

FRANKENMUTH SCHOOL DISTRICT
Frankenmuth, Michigan

FINANCIAL STATEMENTS
June 30, 2025



Gardner | Provenzano
Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

October 16, 2025

To the Board of Education
Frankenmuth School District
Frankenmuth, Michigan

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of Frankenmuth School District as of June 30, 2025 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 Frankenmuth School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Frankenmuth 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 Frankenmuth 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 and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

To the Board of Education
Frankenmuth School District
Page Three

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Frankenmuth School District's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2025, on our consideration of Frankenmuth 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 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 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 Frankenmuth School District's internal control over financial reporting and compliance.

Gardner, Proronyano, Thomas & Luplow, P.C.

Certified Public Accountants
Saginaw Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the annual financial report presents management's discussion and analysis of Frankenmuth School District's performance during the fiscal year ending June 30, 2025. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the School District.

Annual Report

The annual report consists of our Management's Discussion and Analysis, a series of financial statements, notes to those statements, required supplemental information and other supplemental information. The financial statements are divided into two sections. The District-Wide Financial Statements provide information about the activities of the School District as a whole. They present a year-end aggregate view and a longer-term view of the District's finances. All funds, capital assets and debt are combined. The fund financial statements provide more detail showing the year's activity by fund. They also show the amount available to finance future programs. Fund statements do not include long-term items such as capital assets or long-term debt.

District-Wide Financial Statements

The District-wide financial statements appear first in the financial statements. They present information on the School District as a whole. They show net position and a statement of activities for the year. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Net position, the difference between assets and liabilities, are one way of measuring the financial health of the School District. In the statement of activities, the revenues less the expenses result in an increase or decrease in the net position. Increases or decreases in net position, over time, affect the financial health of the District. However, the goal of the School District is to provide quality education and a safe environment, not to make a profit.

The statement of activities covers all of the School District's services, including instruction, supporting services, community services, athletics and other support services, student activities and food services. Property taxes, unrestricted State Aid, and State and Federal grants finance most of these activities.

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds instead of the School District as a whole. Some funds are required to be established by State law and by bond covenants. Many of the other funds are created to help control and manage money for a particular purpose or to meet legal responsibilities for certain taxes, grants, and other money. The governmental funds of the School District focus on showing how money flows into and out of funds and the balances left at year-end. They provide a detailed, short-term view of the operations and services of the School District. This helps determine whether more or fewer financial resources are available for future programs. An accounting method called modified accrual accounting is used in fund accounting. This method measures cash and all other financial assets that can readily be converted to cash.

The relationship between governmental activities (District-Wide Financial Statements) and governmental fund activities (Fund Financial Statements) will be reconciled later in the report.

Summary of District-Wide Financial Statement

The following table 1 provides a summary of our net position as of June 30, 2025 and 2024. They represent the School District as a whole.

	*	
	2025	2024
Assets		
Current and other assets	\$ 11,913,321	\$ 11,416,258
Net OPEB asset	3,317,020	426,584
Capital assets - Net of accumulated depreciation	34,934,927	34,501,933
Total Assets	<u>50,165,268</u>	<u>46,344,775</u>
Deferred outflows of resources	<u>5,856,443</u>	<u>8,123,630</u>
Liabilities		
Current liabilities	3,446,437	3,491,171
Long-term liabilities	29,113,252	36,054,840
Total Liabilities	<u>32,559,689</u>	<u>39,546,011</u>
Deferred inflows of resources	<u>9,967,769</u>	<u>6,456,609</u>
Net position		
Net investment in capital assets	23,893,660	22,501,736
Restricted for net OPEB	3,317,020	426,584
Restricted for debt service	428,877	354,432
Restricted for capital projects	1,873,643	1,987,076
Unrestricted	(16,018,947)	(16,804,043)
Total Net Position	<u>\$ 13,494,253</u>	<u>\$ 8,465,785</u>

* The 2024 numbers have not been updated for the adoption of GABS 101

The change in net position for the 2024-2025 and 2023-2024 years are presented and discussed below in Table 2.

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Current assets include cash and receivables that will be realized in cash or consumed within the upcoming school year. Net investment in capital assets is the original cost of the assets and subtracting the depreciation and any related debt. Current liabilities include accounts and salaries payable whose liquidation is reasonably expected to require use of current assets. Long-term liabilities include general obligation bonds used to finance acquisition of capital assets and accrued compensated absences. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Long-term liabilities also include the District's net proportionate share of the Michigan Public School Employee's pension obligation and OPEB (asset). Deferred outflows and inflows are related to the pension and OPEB transactions. Restricted net position are reported to show legal constraints that limit use of some of the assets. Debt covenants and legislation limit the School District's ability to use those net position for day-to-day operations. The unrestricted net position represents the accumulated results of all past years' activities. This amount will be affected by the year-to-year combined operations.

The summary of this year's and the previous year's activities for the School District as a whole are reported below.

	2025	*	2024
	<u>2025</u>		<u>2024</u>
Revenue			
Program revenue			
Charges for services	\$ 982,366		\$ 976,490
Grants and categoricals	5,388,388		6,312,132
General revenue			
Property taxes	6,723,366		6,462,187
State foundation allowance	9,682,937		9,589,862
Other	545,304		631,227
Total Revenue	<u>23,322,361</u>		<u>23,971,898</u>
Function/Program expenses			
Instruction	8,064,230		9,033,558
Support services	5,551,404		5,642,035
Community services	617,173		699,110
Food services	790,032		885,910
Student activities	599,316		572,696
Athletics & Other Support	455,687		573,474
Interest & misc. expense on long-term debt	320,993		417,136
Depreciation (unallocated)	1,638,482		1,624,478
Total Expenses	<u>18,037,317</u>		<u>19,448,397</u>
Increase (decrease) in Net Position	<u>\$ 5,285,044</u>		<u>\$ 4,523,501</u>

* The 2024 numbers have not been updated for the adoption of GABS 101

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Net position increased \$5,285,044 for the year ended June 30, 2025 as opposed to an increase of \$4,523,501 in the previous year. Revenues decreased \$649,537 over the previous year with the largest decrease in grants and categoricals. Expenses decreased \$1,411,080 with the most significant decrease due to changes related to pension and OPEB.

Funding for the above activities comes from a variety of sources. Some activities are partially funded by those who benefit from the programs or by grants and categoricals from governments and organizations. The remaining activities are paid for from taxes, State Foundation Allowance, and other revenues, such as interest.

The change in net position differs from the change in fund balance because of different accounting requirements. A reconciliation appears later in the financial statements.

The District's Funds

General Fund

The District's fund balance at year end was \$6,155,242, preserving the District's set parameters of a minimum fund balance of \$4,000,000. The analysis of our final budget position in June and the results of governmental activities year were positive as the District had planned for a \$72,550 reduction in fund balance. The District projected a 1.2% use of reserve funds versus the actual 6.5% increase at year end.

This was accounted for by the increase in revenue and other transactions from projected in the amount of \$46,919 and the decrease in projected expenditure of \$400,732.

Food Service

The food service fund balance at year end was \$518,950 which is an increase in reserves of \$194,720. This is due to an increase in meals served resulting in an increase in State and Federal reimbursement totaling \$151,707 more than projected. The District has elected not to transfer any allowable indirect cost to the general fund.

Debt Service

The end of the year fund balance for the debt service funds was \$428,877. Our projected stable housing market and our positive collection rates should allow us to maintain relatively flat millage rates each year.

The District will continue to work with our financial advisor to evaluate future rates and the necessary debt service fund balance to assure debt service payment. All principal and interest payments were made by the due dates this fiscal year.

Sinking Fund-Capital Projects Fund

The end of the year fund balance for the sinking fund was 1,873,643. This was due to project completion dates straddling year-end. The summer of 2025 focused on replacing a portion of the High School roof, door replacements and room renovations.

Final Budget vs. Original Budget

Even with the challenging economic environment to end this fiscal year, the final to original budget comparison had minimal variances to note. Each year we establish a budget prior to July 1st in order to meet our legal requirement. This first budget is established with known and projected data which drastically changed by June. This past year the District had two budget amendments to address the financial climate change.

During fiscal year 2024-2025, the District amended its original budget to reflect updated information related to enrollment, state funding and operating expenditures.

Revenue increased by \$1,579,784. Local revenue sources increased by \$385,882, primarily due to higher interest earnings and strong local tax revenue collections. State sources increased by \$761,557, largely due to the receipt of MPERS Cost Offset Funds (147(a)(4)) and additional restricted categorical grants. In addition, the District budgeted for the SISD Saginaw Career Complex Millage received for tuition and busing services.

Expenditures increased by \$1,187,000, primarily reflecting changes in wages and benefits, as well as expenditures funded by categorically restricted grants received from the State of Michigan. The District also updated the transportation fleet and made investments in instructional spaces at the middle school and literacy curriculum at the elementary level. Overall, the final budget remained consistent with the District's original financial objectives, with no material variances that significantly affected the District's financial position.

Final Budget vs. Actual Results

The revenue were \$46,919 which was a variance of .25%. Management does not believe that variance to be significant.

Expenditures were \$400,732 less than the final projected budget equaling an overall variance of 2%. There were variances in every line item, no of which management believes to be significant.

FRANKENMUTH SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets

As of June 30, 2025 the School District had \$34,934,927 in capital assets less depreciation.

	<u>2025</u>	<u>2024</u>
Land	\$ 1,091,665	\$ 1,091,665
Construction in progress	1,225,037	910,789
Buildings and improvements	41,186,552	40,005,031
Site improvements	5,600,835	5,571,698
Buses and other vehicles	1,354,428	1,184,312
Furniture and equipment	4,116,128	3,739,674
Total Capital Assets	<u>54,574,645</u>	<u>52,503,169</u>
Less accumulated depreciation	<u>19,639,718</u>	<u>18,001,236</u>
Net Capital Assets	<u>\$ 34,934,927</u>	<u>\$ 34,501,933</u>

More information about capital assets is in the notes to the financial statements.

Debt

The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the School District's boundaries. If the School District issued "qualified debt," such obligations are not subject to this debt limit. The School District has no unqualified general obligation debt. Other obligations included employee-compensated absences. The notes to the financial statements contain detailed information on long-term liabilities. The following table shows outstanding debt:

	<u>2025</u>	Restated <u>2024</u>
Governmental Activities		
2019 School Building and Site Bonds	\$ 9,740,000	\$ 10,575,000
Accrued compensated absences	413,032	372,989
Totals	<u>\$ 10,153,032</u>	<u>\$ 10,947,989</u>

Economic Conditions Affecting Next Year's Budget

When developing the budget for the upcoming year, the District considers several key factors, including student enrollment, labor costs, the foundation allowance, and local taxable values. The District takes a conservative approach when preparing the initial budget to account for uncertainties in state foundation funding and retirement expenses. This approach helps ensure financial stability as conditions evolve throughout the year. Enrollment projections indicate a relatively stable trend, within a 1% variance from the District's target of 1,375 FTEs. As of the most recent count date, enrollment aligns closely with budgeted expectations and remains consistent with the prior year. The District intends to continue its current enrollment management strategy—maintaining stable numbers through the Schools of Choice program and shared-time FTEs—achieving an optimal balance between staffing levels and building capacity. Demand through Schools of Choice remains strong, with waitlists at most grade levels during open enrollment periods.

Local property values have remained stable, with projections indicating continued moderate growth. This trend supports similar expectations for local revenue sources, though the District will continue to monitor property valuations closely.

The State of Michigan did not finalize the School Aid budget for fiscal year 2025–2026 until early October 2025. The State Aid Foundation Allowance increased by \$442 per pupil, bringing the total to \$10,050. Although this represents a 4.6% increase, the elimination of the MPERS categorical (147a(4) and 147a(1)) results in a net gain of approximately \$197 per pupil, or a 2.1% effective increase.

The District's original FY2025–2026 budget projects a planned decrease in fund balance of approximately \$360,905. As the District evaluates the full impact of the recently enacted School Aid budget, any necessary budget amendments will be made to reflect updated conditions. The District's fund balance target of \$4,000,000 will continue to serve as a key guiding benchmark in financial decision-making.

Food Service

In setting the Food Service Fund budget for the upcoming year, the District considers state funding, participation levels, labor, and food costs. In October 2025, the State of Michigan approved the School Aid Budget, continuing the Michigan School Meals Program, which provides free meals to all students. This program supports stable revenue projections, while the District maintains a conservative budgeting approach to manage potential fluctuations in food and labor expenses and ensure the ongoing financial stability of the Food Service Fund.

Sinking Fund-Capital Projects Fund

In setting the Sinking Fund budget for the upcoming year, the District considers voter-approved millages, projected revenue, and long-term capital needs. On August 6, 2024, voters renewed a 2.0 mill building and site millage for six years, with final collection expected in the winter of 2030, providing approximately \$1,376,829 in projected revenue for fiscal year 2025-2026. The District maintains a conservative budgeting approach while evaluating its facilities plan to ensure timely funding of capital improvements.

Debt Service

The Debt Service Fund ended the year with a fund balance of \$428,877. Public Financial Management (PFM) continues to assist the District with debt levy calculations and reporting to maintain a reserve between 2% and 4% of outstanding debt, ensuring timely payment of all obligations.

Contacting the School District's Financial Management

If you have questions regarding this report, please contact the Superintendent's office, 525 E. Genesee St., Frankenmuth, Michigan 48734.

Frankenmuth School District
District Wide
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,679,517
Due from other governmental units	2,986,543
Prepays	226,315
Inventories	20,946
Net OPEB asset	3,317,020
Capital assets less accumulated depreciation	34,934,927
Total Assets	50,165,268
Deferred outflows of resources-OPEB	1,055,875
Deferred outflows of resources-related to pension liability	4,800,568
Total Deferred Outflows	5,856,443
Liabilities	
Current liabilities	
Accounts payable	549,842
Accrued interest	69,332
Salaries payable	1,234,768
Unearned revenue	552,695
Due to other governments	189,800
Bonds payable, due within one year	850,000
Long-term liabilities	
Premium on long-term debt	1,301,267
Bonds payable, due in more than one year	8,890,000
Compensated absences, due in more than one year	413,032
Net pension liability	18,508,953
Total Liabilities	32,559,689
Deferred inflows of resources-related to OPEB	4,463,343
Deferred inflows of resources-related to pension liability	5,504,426
Total Deferred Inflows	9,967,769
Net Position	
Net investment in capital assets	23,893,660
Restricted for net OPEB	3,317,020
Restricted for debt service	428,877
Restricted for capital projects	1,873,643
Unrestricted	(16,018,947)
Total Net Position	\$ 13,494,253

The accompanying notes are an integral part of these financial statements.

Frankenmuth School District
District Wide
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Instruction	\$ 8,064,230	\$ 17,049	\$ 1,611,186	\$ (6,435,995)
Support services	5,551,404	-	2,135,758	(3,415,646)
Community services	617,173	688,329	-	71,156
Food services	790,032	129,543	1,021,732	361,243
Student/school activities	599,316	-	619,712	20,396
Athletics & other support	455,687	147,445	-	(308,242)
Interest & misc. expense on long-term debt	320,993	-	-	(320,993)
Depreciation (unallocated)	1,638,482	-	-	(1,638,482)
Totals	<u>\$ 18,037,317</u>	<u>\$ 982,366</u>	<u>\$ 5,388,388</u>	<u>(11,666,563)</u>

General revenues:

Taxes:

Property taxes levied for general purposes	4,019,461
Property taxes levied for capital projects	1,349,571
Property taxes levied for debt service	1,354,334
State aid - unrestricted	9,682,937
Interest	169,690
Other	375,614
Total General Revenues	<u>16,951,607</u>
Change in Net Position	5,285,044
Net Position - Beginning of Year as previously stated	8,465,785
Adjustments to beginning net position	<u>(256,576)</u>
Net Position - Beginning of Year as restated	<u>8,209,209</u>
Net Position - End of Year	<u>\$ 13,494,253</u>

The accompanying notes are an integral part of these financial statements.

Frankenmuth School District
Governmental Funds
Balance Sheet
June 30, 2025

	General	Non-Major Fund Food Service	Non-Major Fund Debt Service	Sinking Fund Capital Projects	Non-Major Student Activity Fund	Totals
<u>Assets</u>						
Cash and cash equivalents	\$ 5,348,070	\$ 340,079	\$ 429,064	\$ 2,117,599	\$ 444,705	\$ 8,679,517
Due from other governmental units	2,855,228	131,315	-	-	-	2,986,543
Prepaid expenditures	226,315	-	-	-	-	226,315
Due from other funds	103,126	110,249	-	-	-	213,375
Inventory	1,973	18,973	-	-	-	20,946
Total Assets	<u>\$ 8,534,712</u>	<u>\$ 600,616</u>	<u>\$ 429,064</u>	<u>\$ 2,117,599</u>	<u>\$ 444,705</u>	<u>\$ 12,126,696</u>
<u>Liabilities</u>						
Accounts payable	\$ 300,417	\$ 73,207	\$ -	\$ 174,495	\$ 1,723	549,842
Accrued salaries	1,226,309	8,459	-	-	-	1,234,768
Unearned unavailable revenue	552,695	-	-	-	-	552,695
Due to other governments	189,800	-	-	-	-	189,800
Due to other funds	110,249	-	187	69,461	33,478	213,375
Total Liabilities	<u>2,379,470</u>	<u>81,666</u>	<u>187</u>	<u>243,956</u>	<u>35,201</u>	<u>2,740,480</u>
Fund Balance						
Nonspendable:						
Prepaid expenditures	226,315	-	-	-	-	226,315
Inventory	1,973	18,973	-	-	-	20,946
Restricted:						
Capital projects	-	-	-	1,873,643	-	1,873,643
Debt service	-	-	428,877	-	-	428,877
Committed	-	-	-	-	409,504	409,504
Assigned	360,905	499,977	-	-	-	860,882
Unassigned	5,566,049	-	-	-	-	5,566,049
Total Fund Balance	<u>6,155,242</u>	<u>518,950</u>	<u>428,877</u>	<u>1,873,643</u>	<u>409,504</u>	<u>9,386,216</u>
Total Liabilities, and and Fund Balance	<u>\$ 8,534,712</u>	<u>\$ 600,616</u>	<u>\$ 429,064</u>	<u>\$ 2,117,599</u>	<u>\$ 444,705</u>	<u>\$ 12,126,696</u>

The accompanying notes are an integral part of these financial statements.

Frankenmuth School District
 Reconciliation of Balance Sheet of Governmental Funds To Net Position
 June 30, 2025

Total Fund Balances - Governmental Funds	\$ 9,386,216
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Deferred outflows of resources-related to pension	4,800,568
Deferred outflows of resources-related to OPEB	1,055,875
Deferred inflows of resources-related to pension	(5,504,426)
Deferred inflows of resources-related to OPEB	(4,463,343)
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds.</p>	
The cost of the capital assets is	54,574,645
Accumulated depreciation is	(19,639,718)
Accrued interest is not reported at the fund level	(69,332)
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(9,740,000)
Premium on long-term debt	(1,301,267)
Compensated absences	(413,032)
Net pension liability	(18,508,953)
Net OPEB asset	3,317,020
Total Net Position - Governmental Activities (District Wide)	\$ 13,494,253

The accompanying notes are an integral part of these financial statements.

Frankenmuth School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2025

	General	Non-Major Fund Food Service	Non-Major Funds Debt Service	Sinking Fund Capital Projects	Non-Major Student Activity Fund	Totals
Revenue						
Local	\$ 5,013,071	\$ 135,100	\$ 1,355,969	\$ 1,388,111	619,712	\$ 8,511,963
State	13,074,463	696,678	4,154	-	-	13,775,295
Federal	355,419	325,054	-	-	-	680,473
Total Revenue	<u>18,442,953</u>	<u>1,156,832</u>	<u>1,360,123</u>	<u>1,388,111</u>	<u>619,712</u>	<u>22,967,731</u>
Expenditures						
Instruction						
Basic programs	8,794,698	-	-	-	-	8,794,698
Added needs	1,467,454	-	-	-	-	1,467,454
Support services						
Instructional staff	916,961	-	-	-	-	916,961
General administration	423,825	-	-	-	-	423,825
School administration	1,060,581	-	-	-	-	1,060,581
Business	449,035	-	-	-	-	449,035
Operation and maintenance	2,394,923	-	-	-	-	2,394,923
Pupil transportation services	676,614	-	-	-	-	676,614
Central services	887,955	-	-	-	-	887,955
Prior period adjustment	7,179	-	187	179	-	7,545
Community services	193,384	-	-	-	-	193,384
Custody and care of children	558,844	-	-	-	-	558,844
Facilities acquisitions	-	-	-	1,501,365	-	1,501,365
Debt Service	-	-	1,285,491	-	-	1,285,491
Food services	-	962,400	-	-	-	962,400
Student activities	-	-	-	-	599,316	599,316
Athletics & other support	590,741	-	-	-	-	590,741
Total Expenditures	<u>18,422,194</u>	<u>962,400</u>	<u>1,285,678</u>	<u>1,501,544</u>	<u>599,316</u>	<u>22,771,132</u>
Excess (Deficiency) of Revenues over Expenditures	20,759	194,432	74,445	(113,433)	20,396	196,599
Other Financing Sources (Uses)						
Transfers in	-	288	-	-	-	288
Transfer outs	(288)	-	-	-	-	(288)
Other transactions	354,630	-	-	-	-	354,630
Total Sources (Uses)	<u>354,342</u>	<u>288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,630</u>
Net Change in Fund Balances	375,101	194,720	74,445	(113,433)	20,396	551,229
Fund Balances						
Beginning of Year	5,780,141	324,230	354,432	1,987,076	389,108	8,834,987
Fund Balances - End of Year	<u>\$ 6,155,242</u>	<u>\$ 518,950</u>	<u>\$ 428,877</u>	<u>\$ 1,873,643</u>	<u>\$ 409,504</u>	<u>\$ 9,386,216</u>

The accompanying notes are an integral part of these financial statements.

Frankenmuth School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balance of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2025

Net Change in Fund Balances - Governmental Funds \$ 551,229

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

Governmental funds report capital outlay as expenditures; proceeds
 as income in the statement of activities, these costs are capitalized
 and depreciated over their estimated useful lives. Losses on the
 sale of capital assets are not recognized at the fund level.

Depreciation expense	(1,638,482)
Capital outlay	2,071,476

The issuance of long-term debt (e.g. bonds) provides current financial
 resources to governmental funds, while the repayment of the principal
 of long-term debt consumes the current financial resources of
 governmental funds. Neither transaction has any effect on net position.

Repayment of bond principal	835,000
Amortization of premium on long-term bonds	123,930

Governmental funds do not record accrued interest

Prior year	74,900
Current year	(69,332)

Some expenses reported in the statement of activities do not require the use of
 current financial resources and, therefore, are not reported as expenditures
 in the government funds.

Pension and OPEB related items	3,376,366
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In the statement of activities, certain expenses (retirement
 incentives, compensated absences) are measured by the
 amounts earned during the year. The governmental funds
 measure the financial resources used (paid).

Compensated absences	(40,043)
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Change in Net Position of Governmental Activities (District Wide)	\$ 5,285,044
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The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1-Summary of Significant Accounting Policies

The Frankenmuth School District (the “School District”) operates under an elected Board of Education and provides educational services to approximately 1,424 students, based upon the blended count.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and 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. Based on the application of the criteria, the School District does not contain any component units.

B. District-Wide Statements

The District-Wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. The purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District’s activities are considered governmental activities.

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

The District-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The District-Wide approach is focused more on the sustainability of the School District as an entity and the change in the School District’s net position from the current year’s activities.

FRANKENMUTH SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

C. Fund Financial Statements

The accounts of the School District are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the School District:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the School District.

General Fund is the general operating fund of the School District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The food service fund is a special revenue fund.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Student Activity Fund accounts for revenue sources from student-related activities. The District accounts for its student activity fund in a special revenue fund.

The emphasis in fund financial statements is on the major funds. The School District has opted to display information for all funds without regard to the criteria for determination of major funds. With the exception of the general fund and the sinking none of the current funds meet the criteria for major fund status.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/ expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Full Accrual

The full accrual basis of accounting requires recording of revenue when earned and expenses when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The modified accrual basis recognizes revenues when they are 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, within 60 days of the end of the current fiscal year. Expenditures are still recognized when incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

E. Financial Statement Amounts

Cash

Cash includes cash on hand and demand deposits.

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Due from Other Governments and Receivables

Due from other governmental units are payments earned but not received at year-end from other governments. Receivables consist of all revenues earned at year-end but not yet received from other customers.

Inventories

Inventories consist of expendable supplies and fuel held for the School District's use and are carried at cost using the first-in, first-out method.

Prepays

Prepaid amounts consist of payments for which the School District will have a future benefit and will be used up at a date beyond the current year-end.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; therefore, actual results could differ from those estimates.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed, as incurred. The School District does not possess infrastructure type assets. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Buildings and improvements	50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Due to Other Governments and Accounts Payable

Accounts payable consist of items from which the School District benefited during the current fiscal year but has not yet paid.

Salaries Payable

Salaries payable consist of amounts due on employee's contracts payable for the current fiscal year and the District's portion of payroll taxes and retirement.

Long-Term Liabilities

Bonds payable are the result of long-term obligations issued for the purpose of making capital purchases and improvements or the refinancing of previously issued obligations. Compensated absences represent accumulated unpaid vacation and sick leave payable upon termination of employment. No portion of the compensated absence is believed to be current at year-end. Net pension and OPEB (Asset) represent the District's proportionate share of the total liability recognized by the Michigan Public School Retirement Plan.

Inter-fund Activity

Inter-fund activity is reported as transfers and are eliminated upon consolidation.

Unemployment Compensation

The School District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the School District must reimburse the Employment commission for all benefits charged against the School District. The District incurred unemployment expenditures in the amount of \$0 for the year ended June 30, 2025.

Property Taxes

The School District levies its property taxes on December 1, and various municipalities collect its property taxes and remit them to the School District through February. The delinquent real property taxes of the School District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The County sells tax notes, the proceeds of which have been used to pay the School District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 16, 2025, which is the date the financial statements were available to be issued.

FRANKENMUTH SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

Foundation Revenue

The State of Michigan has adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the School District. For the year ended June 30, 2025, the foundation allowance was based on 90 percent of pupil membership counts from the fall of 2024 fiscal year and 10 percent of the pupil membership counts from the spring of 2024.

The state portion of the foundation allowance is provided primarily by a state education property tax millage of 6 mills and an allocation portion of state sales and other taxes. The local portion of the foundation allowance is funded primarily by non-prequalified and commercial property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2024–August 2025.

State Categorical Revenue

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

Fund Balance

The District's fund balance classifications are as follows:

- Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed – Amounts that have been formally set aside by the Board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board.
- Assigned – Intent to spend resources on specific purposes expressed by the Board.
- Unassigned – Amounts that are available for any purpose.

FRANKENMUTH SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

At June 30, 2025 the general fund and the food service fund had \$1,973, and \$18,973 in nonspendable fund balance for inventory, respectively. The general fund had nonspendable fund balances in the amount of \$226,315 for prepaid items. The food service fund had \$499,977 in assigned fund balance for food service activities. The general fund had an assigned fund balance of \$360,905 for 2025-2026 budget. The debt service fund, and sinking fund capital projects had restricted fund balances in the amounts of \$428,877, and \$1,873,643 for debt service and capital projects, respectively. The student activity fund balance in the amount of \$409,504 was committed for that purpose.

Deferred outflows/inflows of resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. A deferred outflow is recognized for pension contributions and OPEB made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies. In addition, deferred outflows are recognized for other pension items.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Future resources yet to be recognized in relation to the pension and OPEB actuarial valuation are recognized as deferred inflows. These future resources arise from the differences in the estimates used by the actuary to calculate the pension and OPEB (Asset) and the actual results. The amounts are amortized over a period determined by the actuary.

Net position flow assumption

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

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Fund balance flow assumptions

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

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 (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 (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.

NOTE 2-Stewardship, Compliance, and Accountability

The School District is required to adopt an annual budget before the beginning of the fiscal year for the general fund and the food service fund. The accounting basis of the budget is the modified accrual method. Following are the procedures used in establishing the budgetary data reflected in the financial statements:

1. The School District's Superintendent submits to the Board of Education a proposed budget by June 30 of each year. The budget includes proposed expenditures and the means to finance them.
2. A public hearing is conducted to obtain taxpayer comments.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

3. The Superintendent is authorized to transfer budgeted amounts within functional expenditure lines as approved by the Board; however, any revisions that alter functional expenditure lines of any fund must be approved by the Board of Education.
4. Budgeted amounts shown in the supplemental information reflect amendments through June 30.

The budgetary comparison presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by June 30. Expenditures in excess of amounts budgeted are a violation of Michigan law.

State law permits districts to amend their budgets during the year. The School District budget variances are illustrated in the supplemental information.

NOTE 3-Deposits and Investments

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

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, \$9,070,679 of the District's bank balance of \$9,388,182 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$8,679,517.

Custodial credit risk – investments

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

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law. The adopted investment policy of the Board is to invest surplus funds of the District.

Interest rate risk

The District does not have a policy for interest rate risk.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Concentration of credit risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Foreign currency risk

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

Fair value measurement

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The District voluntarily invests certain excess funds in external pooled investment funds which include money market funds. At June 30, 2025, the District held no investments.

NOTE 4-Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. During the year, the School District carried commercial insurance for the above risks of loss.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5-Capital Assets and Accumulated Depreciation

Capital asset activity of the School District was as follows:

	Balance July 1, 2024	Additions	Transfers Adjustments	Disposals	Balance June 30, 2025
Capital assets not subject to depreciation					
Land	\$ 1,091,665	\$ -	\$ -	\$ -	\$ 1,091,665
Construction in progress	910,789	925,333	(611,085)	-	1,225,037
Subtotals	<u>2,002,454</u>	<u>925,333</u>	<u>(611,085)</u>	<u>-</u>	<u>2,316,702</u>
Capital assets subject to depreciation					
Site improvements	5,571,698	29,137	-	-	5,600,835
Buildings and improvements	40,005,031	570,436	611,085	-	41,186,552
Buses	1,091,122	72,050	-	-	1,163,172
Vehicles	93,190	98,066	-	-	191,256
Furniture and equipment	3,739,674	376,454	-	-	4,116,128
Subtotals	<u>50,500,715</u>	<u>1,146,143</u>	<u>611,085</u>	<u>-</u>	<u>52,257,943</u>
Total Capital Assets	<u>52,503,169</u>	<u>2,071,476</u>	<u>-</u>	<u>-</u>	<u>54,574,645</u>
Accumulated depreciation					
Site improvements	1,408,341	278,032	-	-	1,686,373
Buildings and improvements	14,093,108	1,060,074	-	-	15,153,182
Buses	684,705	86,353	-	-	771,058
Vehicles	77,832	5,997	-	-	83,829
Furniture and equipment	1,737,250	208,026	-	-	1,945,276
Total Accumulated Depreciation	<u>18,001,236</u>	<u>1,638,482</u>	<u>-</u>	<u>-</u>	<u>19,639,718</u>
Total Net Capital Assets	<u>\$ 34,501,933</u>	<u>\$ 432,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,934,927</u>

Depreciation was not charged to specific activities as the School District considers its capital assets to impact multiple activities, and allocation is not practical.

NOTE 6-Inter-fund – Receivables and Payables and Transfers

The makeup of inter-fund balances is as follows:

Fund	Due From (Receivable)	Fund	Due To (Payable)
General fund	\$ 33,478	Student Activity	\$ 33,478
	187	Debt service	187
	69,461	Sinking fund	69,461
	<u>103,126</u>		<u>103,126</u>
Food service	110,249	General fund	110,249
	<u>\$ 213,375</u>		<u>\$ 213,375</u>

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

The following transfers were made:

Fund	Incoming Transfer	Fund	Outgoing Transfer
Food service	\$ 288	General fund	\$ 288

The transfer from the general fund to the food service was to charge allowable grants expenditures.

NOTE 7-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 debts include compensated absences.

Long-term debt activity is summarized as follows:

	Restated Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Current Portion
Governmental Activities					
Accrued compensated absences*	\$ 372,989	\$ 40,043	\$ -	\$ 413,032	\$ -
2019 School Building and Site Bonds	10,575,000	-	835,000	9,740,000	850,000
Totals	<u>\$10,947,989</u>	<u>\$ 40,043</u>	<u>\$ 835,000</u>	<u>\$ 10,153,032</u>	<u>\$850,000</u>

* The changes in compensated absences are netted.

Annual debt service requirements to maturity for the above governmental bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
2026	\$ 850,000	\$ 416,000	\$ 1,266,000
2027	870,000	382,000	1,252,000
2028	880,000	338,500	1,218,500
2029	890,000	294,500	1,184,500
2030	890,000	250,000	1,140,000
2031-2035	4,465,000	715,400	5,180,400
2036	895,000	35,800	930,800
Compensated Absences	<u>413,032</u>	<u>-</u>	<u>413,032</u>
Totals	<u>\$ 10,153,032</u>	<u>\$ 2,432,200</u>	<u>\$ 12,585,232</u>

For the year ended June 30, 2025 the total interest paid on bonded debt was \$449,400.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8-Pension Plan

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 with 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 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.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

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 fiscal year ended September 30, 2024.

<u>Benefit Structure</u>	<u>Pension Contribution Rates</u>	
	<u>Member</u>	<u>Employer</u>
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	6.20%	20.10%
Defined Contribution	0.00%	13.90%

Required contributions to the pension plan from the District were \$3,160,818 for the year ended September 30, 2024.

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

At June 30, 2024, the District reported a liability of \$18,508,953 for its proportionate share of the MPSERS 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 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, 2024, the District’s proportion was .0756 percent, which was an increase of .0009 percent from its proportion measured as of September 30, 2023.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

For the year ending June 30, 2025, the District recognized pension expense of \$1,591,835. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Source Description</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 502,161	\$ 201,102
Changes of assumptions	1,929,668	3,532,293
Net difference between projected and actual earnings on pension plan investments	-	1,356,121
Changes in proportion and differences between District contributions and proportionate share of contributions	625,264	414,910
District contributions subsequent to the measurement date	1,743,475	-
Total	<u>\$ 4,800,568</u>	<u>\$ 5,504,426</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 ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year
 (to be Recognized in Future Pension Expenses)

<u>Plan Year Ended</u>		
2025	\$	(403,633)
2026	\$	242,316
2027	\$	(1,330,158)
2028	\$	(955,858)

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.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Notes:

Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2023 valuation. The total pension liability as of Sept. 30, 2024, is based on the results of an actuarial valuation date of Sept. 30, 2022, 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: 4.4406

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at 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:

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

<u>Asset Class</u>	Target <u>Allocation</u>	Long Term Expected Real <u>Rate of Return*</u>
Domestic Equity Pools	25%	5.3%
Private Equity Pools	16%	9.0%
International Equity	15%	6.5%
Fixed Income Pools	13%	2.2%
Real Estate and Infrastructure Pools	10%	7.1%
Absolute Return Pools	9%	5.2%
Real Return/Opportunistic Pools	10%	6.9%
Short Term Investment Pools	2%	1.4%
Total	<u>100.0%</u>	

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

Rate of Return

For the fiscal 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.

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 plan, 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 employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the 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 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:

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
\$ 27,134,324	\$18,508,953	\$ 11,326,672

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

Payables to the Pension Plan

The District accrued liabilities to the System in the amount of \$243,275 associated with salary and wages recorded as liabilities at year end.

NOTE 9-Post-Retirement Benefits Other than Pension (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 with 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.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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 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.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

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 an 15-year period beginning October 1, 2023 and ending September 30, 2038.

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

Benefit Structure	OPEB Contribution Rates	
	Member	Employer
Premium Subsidy	3.00%	8.31%
Personal Healthcare Fund (PHF)	0.00%	7.06%

Required contributions to the OPEB plan from The District were \$640,537 for the year ended September 30, 2024

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

At June 30, 2025, The District reported an asset of \$(3,317,020) 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 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 District's proportion was .07706 percent, which was an increase of .00165 percent from its proportion measured as of October 1, 2023.

For the year ending June 30, 2025, The District recognized OPEB expense of (\$1,196,299). At June 30, 2025, The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

<u>Source Description</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ -	\$ 3,515,028
Changes of assumptions	724,485	83,274
Net difference between projected and actual earnings on OPEB plan investments	-	627,950
Changes in proportion and differences between District contributions and proportionate share of contributions	284,278	237,091
District contributions subsequent to the measurement date	47,112	-
Total	<u>\$ 1,055,875</u>	<u>\$ 4,463,343</u>

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 a reduction of the net 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:

Deferred (Inflows) and Deferred Outflows of Resources by Year
 (to be Recognized in Future OPEB Expenses)

<u>Plan Year Ended</u>		
2025	\$	(1,135,876)
2026	\$	(683,238)
2027	\$	(625,013)
2028	\$	(610,696)
2029	\$	(338,512)
Thereafter	\$	(61,245)

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.

FRANKENMUTH SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

Additional information as of the latest actuarial valuation follows:

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 at 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 Members:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions:	
Opt-Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have 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 one or more dependents.

Notes:

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 Sept. 30, 2023 valuation. The total OPEB liability as of Sept. 30, 2024, is based on the results of an actuarial valuation date of Sept. 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: 6.5099*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at 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, 2023, are summarized in the following table:

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25%	5.3%
Private Equity Pools	16%	9.0%
International Equity	15%	6.5%
Fixed Income Pools	13%	2.0%
Real Estate and Infrastructure Pools	10%	7.1%
Absolute Return Pools	9%	5.2%
Real Return/Opportunistic Pools	10%	6.9%
Short Term Investment Pools	2%	1.4%
Total	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return

For the fiscal 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.

Discount Rate

A discount rate of 6.0% was used to measure the total OPEB (asset). This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.0%. 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 (asset).

Sensitivity of the District's proportionate share of the net OPEB (asset) to changes in the discount rate

The following presents the District's proportionate share of the net OPEB (asset) calculated using the discount rate of 6.0%, as well as what the District's proportionate share of the net OPEB (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ (2,563,420)	\$ (3,317,020)	\$ (3,968,586)

Sensitivity of the District’s proportionate share of the net OPEB (asset) to Healthcare Cost Trend Rate

The following presents the District’s proportionate share of the net OPEB (asset) calculated using assumed trend rates, as well as what the District’s proportionate share of net OPEB (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 Cost Trend Rate	1% Increase
\$ (3,968,593)	\$ (3,317,020)	\$ (2,618,211)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued MPSERS ACRF, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Pension Plan

The District accrued liabilities to the System in the amount of \$15,359 associated with salary and wages recorded as liabilities at year end.

NOTE 10-Self-Funded Insurance

The School District offers a self-insured dental plan to all full-time employees. Participants and their eligible dependents are entitled to benefits as outlined in the program booklet entitled, “Frankenmuth School District Dental Insurance Plan”.

NOTE 11-Sinking Funds

The Frankenmuth School District’s Capital Projects Fund-Sinking Fund records capital projects 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.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 12-Economic Dependency

The School District received approximately 60% of their revenue from the Michigan Department of Education. Due to the significance of the revenue source to the School District, the District is considered to be economically dependent.

NOTE 13-Change in Accounting Principle

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

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

NOTE 14-Upcoming Accounting Pronouncements

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

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

- operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
- ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
 - d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
 - e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

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

REQUIRED SUPPLEMENTAL INFORMATION

FRANKENMUTH SCHOOL DISTRICT
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund				Food Service			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenue								
Local	\$ 4,597,483	\$ 4,983,365	\$ 5,013,071	\$ 29,706	\$ 94,045	\$ 125,545	\$ 135,100	\$ 9,555
State	12,288,740	13,050,297	13,074,463	24,166	412,174	544,971	696,678	151,707
Federal	284,657	374,502	355,419	(19,083)	290,000	301,054	325,054	24,000
Incoming transfers and other transactions	-	342,500	354,630	12,130	-	200	288	88
Total Revenues	<u>17,170,880</u>	<u>18,750,664</u>	<u>18,797,583</u>	<u>46,919</u>	<u>796,219</u>	<u>971,770</u>	<u>1,157,120</u>	<u>185,350</u>
Expenditures								
Instruction								
Basic programs	8,534,029	9,073,730	8,794,698	(279,032)	-	-	-	-
Added needs	1,024,338	1,180,858	1,467,454	286,596	-	-	-	-
Support Services								
Instructional staff	980,117	940,382	916,961	(23,421)	-	-	-	-
General administration	420,702	432,556	423,825	(8,731)	-	-	-	-
School administration	1,018,332	1,067,973	1,060,581	(7,392)	-	-	-	-
Business	462,378	451,103	449,035	(2,068)	-	-	-	-
Operation and maintenance	2,528,254	2,553,203	2,394,923	(158,280)	-	-	-	-
Pupil transportation services	567,565	706,731	676,614	(30,117)	-	-	-	-
Central services	729,217	835,333	887,955	52,622	-	-	-	-
Prior period adjustment	38,000	20,000	7,179	(12,821)	-	-	-	-
Community services	248,417	223,750	193,384	(30,366)	-	-	-	-
Custody and care of children	505,057	491,046	558,844	67,798	-	-	-	-
Food service	-	-	-	-	774,770	1,031,357	962,400	(68,957)
Athletics & other support	579,558	846,299	590,741	(255,558)	-	-	-	-
Transfers out	250	250	288	38	-	-	-	-
Total Expenditures	<u>17,636,214</u>	<u>18,823,214</u>	<u>18,422,482</u>	<u>(400,732)</u>	<u>774,770</u>	<u>1,031,357</u>	<u>962,400</u>	<u>(68,957)</u>
Excess (Deficiency) of Revenues								
Over Expenditures	(465,334)	(72,550)	375,101	447,651	21,449	(59,587)	194,720	254,307
Fund Balance - Beginning of Year	5,780,141	5,780,141	5,780,141	-	324,230	324,230	324,230	-
Fund Balance - End of Year	<u>\$ 5,314,807</u>	<u>\$ 5,707,591</u>	<u>\$ 6,155,242</u>	<u>\$ 447,651</u>	<u>\$345,679</u>	<u>\$ 264,643</u>	<u>\$ 518,950</u>	<u>\$ 254,307</u>

FRANKENMUTH SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. District's proportion of net pension liability (%)	0.07560%	0.07654%	0.07450%	0.07148%	0.07400%	0.07380%	0.07287%	0.07155%	0.06887%	0.06504%
B. District's proportionate share of net pension liability	\$18,508,953	\$24,773,230	\$28,030,132	\$16,924,478	\$25,403,708	\$24,449,484	\$21,907,520	\$18,540,763	\$17,181,466	\$15,885,527
C. District's unit's covered-payroll	\$8,174,920	\$7,547,746	\$7,617,373	\$6,360,668	\$6,614,917	\$6,501,592	\$6,309,200	\$6,076,791	\$6,022,655	\$5,578,315
D. District's proportionate share of net pension liability as a percentage of its covered-payroll (%)	226%	328%	368%	266%	384%	376%	347%	305%	285%	285%
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%

Schedule of District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 District Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. Statutorily required contributions	\$ 2,167,577	\$ 1,608,490	\$ 1,386,319	\$ 1,359,905	\$ 1,210,842	\$ 1,203,332	\$ 1,140,274	\$ 1,102,126	\$ 1,116,834	\$ 1,112,973
B. Contributions in relation to statutorily required contributions	2,167,577	1,608,490	1,386,319	1,359,905	1,210,842	1,203,332	1,134,688	1,101,682	1,116,417	1,113,256
C. Contribution deficiency (excess)	-	-	-	-	-	-	5,586	444	417	(283)
D. District's covered-payroll	\$ 8,408,982	\$ 8,024,849	\$ 7,404,235	\$ 7,269,016	\$ 6,550,946	\$ 6,617,668	\$ 6,474,275	\$ 6,237,789	\$ 6,009,306	\$ 5,881,054
E. Contributions as a percentage of covered-payroll	26%	20%	19%	19%	18%	18%	18%	18%	19%	19%

Notes to Required Supplementary Information

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

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

FRANKENMUTH SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the net OPEB Liability
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 9/30 of each fiscal year)

	2024	2023	2022	2021	2020	2019	2018	2017
A. District's proportion of net OPEB liability (%)	0.07706%	0.07541%	0.07840%	0.07043%	0.07476%	0.07452%	0.07418%	0.07020%
B. District's proportionate share of net OPEB liability	\$ (3,317,020)	\$ (426,584)	\$1,659,375	\$1,075,419	\$4,005,492	\$5,349,057	\$5,897,152	\$6,378,381
C. District's unit's covered-payroll	\$8,174,920	\$7,547,746	\$7,617,373	\$6,360,668	\$6,614,917	\$6,501,592	\$6,309,200	\$6,076,791
D. District's proportionate share of net pension OPEB as a percentage of its covered-payroll (%)	-40.58%	-5.65%	21.78%	16.91%	60.55%	82.27%	93.47%	104.96%
E. Plan fiduciary net position as a percentage of total OPEB liability	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	36.39%	36.39%

Schedule of District's Contributions
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 6/30 of each fiscal year)

	2025	2024	2023	2022	2021	2020	2019	2018
A. Statutorily required contributions OPEB	\$ 208,636	\$ 627,622	\$ 577,058	\$ 575,614	\$ 535,595	\$ 526,014	\$ 507,791	\$ 449,625
B. OPEB Contributions in relation to statutorily required contributions	208,636	628,622	577,058	575,614	535,595	526,014	502,205	449,181
C. Contribution deficiency (excess)			-	-	-	-	5,586	444
D. District's covered-payroll	\$ 8,408,982	\$ 8,024,849	\$ 7,404,235	\$7,269,016	\$6,550,946	\$ 6,617,668	\$ 6,474,276	\$ 6,237,789
E. OPEB Contributions as a percentage of covered-payroll	2.48%	7.83%	7.79%	7.92%	8.18%	7.95%	7.76%	7.20%

Notes to Required Supplementary Information

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

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

These schedules are to be built prospectively.. Until a full 10-year trend is compiled, these schedules will show information for those years for which data is available.

OTHER SUPPLEMENTAL INFORMATION

FRANKENMUTH SCHOOL DISTRICT
SCHEDULES OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2025

2019 School Building and Site Bonds

\$13,595,000

Interest Rate: 4%-5%

Year Ending	Annual Principal	Semiannual Interest Payment		Total Fiscal Year
2026	\$ 850,000	\$ 208,000	\$ 208,000	\$ 1,266,000
2027	870,000	191,000	191,000	1,252,000
2028	880,000	169,250	169,250	1,218,500
2029	890,000	147,250	147,250	1,184,500
2030	890,000	125,000	125,000	1,140,000
2031	890,000	107,200	107,200	1,104,400
2032	890,000	89,400	89,400	1,068,800
2033	895,000	71,600	71,600	1,038,200
2034	895,000	53,700	53,700	1,002,400
2035	895,000	35,800	35,800	966,600
2036	895,000	17,900	17,900	930,800
	<u>\$ 9,740,000</u>	<u>\$ 1,216,100</u>	<u>\$ 1,216,100</u>	<u>\$ 12,172,200</u>



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

October 16, 2025

To the Board of Education
Frankenmuth School District
Frankenmuth, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Frankenmuth School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Frankenmuth School District's basic financial statements, and have issued our report thereon dated October 16, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Frankenmuth School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Frankenmuth School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Frankenmuth School District's internal control.

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

To the Board of Education
Frankenmuth School District
Page Two

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Frankenmuth School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gardner, Proronyako, Thomas & Luplow, P.C.

Certified Public Accountants
Saginaw Michigan



Gardner | Provenzano Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
Heather A. Thomas
Brett A. Luplow

October 16, 2025

To the Board of Education
Frankenmuth School District
Frankenmuth, MI

In planning and performing our audit of the financial statements of Frankenmuth School District for the year ended June 30, 2025, we considered the District's internal control and compliance with laws and regulations in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control or compliance with laws.

However, during our audit we became aware of one matter that is required to be reported to the Michigan Department of Education as a management letter comment. This letter does not affect our report dated October 16, 2025 on the financial statements of Frankenmuth School District.

Food Service Fund Balance

The United States Department of Agriculture requires that the ending fund balance of the food service fund not exceed three months' average of operating expenses. If an excess fund balance should occur, the District will be required to develop a spend down plan for reducing the balance to an acceptable level during the following school year. The spend down plan must be uploaded to Grant Electronic Monitoring System/Michigan Administrative Review System (GEMS/MARS) or submitted to MDE, ONS, Fiscal and Administrative Services to obtain MDE's prior approval. As a result, this allows the District to use those excess funds for a specific purpose to further improve the school meals program operations.

At June 30, 2025, the food service fund balance was in excess of three months in the amount of \$212,539.

We understand the District is in the process of creating a plan to spend down the excess fund balance.

Sincerely,

Gardner, Provenzano, Thomas & Luplow, P.C.

Certified Public Accountants