,887
Pension contributions in relation to statutorily required contributions	<u>3,624,759</u>	<u>3,374,708</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (pension)	\$ 8,988,410	\$ 8,541,371	\$ 8,067,308	\$ 7,397,907	\$ 6,747,485	\$ 6,582,348	\$ 6,570,775	\$ 6,233,679	\$ 6,307,919	\$ 5,947,143
Pension contributions as a percentage of covered-employee payroll	40.33%	39.51%	45.44%	34.74%	32.65%	30.79%	29.81%	30.97%	26.68%	26.21%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other post-employment benefits liability/asset (%)	0.08029%	0.08118%	0.07965%	0.07583%	0.07424%	0.07566%	0.07410%	0.07238%
Reporting Unit's proportionate share of net other post-employment benefits liability (asset)	\$ (3,456,082)	\$ (459,227)	\$ 1,687,085	\$ 1,157,518	\$ 3,977,121	\$ 5,430,848	\$ 5,889,900	\$ 6,409,259
Reporting Unit's covered-employee payroll	\$ 8,583,854	\$ 8,294,631	\$ 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 post-employment benefits liability/asset as a percentage of its covered-employee payroll	40.26%	5.54%	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)	143.08%	105.04%	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 EIGHT FISCAL YEARS (DETERMINED OF THE YEAR ENDED JUNE 30)**

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required other postemployment benefits contributions	\$ 46,910	\$ 726,498	\$ 664,119	\$ 609,658	\$ 586,147	\$ 563,485	\$ 543,982	\$ 546,701
Other postemployment benefits contributions in relation to statutorily required contributions	46,910	726,498	664,119	609,658	586,147	563,485	543,982	546,701
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting Unit's covered-employee payroll (OPEB)	\$ 8,988,410	\$ 8,541,371	\$ 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	0.52%	8.51%	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, 2025**

NOTE 1 - PENSION INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

NOTE 2 - OPEB INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 2 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

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

ADDITIONAL SUPPLEMENTARY INFORMATION

**FENNVILLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2025**

	Special Revenue			Capital Projects		
	Community Recreation	Student/ School Activities	Food Service Fund	Sinking Fund	Energy Conservation Improvement Bond Fund	Total Nonmajor Funds
ASSETS						
Cash and cash equivalents	\$ 99,085	\$ 262,060	\$ 115,408	\$ 253,245	\$ 75,213	\$ 805,011
Intergovernmental receivable	1,608	-	52,798	-	-	54,406
Due from other funds	-	385	374,401	-	-	374,786
Inventories	-	-	5,183	-	-	5,183
TOTAL ASSETS	\$ 100,693	\$ 262,445	\$ 547,790	\$ 253,245	\$ 75,213	\$ 1,239,386
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 89,648	\$ 1,183	\$ 1,895	\$ -	\$ -	\$ 92,726
Accrued retirement	1,608	-	7,018	-	-	8,626
Due to other funds	239,027	30,766	-	46,120	-	315,913
TOTAL LIABILITIES	330,283	31,949	8,913	46,120	-	417,265
FUND BALANCES						
Nonspendable						
Inventories	-	-	5,183	-	-	5,183
Restricted	-	-	533,694	207,125	75,213	816,032
Committed	-	230,496	-	-	-	230,496
Unassigned	(229,590)	-	-	-	-	(229,590)
TOTAL FUND BALANCES	(229,590)	230,496	538,877	207,125	75,213	822,121
TOTAL LIABILITIES AND FUND BALANCES	\$ 100,693	\$ 262,445	\$ 547,790	\$ 253,245	\$ 75,213	\$ 1,239,386

**FENNVILLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2025**

	Special Revenue			Capital Projects		
	Community Recreation	Student/ School Activities	Food Service Fund	Sinking Fund	Energy Conservation Improvement Bond Fund	Total Nonmajor Funds
REVENUES						
Property taxes	\$ 526,806	\$ -	\$ -	\$ 266,440	\$ -	\$ 793,246
Student/school activities	-	216,179	-	-	-	216,179
State sources	8,840	-	90,838	-	-	99,678
Federal sources	-	-	1,139,374	-	-	1,139,374
Food sales	-	-	41,140	-	-	41,140
Investment earnings	1,101	230	31	4,506	126	5,994
Other	-	-	4,306	-	-	4,306
TOTAL REVENUES	536,747	216,409	1,275,689	270,946	126	2,299,917
EXPENDITURES						
Current						
Salaries	104,075	-	379,874	-	-	483,949
Benefits	56,382	-	259,892	-	-	316,274
Purchased services	118,543	-	18,093	-	-	136,636
Supplies and materials	52,540	-	42,922	-	-	95,462
Food purchases	-	-	497,234	-	-	497,234
Donated commodities	-	-	94,772	-	-	94,772
Student/school activities	-	152,333	-	-	-	152,333
Other	-	-	5,060	358	-	5,418
Capital outlay	439,775	-	80,187	29,216	18,168	567,346
Debt service						
Principal repayment	-	-	-	100,000	-	100,000
Interest	-	-	-	28,210	-	28,210
TOTAL EXPENDITURES	771,315	152,333	1,378,034	157,784	18,168	2,477,634
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(234,568)	64,076	(102,345)	113,162	(18,042)	(177,717)
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	(60,000)	-	-	(60,000)
NET CHANGE IN FUND BALANCES	(234,568)	64,076	(162,345)	113,162	(18,042)	(237,717)
FUND BALANCES						
Beginning of year	4,978	166,420	701,222	93,963	93,255	1,059,838
End of year	<u>\$ (229,590)</u>	<u>\$ 230,496</u>	<u>\$ 538,877</u>	<u>\$ 207,125</u>	<u>\$ 75,213</u>	<u>\$ 822,121</u>

**FENNVILLE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2025**

\$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
\$ 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>\$ 21,120,000</u>	<u>\$ 6,975,286</u>	<u>\$ 6,975,301</u>		<u>\$ 35,070,587</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, 2025**

\$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	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>\$ 1,014,200</u>	<u>\$ 1,014,200</u>		<u>\$ 9,258,400</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, 2025**

\$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
\$ 1,000,000	\$ 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>\$ 4,180,000</u>	<u>\$ 87,040</u>	<u>\$ 87,040</u>		<u>\$ 4,354,080</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
BONDED DEBT
JUNE 30, 2025**

\$700,000 Energy Conservation Improvement bonds issued August 3, 2023.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 100,000	\$ 11,580	\$ 11,580	2026	\$ 123,160
100,000	9,175	9,175	2027	118,350
100,000	6,825	6,825	2028	113,650
100,000	4,535	4,535	2029	109,070
100,000	2,245	2,245	2030	104,490
<u>\$ 500,000</u>	<u>\$ 34,360</u>	<u>\$ 34,360</u>		<u>\$ 568,720</u>

The bonds were approved by the Board of Education at the July 17, 2023, meeting to be used for energy conservation improvements to school facilities consisting of replacing HVAC control systems and replacing portions of the elementary school roof.



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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, 2025, and the related notes to the financial statements, which collectively comprise Fennville Public Schools' basic financial statements, and have issued our report thereon dated October 23, 2025.

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

October 23, 2025



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October 23, 2025

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, 2025, 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 October 23, 2025 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 the 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, 2026.

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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October 23, 2025

To the Board of Education
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, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fennville Public Schools are described in Note 1 to the financial statements. As described in Note 17 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by 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 were:

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

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

Management's estimate of the discount rate used for leases/SBITAs, the lease/subscription term and lease/subscription payments/receipts is based on the Fennville Public Schools incremental borrowing rate and consideration of the noncancelable period of the agreement and reasonably certain lease/subscription options.

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all 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 October 23, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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 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