

Fitzgerald Public Schools

Financial Statements

June 30, 2025



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Fitzgerald Public Schools
Members of the Board of Education and Administration
June 30, 2025

Members of the Board of Education

Julia Yokel – President

Annie Covert – Vice President

Judy Furgal – Treasurer

Randel Meisner – Secretary

Kimberly Lee – Trustee

Khaja Shahab Ahmed – Trustee

Raymond De'Loatch – Trustee

Administration

Laurie Fournier – Interim Superintendent

Gina Cereska – Director of Business

Rebecca Wright – District Accountant

Independent Auditors' Report

Management and the Board of Education
Fitzgerald Public Schools
Warren, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fitzgerald Public Schools (the School District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, 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 the School District as of June 30, 2025, and the respective changes in financial position, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, during the year ended June 30, 2025, the School District adopted new accounting guidance, 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 the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 the School District's 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 the School District's 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, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability (asset), and schedule of the school district's OPEB contributions 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose 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 other supplementary information, as identified in the table of contents, 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 other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2025 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Troy, Michigan
October 21, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fitzgerald Public Schools
Management's Discussion and Analysis
June 30, 2025

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

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these financial statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, and 2019 Building & Site Fund, with all other funds presented in one column as nonmajor funds.

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

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Budgetary Information for General Fund
(Required Supplementary Information)

Other Supplementary Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of

Fitzgerald Public Schools
Management's Discussion and Analysis
June 30, 2025

activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, childcare, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Fitzgerald Public Schools
Management's Discussion and Analysis
June 30, 2025

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The table below provides a summary of the School District's net position as of June 30, 2025 and 2024:

	Governmental Activities	
	2025	2024
Assets		
Current and other assets	\$ 22,396,624	\$ 29,174,791
Property and equipment	65,142,324	62,092,520
Total assets	<u>87,538,948</u>	<u>91,267,311</u>
Deferred Outflows of Resources	<u>14,472,515</u>	<u>19,137,315</u>
Liabilities		
Current liabilities	6,731,378	9,881,971
Long-term liabilities	<u>80,873,673</u>	<u>96,880,604</u>
Total liabilities	<u>87,605,051</u>	<u>106,762,575</u>
Deferred Inflows of Resources	<u>22,758,102</u>	<u>16,988,871</u>
Net Position		
Net investment in capital assets	25,212,959	25,842,986
Restricted	10,225,225	6,035,782
Unrestricted (deficit)	<u>(43,789,874)</u>	<u>(45,225,588)</u>
Total net position	<u>\$ (8,351,690)</u>	<u>\$ (13,346,820)</u>

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was (\$8,351,690) at June 30, 2025. Net investment in capital assets totaling \$25,212,959, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position was generated through the recording of the net pension liability and net OPEB asset in accordance with the adoption

Fitzgerald Public Schools
Management's Discussion and Analysis
June 30, 2025

of GASB 68 and GASB 75, respectively. The recording of the pension liability and OPEB asset and the balance of the government wide net position has no impact on the ability of the District to meet its day to day operations and the liability will be reduced through normal contributions prescribed by the State in the coming years.

The operating results of the General Fund will have a significant impact on the change in unrestricted net deficit from year to year. The results of this year's operations for the School District as a whole are reported in the statement of activities (see table below), which shows the changes in net deficit for fiscal years 2025 and 2024.

	Governmental Activities	
	2025	2024
Revenue		
Program Revenue		
Charges for services	\$ 1,934,768	\$ 1,761,694
Operating grants	16,183,430	21,529,881
General Revenue		
Property taxes	11,759,567	11,456,865
State foundation allowance	16,370,241	16,700,058
Other	344,646	819,449
Total revenue	<u>46,592,652</u>	<u>52,267,947</u>
Functions/Program Expenses		
Instruction	16,385,808	24,218,915
Support services	14,367,796	17,471,424
Food services	1,709,811	1,841,646
Community services	377,978	417,965
Interest on long-term debt	1,209,944	1,274,100
Depreciation (unallocated)	7,797,818	-
Total functions/program expenses	<u>41,849,155</u>	<u>45,224,050</u>
Change in net position	4,743,497	7,043,897
Net Position - beginning	<u>(13,095,187)</u>	<u>(20,390,717)</u>
Net Position - end	<u>\$ (8,351,690)</u>	<u>\$ (13,346,820)</u>

Fitzgerald Public Schools
Management's Discussion and Analysis
June 30, 2025

As reported in the statement of activities, the cost of all of our governmental activities this year was \$41,849,155. Certain activities were partially funded from those who benefited from the programs (\$1,934,768) or by other governments and organizations that subsidized certain programs with grants and contributions (\$16,183,430). We paid for the remaining "public benefit" portion of our governmental activities with \$11,759,567 in taxes, \$16,370,241 in State foundation allowance, and \$344,646 in our other revenue, i.e., interest and general entitlements.

The School District experienced an increase in net position of \$4,743,497. The change in net position is the result of an increase in state and federal funding due to the COVID-19 pandemic.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$8,764,197, which is a decrease of \$9,901,092 from last year. The primary reasons for the decrease are as follows:

- The General Fund, which serves as the District's main operating fund, experienced a decrease of approximately \$0.6 million compared to the prior year. This decline is primarily due to increased operating expenditures, including higher staffing costs and wage adjustments. Additionally, the expiration of federal COVID-related grants resulted in a shift of certain expenses back to the General Fund, further impacting the year-end balance.
- The fund balance in the 2019 Building & Site Fund decreased by approximately \$7.2 million. This reduction reflects significant expenditures related to the completion of remaining bond projects and increased material and construction costs following the COVID-19 pandemic. As this was the final year of the bond program, the fund was intentionally drawn down, resulting in a minimal balance carried forward.
- The Nonmajor Governmental Funds fund balances showed an decrease of \$2.1 million. This change is largely attributable to timing of grant receipts and reimbursements, as well as strong performance in specific categorical or restricted funding sources offset by significant capital spending and a transfer out from the Sinking Fund. The Sinking Fund millage is available to fund specific capital projects allowed by State law and approved by the voters.

Fitzgerald Public Schools
Management's Discussion and Analysis
June 30, 2025

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were minor revisions to the General Fund original budget due to adjustments in grant funding, student enrollment and differences between estimated cost savings and realized savings from the beginning of the school year.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2025, the School District had \$65,142,324 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of \$3,049,804, or 5 percent, from last year.

	2025	2024
Land	\$ 887,724	\$ 887,724
Construction in progress	-	3,368,546
Building and building improvements	133,580,177	119,937,929
Furniture and equipment	8,677,830	8,614,784
Buses and other vehicles	<u>2,530,142</u>	<u>2,019,268</u>
Total capital assets	145,675,873	134,828,251
Less accumulated depreciation	<u>(80,533,549)</u>	<u>(72,735,731)</u>
Net capital assets	<u>\$ 65,142,324</u>	<u>\$ 62,092,520</u>

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

Fitzgerald Public Schools
Management's Discussion and Analysis
June 30, 2025

Debt

At the end of this year, the School District had \$36,085,000 in bonds outstanding versus \$39,070,000 in the previous year - a change of 8 percent. Those bonds consisted of the following:

	2025	2024
General obligation bonds	\$ 36,085,000	\$ 39,070,000

The State limits the amount of general obligation debt that schools can issue up to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$36,085,000 is significantly below the statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2026 fiscal year budgets. One of the most important factors affecting the district budget is our variable student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2024-2025 fiscal year is 90 percent and 10 percent of the student counts in September 2024 and February 2025, respectively. The 2024-25 Original budget was adopted in January 2025, based on an estimate of students that were enrolled in the district in September 2023, less 50 students. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per-pupil funding are validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations. As with most school districts, salaries and fringes constitute over 80 percent of the total expenditures for the general fund. The Board of Education has acted through a concerted effort to reduce spending in all areas in order to maintain a positive general fund balance.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts. Due to increases in the State required contribution to the retirement system, increases in healthcare costs, and the continued instability of the State Aid Fund, the School District will be revisiting its originally approved budget to make the necessary adjustments throughout the year when changes are identified. The District will be revising the Original Budget for differences between projected and actual pupil enrollment, changes in State grant funding and any additional events which may have a significant impact on the financial health of the District.

Fitzgerald Public Schools
Management's Discussion and Analysis
June 30, 2025

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

BASIC FINANCIAL STATEMENTS

Fitzgerald Public Schools
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Assets	
Cash	\$ 9,487,470
Accounts receivable	188,025
Due from other governmental units	5,387,259
Inventory	54,345
Prepaid items	109,271
Capital assets not being depreciated	887,724
Capital assets - net of accumulated depreciation	64,254,600
Net OPEB asset	<u>7,170,254</u>
 Total assets	 <u>87,538,948</u>
 Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	12,522,086
Deferred amount relating to the net OPEB asset	<u>1,950,429</u>
Total deferred outflows of resources	<u>14,472,515</u>

See Accompanying Notes to the Financial Statements

Fitzgerald Public Schools
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 211,273
State aid anticipation note payable	600,000
Accrued expenditures	1,729,940
Accrued salaries payable	2,063,973
Unearned revenue	2,126,192
Long-term liabilities	
Net pension liability	40,318,256
Due within one year	3,040,210
Due in more than one year	37,515,207
Total liabilities	<u>87,605,051</u>
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	13,358,502
Deferred amount relating to the net OPEB asset	9,399,600
Total deferred inflows of resources	<u>22,758,102</u>
Net Position	
Net investment in capital assets	25,212,959
Restricted for:	
Food service	3,716
Debt service	988,585
Capital projects	2,062,670
Net OPEB asset	7,170,254
Unrestricted (deficit)	(43,789,874)
Total net position	<u>\$ (8,351,690)</u>

See Accompanying Notes to the Financial Statements

Fitzgerald Public Schools
Statement of Activities
For the Year Ended June 30, 2025

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	\$ 16,385,808	\$ -	\$ 10,208,672	\$ (6,177,136)
Supporting services	14,367,796	1,700,066	4,069,368	(8,598,362)
Food services	1,709,811	120,655	1,905,390	316,234
Community services	377,978	114,047	-	(263,931)
Interest and fiscal charges on long-term debt	1,209,944	-	-	(1,209,944)
Depreciation (unallocated)	<u>7,797,818</u>	<u>-</u>	<u>-</u>	<u>(7,797,818)</u>
Total governmental activities	<u>\$ 41,849,155</u>	<u>\$ 1,934,768</u>	<u>\$ 16,183,430</u>	<u>(23,730,957)</u>
General revenues				
Property taxes, levied for general purposes				5,183,978
Property taxes, levied for debt service				4,676,572
Property taxes, levied for sinking fund				1,899,017
State aid - unrestricted				16,370,241
Interest and investment earnings				239,636
Other				<u>105,010</u>
Total general revenues				<u>28,474,454</u>
Change in net position				4,743,497
Net position - beginning, as previously reported				(13,346,820)
Adjustments				<u>251,633</u>
Net Position - beginning, as restated				<u>(13,095,187)</u>
Net position - ending				<u>\$ (8,351,690)</u>

See Accompanying Notes to the Financial Statements

Fitzgerald Public Schools
Governmental Funds
Balance Sheet
June 30, 2025

	General Fund	2019 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 4,138,633	\$ 1,573,170	\$ 3,775,667	\$ 9,487,470
Accounts receivable	188,025	-	-	188,025
Due from other funds	3,454,703	1,348,456	1,370,124	6,173,283
Due from other governmental units	5,387,259	-	-	5,387,259
Inventory	-	-	54,345	54,345
Prepaid items	109,271	-	-	109,271
	<u>109,271</u>	<u>-</u>	<u>-</u>	<u>109,271</u>
 Total assets	 <u>\$ 13,277,891</u>	 <u>\$ 2,921,626</u>	 <u>\$ 5,200,136</u>	 <u>\$ 21,399,653</u>
Liabilities				
Accounts payable	\$ 209,561	\$ -	\$ 1,712	\$ 211,273
State aid anticipation note payable	600,000	-	-	600,000
Due to other funds	1,715,098	2,883,157	1,575,028	6,173,283
Accrued expenditures	1,460,735	-	-	1,460,735
Accrued salaries payable	2,063,973	-	-	2,063,973
Unearned revenue	2,123,932	-	2,260	2,126,192
	<u>2,123,932</u>	<u>-</u>	<u>2,260</u>	<u>2,126,192</u>
 Total liabilities	 <u>8,173,299</u>	 <u>2,883,157</u>	 <u>1,579,000</u>	 <u>12,635,456</u>

See Accompanying Notes to the Financial Statements

Fitzgerald Public Schools
Governmental Funds
Balance Sheet
June 30, 2025

	General Fund	2019 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Non-spendable				
Inventory	\$ -	\$ -	\$ 54,345	\$ 54,345
Prepaid items	109,271	-	-	109,271
Restricted for				
Debt service	-	-	1,257,790	1,257,790
Capital projects	-	-	2,062,670	2,062,670
Committed	-	-	296,960	296,960
Assigned	2,806,644	38,469	-	2,845,113
Unassigned	<u>2,188,677</u>	<u>-</u>	<u>(50,629)</u>	<u>2,138,048</u>
 Total fund balances	 <u>5,104,592</u>	 <u>38,469</u>	 <u>3,621,136</u>	 <u>8,764,197</u>
 Total liabilities and fund balances	 <u>\$ 13,277,891</u>	 <u>\$ 2,921,626</u>	 <u>\$ 5,200,136</u>	 <u>\$ 21,399,653</u>

See Accompanying Notes to the Financial Statements

Fitzgerald Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2025

Total fund balances for governmental funds	\$ 8,764,197
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	887,724
Capital assets - net of accumulated depreciation	64,254,600
Net OPEB asset is not recorded as an asset in the governmental funds	7,170,254
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from the net pension liability	12,522,086
Deferred outflows of resources resulting from the net OPEB asset	1,950,429
Deferred inflows of resources resulting from the net pension liability	(13,358,502)
Deferred inflows of resources resulting from the net OPEB asset	(9,399,600)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(269,205)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(40,318,256)
Compensated absences	(626,052)
Bonds payable	<u>(39,929,365)</u>
Net position of governmental activities	<u><u>\$ (8,351,690)</u></u>

Fitzgerald Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	General Fund	2000 Sinking Fund	2019 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 5,432,497		\$ 2,969,721	\$ 4,142,344	\$ 12,544,562
State sources	27,362,107		-	66,824	27,428,931
Federal sources	2,810,255		-	1,905,390	4,715,645
Interdistrict sources	1,903,514		-	-	1,903,514
Total revenues	<u>37,508,373</u>		<u>2,969,721</u>	<u>6,114,558</u>	<u>46,592,652</u>
Expenditures					
Current					
Education					
Instruction	20,210,961		-	-	20,210,961
Supporting services	17,480,631		773	252,527	17,733,931
Food services	-		-	2,092,326	2,092,326
Community services	454,481		-	-	454,481
Capital outlay	3,238		8,336,204	2,902,261	11,241,703
Debt service					
Principal	-		1,105,000	1,880,000	2,985,000
Interest and other expenditures	-		1,699,376	75,966	1,775,342
Total expenditures	<u>38,149,311</u>		<u>11,141,353</u>	<u>7,203,080</u>	<u>56,493,744</u>
Excess (deficiency) of revenues over expenditures	<u>(640,938)</u>		<u>(8,171,632)</u>	<u>(1,088,522)</u>	<u>(9,901,092)</u>

See Accompanying Notes to the Financial Statements

Fitzgerald Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	General Fund	2000 Sinking Fund	2019 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Transfers in	\$ -		\$ 1,000,000	\$ -	\$ 1,000,000
Transfers out	<u>-</u>		<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Total other financing sources (uses)	<u>-</u>		<u>1,000,000</u>	<u>(1,000,000)</u>	<u>-</u>
Net change in fund balances	<u>(640,938)</u>		<u>(7,171,632)</u>	<u>(2,088,522)</u>	<u>(9,901,092)</u>
Fund balances - beginning, as previously stated	5,745,530	3,791,605	7,210,101	1,918,053	18,665,289
Change within financial reporting entity (major to nonmajor fund)	<u>-</u>	<u>(3,791,605)</u>	<u>-</u>	<u>3,791,605</u>	<u>-</u>
Fund balances - beginning, as adjusted	<u>5,745,530</u>		<u>7,210,101</u>	<u>5,709,658</u>	<u>18,665,289</u>
Fund balances - ending	<u>\$ 5,104,592</u>		<u>\$ 38,469</u>	<u>\$ 3,621,136</u>	<u>\$ 8,764,197</u>

See Accompanying Notes to the Financial Statements

Fitzgerald Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Net change in fund balances - Total governmental funds \$ (9,901,092)

Total change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(7,797,818)
Capital outlay	10,847,622

Expenses are recorded when incurred in the statement of activities.

Interest	20,128
Compensated absences	(25,991)

The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.

Net change in net pension liability	12,225,007
Net change in deferrals of resources related to the net pension liability	(7,209,068)

The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB changes. However, the amount recorded on the governmental funds equals actual OPEB contributions.

Fitzgerald Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Net change in net OPEB liability	\$ 6,253,390
Net change in deferrals of resources related to the net OPEB liability	(3,198,951)

Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Repayments of long-term debt	2,985,000
Amortization of premiums and deferred amount on debt refunding	<u>545,270</u>

Change in net position of governmental activities	<u>\$ 4,743,497</u>
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Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2025

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Fitzgerald Public Schools (the School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

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

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2025

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

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2019 Building & Site Fund – The 2019 Building & Site Fund is used to record bond proceeds, the sinking fund property tax levy or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and Student/School Activities Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Fund – The Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt. The funds consist of the 2014B Refunding Debt Fund and 2016 Refunding Debt Fund.

Capital Projects Funds – Capital Projects Funds are used to record bond proceeds, sinking fund property tax levy or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The

fund is kept open until the purpose for which the fund was created has been accomplished. The funds consist of the 2001 Sinking Fund.

Assets, Liabilities and Net Position or Fund Balance

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as "due from/to other funds." These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2025, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.03220
Commercial personal property	5.03220
Debt Service Funds	7.77000
Sinking Funds	3.15550

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 100% of the School District's tax roll lies within Warren, Michigan.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2025

taxes uncollected as of March 1 are purchased by the County of Macomb and remitted to the School District by May 15.

Investments - Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Equipment and furniture	5 - 15 years
Buses and other vehicles	8 years

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the School District that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a

difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities (assets) in the following year.

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation and sick leave benefits as well as retirement severance pay. A liability for these amounts is reported in the governmental funds as it comes due for payment. The liability has been calculated using the probability-based method, which considers the likelihood (50 percent or higher) of leave being used or paid out, rather than on termination-based assumptions.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2025

(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.

Postemployment Benefits Other Than Pensions - For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School 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 Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the School District that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial

Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance - In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2025

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization’s vulnerabilities due to certain concentrations or constraints.

Upcoming Accounting and Reporting Changes

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization’s accountability while also addressing certain application issues. This statement includes changes to management’s discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses,

and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 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 as-sets 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. This statement is effective for the year ending June 30, 2026.

The School District is evaluating the impact that the above pronouncements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if

Fitzgerald Public Schools

Notes to the Financial Statements

June 30, 2025

reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Compliance – Bond Proceeds

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the Capital Projects Fund. The project for which the 2019 Bonds, Series I, II, and III were issued was considered complete on June 30, 2025 and the cumulative expenditures recognized for the construction period were \$47,247,951.

Compliance – Sinking Funds

The School District's Building and Site Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
School administration	\$ 2,026,990	\$ 2,073,849	\$ 46,859
Capital outlay	-	3,238	3,238

Fund Deficit

The School District has an Unassigned fund balance deficit in the Food Service Fund in the amount of \$50,629 as of June 30, 2025. The School District will file a deficit elimination plan with the State of Michigan.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash	<u>\$ 9,487,470</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 8,922,310
Investments in securities, mutual funds, and similar vehicles	563,410
Petty cash and cash on hand	<u>1,750</u>
Total	<u>\$ 9,487,470</u>

As of year end, the School District had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	\$ 466,712	N/A	AAAm	Standard & Poor's
MAX Class	<u>96,698</u>	N/A	AAAm	Standard & Poor's
	<u>\$ 563,410</u>			

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

Fitzgerald Public Schools

Notes to the Financial Statements

June 30, 2025

As of June 30, 2025, the net asset value of the School District's investment in MILAF + Portfolio was \$563,410. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

Interest rate risk - The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk - State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk - The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may

not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$9,086,922 of the School District's bank balance of \$9,586,922 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 887,724	\$ -	\$ -	\$ 887,724
Construction-in-progress	3,368,546	-	3,368,546	-
Total capital assets not being depreciated	4,256,270	-	3,368,546	887,724
Capital assets being depreciated				
Buildings and additions	119,937,929	13,642,248	-	133,580,177
Equipment and furniture	8,614,784	63,046	-	8,677,830
Buses and other vehicles	2,019,268	510,874	-	2,530,142
Total capital assets being depreciated	130,571,981	14,216,168	-	144,788,149
Less accumulated depreciation for				
Buildings and additions	64,759,971	3,437,443	-	68,197,414
Equipment and furniture	6,704,669	316,592	-	7,021,261
Buses and other vehicles	1,271,091	4,043,783	-	5,314,874
Total accumulated depreciation	72,735,731	7,797,818	-	80,533,549
Net capital assets being depreciated	57,836,250	6,418,350	-	64,254,600
Net capital assets	\$ 62,092,520	\$ 6,418,350	\$ 3,368,546	\$ 65,142,324

Depreciation expense for the fiscal year ended June 30, 2025 amounted to \$7,797,818. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets service multiple functions.

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2025

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable	Amount
General Fund	Nonmajor Governmental Funds	\$ 571,546
General Fund	2019 Building & Site Fund	2,883,157
Nonmajor Governmental Funds	General Fund	1,366,642
Nonmajor Governmental Funds	Nonmajor Governmental Funds	3,482
2019 Building & Site Fund	General Fund	348,456
2019 Building & Site Fund	Nonmajor Governmental Funds	<u>1,000,000</u>
		<u>\$ 6,173,283</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers In	
	2019 Building & Site Bond Fund	Total
Transfers Out		
Nonmajor Governmental Funds	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

These transfers were made to cover construction and building improvement costs in excess of remaining bond proceeds.

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Prepaid lunch balances	\$ 2,260
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>2,123,932</u>
Total	<u>\$ 2,126,192</u>

Note 7 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$ 750,000</u>	<u>\$ 600,000</u>	<u>\$ 750,000</u>	<u>\$ 600,000</u>

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

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Long-term obligation activity is summarized as follows:

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 39,070,000	\$ -	\$ 2,985,000	\$ 36,085,000	\$ 2,915,000
Premium on bonds	<u>4,415,647</u>	<u>-</u>	<u>571,282</u>	<u>3,844,365</u>	<u>-</u>
Total bonds payable	43,485,647	-	3,556,282	39,929,365	2,915,000
Other liabilities					
Compensated absences	<u>600,061</u>	<u>25,991</u>	<u>-</u>	<u>626,052</u>	<u>125,210</u>
Total	<u>\$ 44,085,708</u>	<u>\$ 25,991</u>	<u>\$ 3,556,282</u>	<u>\$ 40,555,417</u>	<u>\$ 3,040,210</u>

General obligation bonds payable at year end, consist of the following:

\$17,460,000 2019 Building & Site Bond due in annual installments of \$735,000 to \$1,385,000 through May 1, 2039, interest at 5.00%	\$ 14,465,000
\$17,400,000 2019 Building & Site Bond Series II due in annual installments of \$825,000 to \$1,050,000 through May 1, 2041, interest at 4.00%	15,565,000
\$6,055,000 2023 Building & Site Bonds due in annual installments of \$100,000 to \$1,510,000 through May 1, 2043, interest at 5.00% to 5.25%	<u>6,055,000</u>
Total general obligation bonded debt	<u>\$ 36,085,000</u>

Future principal and interest requirements for bonded debt and direct borrowings and direct placements are as follows:

Year Ending June 30,	Bonds	
	Principal	Interest
2026	\$ 2,915,000	\$ 1,774,576
2027	3,130,000	1,651,126
2028	1,840,000	1,513,626
2029	1,860,000	1,365,576
2030	1,950,000	1,282,276
2030 - 2034	10,990,000	5,071,630
2035 - 2039	11,590,000	2,466,630
2040 - 2043	<u>1,810,000</u>	<u>259,090</u>
Total	<u>\$ 36,085,000</u>	<u>\$ 15,384,530</u>

The general obligation bonds are payable from the Debt Service Fund. As of year-end, the funds had a balance of \$1,257,790 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end consist of \$626,052 of vacation hours earned and accrued sick time benefits that are more likely than not to be used or paid out. Compensated absences additions and deductions are reported net.

Deferred Amount on Refunding

The advanced refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt. The amounts are presented on the statement of net position as deferred inflows and outflows. Activity in the current year is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred loss on refunding	<u>\$ 26,012</u>	<u>\$ -</u>	<u>\$ 26,012</u>	<u>\$ -</u>

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Note 9 - Net Investment in Capital Assets

The composition of net investment in capital assets was as follows:

Capital assets	
Capital assets not being depreciated	\$ 887,724
Capital assets, net of accumulated depreciation	<u>64,254,600</u>
Total capital assets	<u>65,142,324</u>
Related debt	
General obligation bonds	(36,085,000)
Unamortized bond premiums	<u>(3,844,365)</u>
Total related debt	<u>(39,929,365)</u>
 Net investment in capital assets	 <u>\$ 25,212,959</u>

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 11 - Pension Plan

Postemployment Benefits Other Than Pensions (OPEB) Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) 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. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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 the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools

Benefits Provided

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. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly

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benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. 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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2024.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	23.03%
Member Investment Plan	3.0 - 7.0%	23.03%
Pension Plus	3.0 - 6.4%	19.17%
Pension Plus 2	6.2%	20.10%
Defined Contribution	0.0%	13.90%

Required contributions to the pension plan from the School District were \$6,885,245 for the year ending September 30, 2024.

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

At June 30, 2025, the School District reported a liability of \$40,318,256 for its proportionate share of the MPERS net pension liability. 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 rolled forward from September 2023. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the School District's proportion was 0.1647 percent, which was an increase of 0.0023 percent from its proportion measured as of September 30, 2023.

For the plan year ending September 30, 2024, the School District recognized pension expense of \$3,022,702 for the measurement period. For the reporting period ending June 30, 2025, the School District recognized total pension contribution expense of \$6,909,034.

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

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	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 1,093,863	\$ (438,063)	\$ 655,800
Changes of assumptions	4,203,417	(2,954,053)	1,249,364
Net difference between projected and actual earnings on pension plan investments	-	(7,694,432)	(7,694,432)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>889,231</u>	<u>(429,906)</u>	<u>459,325</u>
Total to be recognized in future	6,186,511	(11,516,454)	(5,329,943)
School District contributions subsequent to the measurement date	<u>6,335,575</u>	<u>(1,842,048)</u>	<u>4,493,527</u>
Total	<u>\$ 12,522,086</u>	<u>\$ (13,358,502)</u>	<u>\$ (836,416)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. The District will offset the contribution expense in the year ended June 30, 2026 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2025	\$ (1,147,877)
2026	460,321
2027	(2,696,337)
2028	<u>(1,946,050)</u>
	<u>\$ (5,329,943)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2023
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.00% net of investment expenses
 - Pension Plus Plan: 6.00% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

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- Mortality:
 - 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 adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4412 years.

Recognition period for assets in years is five.

Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2024, are summarized in the following table:

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

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

Rate of Return

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

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Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Single	1% Increase
5.00%	Discount Rate	
	Assumption	
	6.00%	7.00%
\$ 59,106,996	\$ 40,318,256	\$ 24,673,014

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Annual Comprehensive

Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) 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. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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Benefits Provided

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 with 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 healthcare 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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 were deposited into their 401(k) account.

Contributions

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

Employer OPEB 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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2024.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.31%
Personal Healthcare Fund (PHF)	0.0%	7.06%

Required contributions to the OPEB plan from the School District were \$1,384,621 for the year ended September 30, 2024.

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

At June 30, 2025, the School District reported an asset of (\$7,170,254) for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2023. The School District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2024 the School District's proportion was 0.1666 percent, which was an increase of 0.0045 percent from its proportion measured as of September 30, 2023.

For the plan year ending September 30, 2024, the School District recognized OPEB expense of (\$2,774,715) for the measurement period. For the reporting period ending June 30, 2025, the School District recognized total OPEB contribution expense of \$337,259.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (7,598,280)	\$ (7,598,280)
Changes of assumptions	1,566,087	(180,009)	1,386,078
Net difference between projected and actual earnings on OPEB plan investments	-	(1,357,411)	(1,357,411)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>260,352</u>	<u>(263,900)</u>	<u>(3,548)</u>
Total to be recognized in future	1,826,439	(9,399,600)	(7,573,161)
School District contributions subsequent to the measurement date	<u>123,990</u>	<u>-</u>	<u>123,990</u>
Total	<u>\$ 1,950,429</u>	<u>\$ (9,399,600)</u>	<u>\$ (7,449,171)</u>

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Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as an addition to the OPEB asset in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future OPEB Expenses)

2025	\$ (2,543,491)
2026	(1,485,106)
2027	(1,413,890)
2028	(1,295,725)
2029	(703,521)
Thereafter	(131,428)
	<u>\$ (7,573,161)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2023
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.25% Year 1 graded to 3.5% Year 15; Post-65: 6.50% Year 1 graded to 3.5% Year 15
- Mortality:
 - 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 116% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

- 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.

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- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total OPEB liability or asset as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 6.2834.

Recognition period for assets in years is five.

Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.3%
Private Equity Pools	16.0	9.0%
International Equity	15.0	6.5%
Fixed Income Pools	13.0	2.0%
Real Estate and Infrastructure Pools	10.0	7.1%
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 rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

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

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Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability or asset. 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 employer 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 or asset.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability or Asset to Changes in the Discount Rate

The following presents the School District's proportionate share of the net OPEB liability or asset calculated using the discount rate of 6.95%, as well as what the School District's proportionate share of the net OPEB liability or asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current	1% Increase
5.00%	Discount Rate	
	6.00%	7.00%
\$ (5,541,231)	\$ (7,170,254)	\$ (8,578,716)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability or Asset to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability or asset calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability or asset would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare	1% Increase
	Cost Trend Rate	
\$ (8,578,731)	\$ (7,170,254)	\$ (5,659,670)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2024 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2025

Note 13 - Changes Within the Financial Reporting Entity

During the year ended June 30, 2025, the 2000 Sinking Fund that was previously reported as major in the prior year and is being presented as nonmajor in the current year. As a result, the following presentation changes were necessary to be made in the financial statements.

Additionally, the District restated net position as the result of retroactively adopting GASB Statement No. 101, *Compensated Absences*.

	Governmental Activities	2000 Sinking Fund	Nonmajor Governmental Funds
Fund balance/net position at June 30, 2024, as previously reported	\$ (13,346,820)	\$ 3,791,605	\$ 1,918,053
Adjustments:			
GASB 101 adjustments	251,663	-	-
Change from major to nonmajor fund	-	(3,791,605)	3,791,605
Adjusted fund balance/net position at June 30, 2024	<u>\$ (13,095,157)</u>	<u>\$ -</u>	<u>\$ 5,709,658</u>

REQUIRED SUPPLEMENTARY INFORMATION

Fitzgerald Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenues				
Local sources	\$ 5,273,367	\$ 6,832,006	\$ 5,432,497	\$ (1,399,509)
State sources	27,952,824	28,713,580	27,362,107	(1,351,473)
Federal sources	3,187,207	3,133,711	2,810,255	(323,456)
Interdistrict sources	<u>1,845,990</u>	<u>697,282</u>	<u>1,903,514</u>	<u>1,206,232</u>
 Total revenues	 <u>38,259,388</u>	 <u>39,376,579</u>	 <u>37,508,373</u>	 <u>(1,868,206)</u>
 Expenditures				
Instruction				
Basic programs	14,989,886	16,593,885	15,696,174	(897,711)
Added needs	3,899,248	4,940,085	4,514,787	(425,298)
Supporting services				
Pupil	3,466,035	3,394,851	3,142,686	(252,165)
Instructional staff	4,011,356	4,436,150	3,784,622	(651,528)
General administration	590,789	689,894	644,754	(45,140)
School administration	2,102,778	2,026,990	2,073,849	46,859
Business	519,878	660,613	461,847	(198,766)
Operations and maintenance	4,398,510	4,454,894	4,336,666	(118,228)
Pupil transportation services	1,055,317	1,125,820	1,108,465	(17,355)
Central	1,545,039	1,651,145	1,402,043	(249,102)
Athletic activities	530,536	491,675	469,932	(21,743)
Other	64,503	63,148	55,767	(7,381)
Community services	499,701	576,096	454,481	(121,615)
Capital outlay	<u>-</u>	<u>-</u>	<u>3,238</u>	<u>3,238</u>
 Total expenditures	 <u>37,673,576</u>	 <u>41,105,246</u>	 <u>38,149,311</u>	 <u>(2,955,935)</u>

Fitzgerald Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>			<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Budget</u>
Excess (deficiency) of revenues over expenditures	\$ 585,812	\$ (1,728,667)	\$ (640,938)	\$ 1,087,729
Transfers out	<u>240,056</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	825,868	(1,728,667)	(640,938)	1,087,729
Fund balance - beginning	<u>5,745,530</u>	<u>5,745,530</u>	<u>5,745,530</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,571,398</u>	<u>\$ 4,016,863</u>	<u>\$ 5,104,592</u>	<u>\$ 1,087,729</u>

Fitzgerald Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. School District's proportion of the net pension liability (%)	0.1647%	0.1623%	0.1609%	0.1599%	0.1642%	0.1715%	0.1762%	0.1738%	0.1694%	0.1774%
B. School District's proportionate share of the net pension liability	\$ 40,318,256	\$ 52,543,263	\$ 60,504,110	\$ 37,854,679	\$ 56,415,509	\$ 56,791,176	\$ 52,983,297	\$ 45,043,742	\$ 42,261,526	\$ 43,329,809
C. School District's covered payroll	\$ 17,709,957	\$ 16,234,397	\$ 15,651,701	\$ 14,201,518	\$ 14,311,213	\$ 14,597,038	\$ 14,969,595	\$ 14,974,936	\$ 13,976,872	\$ 14,744,356
D. School District's proportionate share of the net pension liability as a percentage of its covered payroll	227.66%	323.65%	386.57%	266.55%	394.20%	389.06%	353.94%	300.79%	302.37%	293.87%
E. Plan fiduciary net position as a percentage of total pension liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2024.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2024.

Fitzgerald Public Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. Statutorily required contributions	\$ 6,909,034	\$ 6,872,711	\$ 5,929,750	\$ 5,365,913	\$ 4,747,727	\$ 4,508,310	\$ 4,866,885	\$ 4,846,679	\$ 3,803,750	\$ 3,422,261
B. Contributions in relation to statutorily required contributions	<u>6,909,034</u>	<u>6,872,711</u>	<u>5,929,750</u>	<u>5,365,913</u>	<u>4,747,727</u>	<u>4,508,310</u>	<u>4,866,885</u>	<u>4,846,679</u>	<u>3,803,750</u>	<u>3,422,261</u>
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. School District's covered payroll	\$ 18,441,536	\$ 17,424,934	\$ 15,980,666	\$ 14,871,791	\$ 13,907,489	\$ 14,385,158	\$ 14,748,298	\$ 14,974,936	\$ 14,686,032	\$ 14,573,844
E. Contributions as a percentage of covered payroll	37.46%	39.44%	37.11%	36.08%	34.14%	31.34%	33.00%	32.37%	25.90%	23.48%

Fitzgerald Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. School District's proportion of the net OPEB liability (asset) (%)	0.1666%	0.1621%	0.1612%	0.1570%	0.1612%	0.1670%	0.1758%	0.1727%		
B. School District's proportionate share of the net OPEB liability (asset)	\$ (7,170,254)	\$ (916,864)	\$ 3,414,413	\$ 2,396,114	\$ 8,637,089	\$ 11,989,759	\$ 13,976,906	\$ 15,294,267		
C. School District's covered payroll	\$ 17,709,957	\$ 16,234,397	\$ 15,651,701	\$ 14,201,518	\$ 14,311,213	\$ 14,597,038	\$ 14,969,595	\$ 14,974,936		
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-40.49%	-5.65%	21.81%	16.87%	60.35%	82.14%	93.37%	102.13%		
E. Plan fiduciary net position as a percentage of total OPEB liability (asset)	143.08%	105.04%	83.09%	72.60%	59.44%	48.46%	42.95%	36.39%		

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2024.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2024.

Fitzgerald Public Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. Statutorily required contributions	\$ 337,259	\$ 1,363,262	\$ 1,250,272	\$ 1,178,646	\$ 1,141,294	\$ 1,139,198	\$ 1,277,961	\$ 1,087,847		
B. Contributions in relation to statutorily required contributions	<u>337,259</u>	<u>1,363,262</u>	<u>1,250,272</u>	<u>1,178,646</u>	<u>1,141,294</u>	<u>1,139,198</u>	<u>1,277,961</u>	<u>1,087,847</u>		
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
D. School Districts's covered payroll	\$ 18,441,536	\$ 17,424,934	\$ 15,980,666	\$ 14,871,791	\$ 13,907,489	\$ 14,385,158	\$ 14,748,298	\$ 14,974,936		
E. Contributions as a percentage of covered payroll	1.83%	7.82%	7.82%	7.93%	8.21%	7.92%	8.67%	7.26%		

OTHER SUPPLEMENTARY INFORMATION

Fitzgerald Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund		Total Nonmajor Governmental Funds
	Food Service	Student/School Activities	2016 Debt Refunding	2000 Sinking Fund	2001 Sinking Fund	
Assets						
Cash	\$ 49,589	\$ 355,026	\$ 115,693	\$ 2,026,271	\$ 1,229,088	\$ 3,775,667
Due from other funds	217,562	10,465	1,142,097	-	-	1,370,124
Inventory	54,345	-	-	-	-	54,345
Total assets	<u>\$ 321,496</u>	<u>\$ 365,491</u>	<u>\$ 1,257,790</u>	<u>\$ 2,026,271</u>	<u>\$ 1,229,088</u>	<u>\$ 5,200,136</u>
Liabilities						
Accounts payable	\$ 1,677	\$ 35	\$ -	\$ -	\$ -	\$ 1,712
Due to other funds	313,843	68,496	-	1,167,118	25,571	1,575,028
Unearned revenue	2,260	-	-	-	-	2,260
Total liabilities	<u>317,780</u>	<u>68,531</u>	<u>-</u>	<u>1,167,118</u>	<u>25,571</u>	<u>1,579,000</u>
Fund Balances						
Non-spendable						
Inventory	54,345	-	-	-	-	54,345
Restricted for						
Debt service	-	-	1,257,790	-	-	1,257,790
Capital projects	-	-	-	859,153	1,203,517	2,062,670
Committed	-	296,960	-	-	-	296,960
Unassigned	(50,629)	-	-	-	-	(50,629)
Total fund balances	<u>3,716</u>	<u>296,960</u>	<u>1,257,790</u>	<u>859,153</u>	<u>1,203,517</u>	<u>3,621,136</u>
Total liabilities and fund balances	<u>\$ 321,496</u>	<u>\$ 365,491</u>	<u>\$ 1,257,790</u>	<u>\$ 2,026,271</u>	<u>\$ 1,229,088</u>	<u>\$ 5,200,136</u>

Fitzgerald Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>		
	<u>Food Service</u>	<u>Student/School Activities</u>	<u>2016 Debt Refunding</u>	<u>2000 Sinking Fund</u>	<u>2001 Sinking Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues						
Local sources	\$ 53,876	\$ 248,080	\$ 1,850,343	\$ 969,809	\$ 1,020,236	\$ 4,142,344
State sources	66,824	-	-	-	-	66,824
Federal sources	1,905,390	-	-	-	-	1,905,390
Total revenues	<u>2,026,090</u>	<u>248,080</u>	<u>1,850,343</u>	<u>969,809</u>	<u>1,020,236</u>	<u>6,114,558</u>
Expenditures						
Current						
Education						
Supporting services	-	252,527	-	-	-	252,527
Food services	2,092,326	-	-	-	-	2,092,326
Capital outlay	-	-	-	2,902,261	-	2,902,261
Debt service						
Principal	-	-	1,880,000	-	-	1,880,000
Interest and other expenditures	-	-	75,966	-	-	75,966
Total expenditures	<u>2,092,326</u>	<u>252,527</u>	<u>1,955,966</u>	<u>2,902,261</u>	<u>-</u>	<u>7,203,080</u>
Excess (deficiency) of revenues over expenditures	<u>(66,236)</u>	<u>(4,447)</u>	<u>(105,623)</u>	<u>(1,932,452)</u>	<u>1,020,236</u>	<u>(1,088,522)</u>
Other Financing Sources (Uses)						
Transfers out	-	-	-	(1,000,000)	-	(1,000,000)
Net change in fund balances	(66,236)	(4,447)	(105,623)	(2,932,452)	1,020,236	(2,088,522)
Fund balances - beginning, as previously presented	69,952	301,407	1,363,413	-	183,281	1,918,053
Change within financial reporting entity (major to nonmajor fund)	-	-	-	3,791,605	-	3,791,605
Fund balances - beginning, as adjusted	69,952	301,407	1,363,413	3,791,605	183,281	5,709,658
Fund balances - ending	<u>\$ 3,716</u>	<u>\$ 296,960</u>	<u>\$ 1,257,790</u>	<u>\$ 859,153</u>	<u>\$ 1,203,517</u>	<u>\$ 3,621,136</u>