

BREITUNG TOWNSHIP SCHOOL DISTRICT

REPORT ON FINANCIAL STATEMENTS
(with additional information)

For the Year Ended June 30, 2025

BREITUNG TOWNSHIP SCHOOL DISTRICT

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BREITUNG TOWNSHIP SCHOOL DISTRICT

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**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS





ANDERSON, TACKMAN & COMPANY, P.L.C.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Breitung Township School District
Kingsford, Michigan

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information, of the Breitung Township School District ("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 aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As described in Note 16 to the financial statements, for the year ended June 30, 2025, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension and other post-employment benefits schedules as reported 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. 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2025, on our consideration of the 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 District's internal control over financial reporting and compliance.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

October 29, 2025

Breitung Township School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Breitung Township School District's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position including its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board (GASB) Statement No. 34 (GASB 34) as amended by GASB Statement No. 63, GASB Statement No. 65, and GASB Statement No. 68 and 75, GASB Statement No. 71 an amendment of GASB Statement No. 68, GASB Statement No. 84, GASB Statement No. 87, GASB Statement No. 96, and GASB Statement No. 101 and is intended to provide the financial results for the fiscal year ending June 30, 2025.

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

Basic Financial Statements

District-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)
(Other than MD&A expanded)

As mentioned, GASB 34, as amended by GASB Statement No. 63 and 65, requires the presentation of two basic types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-Wide Financial Statements provide a perspective of the District as a whole. These financial statements use the full accrual basis of accounting similar to private sector companies. There are two District-Wide Financial Statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds: current financial resources (short-term available resources) (assets, liabilities, and deferred outflow/inflows of resources) with capital assets and long-term obligations, regardless of their current availability.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

The Fund Financial Statements are similar to financial presentations of years past but are focused on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received, except when they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Breitung Township School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Fund Financial Statements

Fund types include the General Fund, Food Service Fund, Student Activities, Scholarships, Debt Retirement Fund, Public Improvement Fund, Endowment Fund and Sinking Fund. The General Fund is used primarily to account for the general education requirements of the District. For fiscal year ending June 30, 2025, the 2024-2025 Athletics is combined with General Fund. Its revenues are derived from property taxes, state and federal distributions and grants, and other intergovernmental revenues. The Food Service Fund is used to record food service revenues derived from local, state and federal sources and expenses associated with running the food service program. The Student Activities Fund is used to record student extracurricular clubs and activities. The Scholarships Fund is used to record scholarship activity. The Debt Retirement Fund is used to record the funding and payment of principal and interest on bonded debt. The Public Improvement Fund is used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities. The Endowment Fund is used for specified items noted in the trust documents. The Sinking Fund is used to account for financial resources to be used for taxpayer voted sinking fund projects.

Summary of Net Position

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Assets:		
Current assets	\$ 27,658,272	\$ 26,642,591
Net non-current assets	<u>20,936,803</u>	<u>15,045,029</u>
Total assets	<u>48,595,075</u>	<u>41,687,620</u>
Deferred pension and OPEB outflows	<u>8,816,283</u>	<u>11,922,187</u>
Liabilities:		
Current liabilities	3,619,560	3,963,891
Long term liabilities	<u>26,165,487</u>	<u>33,697,348</u>
Total liabilities	<u>29,785,047</u>	<u>37,661,239</u>
Deferred pension and OPEB inflows	<u>13,719,029</u>	<u>9,055,566</u>
Net Position: *		
Invested in capital assets	16,420,143	14,453,852
Restricted	12,848,644	13,684,248
Unrestricted	<u>(15,361,505)</u>	<u>(21,245,098)</u>
Total Net Position	<u>\$ 13,907,282</u>	<u>\$ 6,893,002</u>

* See Note 16 for prior period adjustment

Breitung Township School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Financial Analysis of the District as a Whole

The School District's net position was \$13,907,282 at June 30, 2025, compared to \$6,893,002 at June 30, 2024. Total net position can be separated into three categories: net investment in capital assets, restricted assets, and unrestricted assets.

Net investment in capital assets are a combination of funds available for capital assets less accumulated depreciation and related debt. The original cost of capital assets was \$38,765,941 at June 30, 2025, and \$35,983,230 at June 30, 2024. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated use life of the assets. Total accumulated depreciation was \$22,345,798 at June 30, 2025, and \$21,529,378 at June 30, 2024.

Restricted assets by their nature are restricted for use by laws or regulations by the State of Michigan. These funds totaled \$12,848,644 at June 30, 2025, compared to \$13,684,248 at June 30, 2024.

The remaining balance of unrestricted assets represents a deficit balance of \$(15,361,505) at June 30, 2025, and \$(21,245,098) at June 30, 2024. The deficit balances are a result of GASB Statement No. 68, GASB Statement No. 75, and GASB Statement No. 101 effective for fiscal years beginning after June 15, 2014, June 15, 2017 and December 15, 2023 respectively. Additional information regarding GASB Statement No. 68, No. 75 and No. 101 can be found in the audit report under Note 7, Note 8, and Note 16.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-Wide results of operations for the years ended June 30, 2025 and June 30, 2024 is as follows on the next page:

Breitung Township School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Program revenue		
Charges for services - local and support	\$ 532,191	\$ 508,217
Operating grants - federal, state, and local	<u>3,765,566</u>	<u>3,198,579</u>
 Total program revenue	 <u>4,297,757</u>	 <u>3,706,796</u>
 General revenue		
Property taxes levied for general operations	3,190,621	2,918,873
Property taxes levied for sinking fund	423,341	399,621
State revenue sharing	21,855,194	21,881,736
Other - federal, state, and local	<u>464,392</u>	<u>1,060,128</u>
 Total general revenue	 <u>25,933,548</u>	 <u>26,260,358</u>
 Total revenue	 <u>30,231,305</u>	 <u>29,967,154</u>
 Expenses		
Instruction	12,213,550	13,719,417
Support services	5,926,901	6,391,684
Community service	379,986	375,265
School service	4,177,258	3,455,975
Depreciation (unallocated)	<u>869,330</u>	<u>813,378</u>
 Total expenses	 <u>23,567,025</u>	 <u>24,755,719</u>
 Increase in net position before contributions	 6,664,280	 5,211,435
 Contributions to term endowments	 <u>350,000</u>	 <u>4,241,531</u>
 Increase in net position	 7,014,280	 9,452,966
 Net Position July 1 *	 <u>6,893,002</u>	 <u>(2,559,964)</u>
 Net Position June 30	 <u>\$ 13,907,282</u>	 <u>\$ 6,893,002</u>

* See Note 16 for prior period adjustment

Breitung Township School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The overall condition of the governmental funds has increased during June 30, 2025 and June 30, 2024. In the General Fund, the excess of revenues over expenditures totaled \$394,053 during fiscal year 2025, and \$840,144 during fiscal year 2024. The primary factors that contributed to the difference from fiscal year 2024 to fiscal year 2025 were increase in local revenues.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District’s budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments are known. The most significant fund budgeted is the General Fund operations. The General Fund operating budget was amended monthly during fiscal year 2025.

General Fund Operations

In the General Fund operations, the actual revenue for fiscal year June 30, 2025 was \$25,434,079. This is above the original budget of \$24,658,315 and below the final budget of \$25,615,427 - a variance of -0.71%. The actual expenditures of the general fund for fiscal year June 30, 2025 operations were \$24,846,900. This is below the original budget of \$25,436,830 and above the final budget of \$23,794,762 - a variance of 4.42%.

GOVERNMENTAL FUND EXPENDITURES

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Total Expenditures June 30, 2025	Percentage	Total Expenditures June 30, 2024	Percentage
General Fund	\$ 25,648,946	80.13%	\$ 26,075,968	87.23%
Public Improvements	1,238,106	3.87%	336,439	1.13%
Scholarships	465,135	1.45%	398,504	1.33%
Endowment Fund	1,569,470	4.90%	525,000	1.76%
Nonmajor Funds	3,089,009	9.65%	2,556,173	8.65%
Total Expenditures	\$ 32,010,666	100.00%	\$ 29,892,084	100.00%

Breitung Township School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

TOTAL REVENUES

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds.

	Total Revenue <u>June 30, 2025</u>	<u>Percentage</u>	Total Revenue <u>June 30, 2024</u>	<u>Percentage</u>
State revenue sharing	\$ 21,855,194	66.37%	\$ 21,881,736	63.93%
Prop taxes general operation	3,190,621	9.69%	2,918,873	12.29%
Operating grants federal, state, and local	3,765,566	11.43%	3,198,579	6.25%
Prop taxes sinking fund	423,341	1.29%	399,621	1.68%
Charges for services - local and support	532,191	1.62%	508,217	3.93%
Contributions to term endowments	350,000	1.06%	4,241,531	3.93%
Other federal state local	464,389	1.41%	1,060,131	1.20%
Transfers in	2,350,000	7.14%	2,131,629	1.60%
Total Revenues	\$ 32,931,302	100.00%	\$ 36,340,317	103.93%

Unrestricted State Aid

The District is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have decreased due to a slight decrease in enrollment year over year as well as the per pupil foundation award remained flat year over year. State aid blended membership was 1940.86 for fiscal year June 30, 2025 and 1970.38 for fiscal year June 30, 2024.

Property Taxes

The District levied 18 mills of property taxes on all Non-Homestead property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value.

The District levied 0.90 mills of property taxes on all classes of property located within the District for sinking fund projects. The levy is not subject to rollback provisions and is used to pay for projects allowable under the provisions of §1351a of the Revised School Code.

Breitung Township School District
 Management Discussion and Analysis
 For the Fiscal Year Ended June 30, 2025

Operating Grants Federal, State, and Local

The primary sources are the Federal Title I/II/IV-Part A Programs, the State funded At Risk Program, the Special Education Obligation funds required under the Headlee Amendment State of Michigan legislation, ESSER Formula funds, which ended 9/30/2024. Both Title I-Part A and At-Risk Programs assist students who are deemed to be at risk in the instruction process.

ENROLLMENT

The District's 2024-2025 State aid blended membership enrollments was 1940.86. This is a decrease of 29.52 full-time equivalent students from the previous year. Breitung Township School District is located in Michigan's Upper Peninsula. The area has experienced economic downturn in previous years but has seen an increase in employment opportunities due to some large area businesses. As a result of this, more families have moved to the area. The county, however, continues to experience declining birth rates from previous years. The decrease in enrollment is due to reduction in birth rates and families opting for homeschooling and virtual options.

Enrollment changes over the last ten years can be illustrated as follows:

<u>Fiscal</u> <u>Year</u>	<u>Student</u> <u>Enrollment</u> <u>(FTE)</u>	<u>Increase</u> <u>(Decrease)</u> <u>in Student</u> <u>Membership(FTE)</u>
2025	1940.86	(29.52)
2024	1970.38	10.69
2023	1959.69	41.93
2022	1917.76	16.93
2021	1900.83	0.40
2020	1900.43	17.08
2019	1883.35	50.15
2018	1833.20	32.10
2017	1801.10	19.30
2016	1781.80	(17.39)

Student enrollment is important to the financial health of the District because state funding is based on a per pupil formula.

Breitung Township School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

CAPITAL ASSETS

Capital Assets

At the end of the fiscal year 2025, the District had \$38,765,941 invested in land and building, furniture and equipment, vehicles and buses compared to \$35,983,230 at June 30, 2024. Of this amount, \$22,345,798 and \$21,529,378 has been depreciated at June 30, 2025 and June 30, 2024 respectively. Net book value totaled \$16,420,143 at June 30, 2025, and \$14,453,852 at June 30, 2024. Due to budget constraints related to the State of Michigan financial status, the ability to maintain these buildings is becoming increasingly difficult. The millage approved by taxpayers for the Sinking Fund has helped with the difficulty of maintaining buildings and technology in the District. The District maintains a \$10,000 threshold for capitalization of assets.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of the Breitung Township School District. For additional detailed financial information contact:

Richelle Barker
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BREITUNG TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2025

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and equivalents	\$ 11,583,668
Investments	11,942,725
Accounts receivable	82,883
Taxes receivable	930
Due from other governments	3,889,683
Inventory	56,485
Prepaid expenses	<u>101,898</u>
Total current assets	<u>27,658,272</u>
Noncurrent assets:	
Capital assets	38,765,941
Accumulated depreciation	(22,345,798)
Net other post employment benefits asset	<u>4,516,660</u>
Total noncurrent assets	<u>20,936,803</u>
TOTAL ASSETS	<u>48,595,075</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension outflow	7,552,015
Other post employment benefits outflow	<u>1,264,268</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,816,283</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	378,818
Accrued salaries	1,377,404
Accrued expenses	1,095,061
Unearned revenue	571,557
Compensated absences	77,970
Early retirement	<u>118,750</u>
Total current liabilities	<u>3,619,560</u>
Noncurrent liabilities:	
Compensated absences	209,122
Early retirement	118,000
Net pension liability	<u>25,838,365</u>
Total noncurrent liabilities	<u>26,165,487</u>
TOTAL LIABILITIES	<u>29,785,047</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension inflow	7,691,360
Other post employment benefits inflow	<u>6,027,669</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,719,029</u>

The accompanying notes to the financial statements are an integral part of this statement.



BREITUNG TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2025

	<u>Governmental Activities</u>
NET POSITION:	
Net investment in capital assets	16,420,143
Restricted for:	
Scholarships	9,443,751
Food service	300,573
Student activities	236,237
Debt service	1
Sinking fund	236,365
Trust and endowments:	
Expendable	2,131,717
Nonexpendable	500,000
Unrestricted	<u>(15,361,505)</u>
 TOTAL NET POSITION	 <u>\$ 13,907,282</u>

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.



BREITUNG TOWNSHIP SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

FUNCTIONS/PROGRAMS	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
PRIMARY GOVERNMENT:					Governmental Activities
Governmental Activities:					
Instruction	\$ (12,213,550)	\$ 9,608	\$ 952,408	\$ -	\$ (11,251,534)
Support	(5,926,901)	71,816	104,564	-	(5,750,521)
Community service	(379,986)	242,758	14,677	-	(122,551)
School service	(4,177,258)	208,009	2,693,917	-	(1,275,332)
Depreciation	(869,330)	-	-	-	(869,330)
TOTAL PRIMARY GOVERNMENT	(23,567,025)	532,191	3,765,566	-	(19,269,268)
General revenues:					
Property taxes				\$	3,613,962
State revenue sharing					21,855,194
Contributions to term endowments					350,000
Other					464,392
Total general revenues and transfers					26,283,548
Changes in net position					7,014,280
Net position, beginning of year, restated *					6,893,002
Net position, end of year				\$	13,907,282

* See Note 16

BREITUNG TOWNSHIP SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2025

	General	Capital Projects Public Improvement	Special Revenue Scholarships	Endowment Zanardi Trust	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and equivalents	\$ 6,163,969	\$ 4,498,912	\$ -	\$ 137,096	\$ 783,691	\$ 11,583,668
Investments	-	-	9,443,751	2,498,974	-	11,942,725
Accounts receivable	77,599	-	-	-	5,284	82,883
Taxes receivable	871	-	-	-	59	930
Due from other funds	12,981	-	-	-	-	12,981
Due from other governments	3,841,588	-	-	-	48,095	3,889,683
Inventory	4,085	-	-	-	52,400	56,485
Prepaid expenses	97,803	-	-	-	4,095	101,898
TOTAL ASSETS	<u>\$10,198,896</u>	<u>\$ 4,498,912</u>	<u>\$ 9,443,751</u>	<u>\$ 2,636,070</u>	<u>\$ 893,624</u>	<u>\$ 27,671,253</u>
LIABILITIES:						
Accounts payable	\$ 297,627	\$ 69,053	\$ -	\$ -	\$ 12,138	\$ 378,818
Accrued salaries	1,362,600	-	-	-	14,804	1,377,404
Accrued expenses	1,079,938	-	-	-	15,123	1,095,061
Due to other funds	-	-	-	4,353	8,628	12,981
Unearned revenue	558,297	-	-	-	13,260	571,557
TOTAL LIABILITIES	<u>3,298,462</u>	<u>69,053</u>	<u>-</u>	<u>4,353</u>	<u>63,953</u>	<u>3,435,821</u>
FUND BALANCE AND OTHER CREDITS:						
Fund balances:						
Nonspendable	101,888	-	-	-	56,495	158,383
Restricted for:						
Scholarships	-	-	9,443,751	-	-	9,443,751
Other programs	-	-	-	-	773,176	773,176
Trust and endowments:						
Expendable	-	-	-	2,131,717	-	2,131,717
Nonexpendable	-	-	-	500,000	-	500,000
Assigned	-	4,429,859	-	-	-	4,429,859
Unassigned	6,798,546	-	-	-	-	6,798,546
TOTAL FUND BALANCE AND OTHER CREDITS	<u>6,900,434</u>	<u>4,429,859</u>	<u>9,443,751</u>	<u>2,631,717</u>	<u>829,671</u>	<u>24,235,432</u>
TOTAL LIABILITIES, FUND BALANCE AND OTHER	<u>\$10,198,896</u>	<u>\$ 4,498,912</u>	<u>\$ 9,443,751</u>	<u>\$ 2,636,070</u>	<u>\$ 893,624</u>	<u>\$ 27,671,253</u>

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

BREITUNG TOWNSHIP SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

For the Year Ended June 30, 2025

Total fund balances for governmental funds \$ 24,235,432

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Total capital assets	\$ 38,765,941	
Accumulated depreciation	<u>(22,345,798)</u>	
Net capital assets		16,420,143

Deferred outflows of resources and deferred inflows of resources related to pensions (including other post employment benefits - OPEB) are not financial resources and therefore are not reported in the funds. Those resources consist of:

Deferred outflows of pension and OPEB resources	8,816,283	
Deferred inflows of pension and OPEB resources	<u>(13,719,029)</u>	
Net deferred pension sources		(4,902,746)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Early retirement	(236,750)	
Compensated absences	(287,092)	
Net OPEB asset	4,516,660	
Net pension liability	<u>(25,838,365)</u>	<u>(21,845,547)</u>

Total net position of governmental activities		<u>\$ 13,907,282</u>
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BREITUNG TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2025

	General	Capital Projects Public Improvement	Special Revenue Scholarship	Endowment Zanardi Trust	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Local sources	\$ 3,756,591	\$ 387,428	\$ 1,324,383	\$ 134,656	\$ 904,888	\$ 6,507,946
State sources	21,242,137	-	-	-	746,311	21,988,448
Federal sources	435,351	-	-	-	811,773	1,247,124
TOTAL REVENUES	25,434,079	387,428	1,324,383	134,656	2,462,972	29,743,518
EXPENDITURES:						
Instruction	14,949,160	-	-	-	-	14,949,160
Supporting services	8,642,623	324,107	-	-	813,833	9,780,563
School service	795,558	913,999	465,135	69,470	2,225,176	4,469,338
Community services	459,559	-	-	-	-	459,559
TOTAL EXPENDITURES	24,846,900	1,238,106	465,135	69,470	3,039,009	29,658,620
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	587,179	(850,678)	859,248	65,186	(576,037)	84,898
OTHER FINANCING SOURCES (USES):						
Payments received from other governmental units	471,335	-	-	-	-	471,335
Other sources	16,449	-	-	-	-	16,449
Contributions to term endowments	-	-	-	350,000	-	350,000
Transfers in	50,000	2,300,000	-	-	-	2,350,000
Transfers out	(800,000)	-	-	(1,500,000)	(50,000)	(2,350,000)
Other (uses)	(2,046)	-	-	-	-	(2,046)
TOTAL OTHER FINANCING SOURCES (USES)	(264,262)	2,300,000	-	(1,150,000)	(50,000)	835,738
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	322,917	1,449,322	859,248	(1,084,814)	(626,037)	920,636
FUND BALANCE, JULY 1	6,577,519	2,980,537	8,584,503	3,716,531	1,455,708	23,314,798
FUND BALANCE, JUNE 30	\$ 6,900,436	\$ 4,429,859	\$ 9,443,751	\$ 2,631,717	\$ 829,671	\$ 24,235,434

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

BREITUNG TOWNSHIP SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

For the Year Ended June 30, 2025

Net changes in fund balances - total governmental funds	\$ 920,636
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$869,330) exceeded capital outlay \$2,837,137 net of deletions.	1,966,289
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The change in net deferred outflow/inflows and pension and OPEB liability is not recorded in the governmental funds. However, in the statement of activities this change is recognized as an adjustment to instruction, support and community service expenses as it relates to	3,758,309
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Early retirement obligation	101,000
Compensated absences	<u>268,046</u>
Changes in net position of governmental activities	<u>\$ 7,014,280</u>



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Breitung Township School District (“District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the statement include the following:

A Management’s Discussion and Analysis section providing an analysis of the District’s overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the District’s activities.

A change in the fund financial statements to focus on the major funds.

Effective for periods beginning after December 15, 2011, GASB Statement No. 63, effective for periods after December 15, 2012, GASB 65 amends Statement No. 34, and effective for periods beginning after June 15, 2015, GASB Statement No. 68 an amendment of GASB Statement No. 27, and GASB Statement No. 71 an amendment of GASB Statement No. 68. Statement No. 63 and No. 65 establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Statements No. 68, 71 and 75 establish standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense/expenditures for defined benefit pension plans and Other Post-Employment Benefits. Effective for periods beginning after December 15, 2019, GASB Statement No. 84 establishes standards for reporting fiduciary activities. GASB Statement No. 87, effective for periods beginning after June 15, 2021, establishes lease reporting standards. GASB Statement No. 96, effective for periods beginning after June 15, 2022, establishes subscription-based information technology arrangements. GASB Statement No. 101, effective for periods beginning after December 15, 2023, establishes recognition and measurement guidance for compensated absences.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the provisions of the Statements.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement No. 14, *The Financial Reporting Entity* and as amended by GASB Statement No. 61.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity’s financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Based on the foregoing criteria, it has been determined that there are no component units of the Breitung Township School District.

B. Basic Financial Statements – Government-Wide Statements

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

In the government-wide Statement of Net Position, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted.

The District first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.).

The District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

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

C. Pension

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



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basic Financial Statements – Fund Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:

Governmental Funds – Governmental funds are used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except for those accounted for in fiduciary funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial transactions of the District, except those required to be accounted for in other funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses the Special Revenue Fund to account for the Breitung Township School District’s Food Service, Student Activity and Scholarship Funds.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds – Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Endowment Funds – Endowment Funds are an investment portfolio with the initial capital deriving from donations. Income within these funds can either be expendable or nonexpendable.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basic Financial Statements – Fund Financial Statements (Continued)

Account Groups – Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The following are the District's account groups:

General Fixed Assets – This group of accounts was established to account for all general fixed assets of the District.

General Long-Term Obligations – This group of accounts has been established to account for unmatured general long-term obligations and certain other liabilities of the District not expected to be liquidated through the use of available expendable financial resources.

E. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. The government-wide statement uses the economic resources measurement focus.

Accrual

Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after the year end. A one year period is used for revenue recognition for all other governmental fund revenues. Those revenues prone to accrual are property taxes, federal aid, interest-revenue, and charges for services.

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

State Foundation Revenue - For the fiscal year ended June 30, 2025, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. In previous years, the state utilized a district power equalizing approach. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2025, the foundation allowance was based on 10% of the pupil membership count taken in February of 2024 and 90% taken in October of 2024.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

F. Cash and Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.

G. Interfund Balances and Transfers

The current portion of lending/borrowing arrangements between funds are identified as "due to/from other funds". The non-current portion of outstanding balances between funds are reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Transfers represent a flow of assets without equivalent flows of assets in return or a requirement for repayment.

H. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value. Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

The District has adopted a capitalization policy of \$10,000.

J. Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

K. Compensated Absences

Amounts representing accumulated vacation and personal leave expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized as revenue when levied to the extent they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

The District, along with certain other governmental units, is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2025, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund Mills</u>	
General Fund - Non-Homestead	18.00
Sinking Fund	0.90

M. Unemployment Insurance

The District reimburses the Unemployment Insurance Agency (UIA) for the actual amount of unemployment benefits disbursed by the UIA on behalf of the District. Billings received for amounts paid by the UIA through June 30 are accrued.

N. Fund Balance

Nonspendable fund balances represent amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The restricted fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Assigned fund balances represent amounts set aside by the governing body for specific purposes, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Director of Finance under the authorization of the Board of Education. The unassigned fund balances for governmental funds represent the amount available for budgeting future operations.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end. The District follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - all governmental fund types.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1st, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget, or in excess of the amount appropriated. Any material expenditures in violation of the budgeting act are disclosed in the footnotes.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved on June 9, 2025.

The budget for the year ended June 30, 2025 was adopted on June 10, 2024 and formally amended at each monthly board of education meeting.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplementary Information.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Other Post-Employment Benefits:

For purposes of measuring the net OPEB liability, 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 Systems (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported to MPSERS. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - CASH AND INVESTMENTS

Cash and Equivalents

The District's cash and equivalents, as reported in the Statement of Net Position, consisted of the following:

Petty cash	\$ 700
Checking accounts	<u>11,582,968</u>
TOTAL	<u>\$ 11,583,668</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require, and the District does not have, a policy for deposit custodial credit risk. As of June 30, 2025, the District's cash and equivalents were fully insured.

Investments

Mutual Fund	\$ 9,443,751
Certificate Deposits	<u>2,498,974</u>
TOTAL	<u>\$ 11,942,725</u>

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Investments are recorded at fair market value, which is based on quoted market prices.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk. Custodial credit risk 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.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments are with the First National Bank and Trust Company of Iron Mountain, MI. The District's investments are not subject to interest rate risk.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2025 follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
<i>Assets not subject to depreciation</i>				
Land	\$ 182,029	\$ -	\$ -	\$ 182,029
Construction in progress	114,172	1,215,849	(114,172)	1,215,849
<i>Assets subject to depreciation</i>				
Land improvements	282,732	-	-	282,732
Buildings & improvements	31,794,306	1,167,569	-	32,961,875
Equipment & vehicles	<u>3,609,991</u>	<u>567,891</u>	<u>(54,426)</u>	<u>4,123,456</u>
TOTALS	35,983,230	<u>\$ 2,951,309</u>	<u>\$ (168,598)</u>	38,765,941
Accumulated depreciation	<u>(21,529,378)</u>	<u>\$ (869,330)</u>	<u>\$ 52,910</u>	<u>(22,345,798)</u>
Net capital assets	<u>\$ 14,453,852</u>			<u>\$ 16,420,143</u>

Depreciation for the year ended June 30, 2025, amounted to \$869,330. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 4 - LONG-TERM OBLIGATIONS

During the year ended June 30, 2025, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Employee Benefits:					
Teachers Early Retirement	\$ 337,750	\$ 25,000	\$ (126,000)	\$ 236,750	\$ 118,750
Sick and Vacation *	555,138	-	(268,046)	287,092	77,970
Net Pension Liability	33,440,558	-	(7,602,193)	25,838,365	-
Net OPEB Liability	<u>(591,177)</u>	<u>-</u>	<u>(3,925,483)</u>	<u>(4,516,660)</u>	<u>-</u>
TOTALS	<u>\$ 33,742,269</u>	<u>\$ 25,000</u>	<u>\$ (11,921,722)</u>	<u>\$ 21,845,547</u>	<u>\$ 196,720</u>

* See Note 16

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

1. A commitment to pay equal monthly installments for each year beginning September 1 of the first school year of retirement. On January 1 of each year during which the retirement incentive is due the retiree may elect to receive the entire amount due for that calendar year in a lump sum.	\$ 236,750
2. Sick and vacation	\$287,092
3. Net pension liability	25,838,365
4. Net OPEB liability	<u>(4,516,660)</u>
TOTAL LONG-TERM OBLIGATIONS	<u>\$21,845,547</u>



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 5 – LONG TERM OBLIGATION MATURTIES

The annual requirements to amortize long-term obligations outstanding as of June 30, 2025 are as follows:

Year Ended June 30	Early Retirement Commitment	Teachers Vested Sick and Vacation	Pension & OPEB Liability	Total
2026	\$ 118,750	\$ 77,970	\$ -	\$ 196,720
2027	56,250	-	-	56,250
2028	36,750	-	-	36,750
2029	20,000	-	-	20,000
2030	5,000	-	-	5,000
2031-2035	-	209,122	21,321,705	21,530,827
TOTALS	<u>\$ 236,750</u>	<u>\$ 287,092</u>	<u>\$ 21,321,705</u>	<u>\$ 21,845,547</u>

There was \$0 Interest expense for the year ended June 30, 2025.

NOTE 6 - FUND BALANCES

Portions of fund balances are restricted, non-spendable, or assigned and not available for general purposes other than fund usage as follows:

General Fund – Non-spendable prepaid expenses / inventory	<u>\$101,888</u>
Debt Service – Restricted for debt service	<u>\$1</u>
Food Service – Non-spendable inventory	<u>\$56,495</u>
Restricted for food service	<u>\$300,573</u>
Public Improvement – Assigned for capital improvements	<u>\$4,429,859</u>
Sinking Fund – Restricted for allowable sinking fund expenditures	<u>\$236,365</u>
Scholarship – Restricted for student scholarships	<u>\$9,443,751</u>
Student Activities – Restricted for student activities	<u>\$236,237</u>
Endowment Fund – Restricted - Expendable	<u>\$2,131,717</u>
Restricted – Nonexpendable	<u>\$500,000</u>



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Contributions

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



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025
(Continued)

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Contributions (Continued)

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 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.

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

Required contributions to the pension plan from the District were \$4,412,479 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 \$25,838,365 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 0.1055401800 percent, which was an increase of 0.0022203700 percent from its proportion measured as of September 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$2,114,964. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$701,013	\$280,737
Changes of Assumptions	2,693,803	1,893,135
Net difference between projected and actual earnings on pension plan investments	-	4,931,055
Changes in proportion and differences between Employer contributions and proportionate share of contributions	574,844	586,433
Employer contributions subsequent to the measurement date	3,582,355	-
Total	<u>\$7,552,015</u>	<u>\$7,691,360</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, 2026. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as reported in the table on the following page:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
Year Ending September 30	Amount
2025	\$2,667,270
2026	\$146,418
2027	\$(1,725,378)
2028	\$(1,227,655)



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2023
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- Basic and MIP Plan:	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.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025
(Continued)

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Summary of Actuarial Assumptions (Continued)

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 September 30, 2023 valuation. The total pension liability as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4612 for non-university employers*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2024 MPSEERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2024, are summarized in the following table:



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025
(Continued)

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Long-Term Expected Return on Plan Assets

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

**Long term rate of return does not include 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, 6.00% for the Pension Plus 2 plan 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, 6.00% 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.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Sensitivity of the District'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, 6.00% 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:

1% Decrease 5.0%	Current Single Discount Rate Assumption 6.0%	1% Increase 7.0%
\$37,879,320	\$25,838,365	\$15,811,952

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR; available on the ORS website at www.michigan.gov/orsschools.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's 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).



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Plan Description (Continued)

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 at www.michigan.gov/orsschools.

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.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period Beginning October 1, 2023 and ending September 30, 2038.

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

OPEB Contribution Rates			
Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	1.53%	8.31%
Personal Healthcare Fund (PHF)	0.00%	0.00%	7.06 %

Required contributions to the OPEB plan from the District were \$872,196 for the year ended September 30, 2024.

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

At June 30, 2025, the District reported a liability of \$(4,516,660) for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2023. The District's proportion of the net OPEB liability 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 0.1049313000 percent, which was an increase of 0.0004273100 percent from its proportion measured as of October 1, 2023.

For the year ending June 30, 2025, the District recognized OPEB expense of \$(1,628,749). At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$-	\$4,786,281
Changes of Assumptions	986,504	113,390
Net difference between projected and actual earnings on OPEB plan investments	-	855,056
Changes in proportion and differences between employer contributions and proportionate share of contributions	214,846	272,942
Employer contributions subsequent to the measurement date	62,918	-
Total	<u>\$1,264,268</u>	<u>\$6,027,669</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 liability 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 (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)

2025	\$(1,485,636)
2026	\$(963,980)
2027	\$(962,639)
2028	\$(823,192)
2029	\$(441,851)
Thereafter	\$(86,103)



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2023
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre -65: 7.25% Year 1 graded to 3.5% Year 15 Post- 65: 6.5% 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 1 or more dependents.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions (Continued)

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 September 30, 2023 valuation. The total OPEB liability as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.2834 for non-university employers*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2024 MPSEERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2023, are summarized in the following table:

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

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



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District’s proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$(3,490,512)	\$(4,516,660)	\$(5,403,874)

Sensitivity of the District’s proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents the District’s proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District’s proportionate share of net OPEB liability 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
\$(5,403,883)	\$(4,516,660)	\$(3,565,119)



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025
(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

OPEB Plan Fiduciary Net Position

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

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participated in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 10 - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 11 - SIGNIFICANT ESTIMATES

Included in Notes 7 & 8 is a summary of the employee retirement plan and OPEB provisions and actuarial assumptions. The actuarial assumptions are very critical to the computation of the actuarial determined liabilities of the plan. If the assumptions differ from actual results annual contributions to the defined benefit plan and OPEB can substantially change.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 12 - INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended June 30, 2025 are as follows and represent amounts transferred to other funds to cover expenses incurred in the other funds.

Fund	Transfers In	Fund	Transfers Out
General Fund	\$ 50,000	General Fund	\$ 800,000
Public Improvement	<u>2,300,000</u>	Endowment Fund	1,500,000
Total	<u>\$ 2,350,000</u>	Food Service	<u>50,000</u>
			<u>\$ 2,350,000</u>

Fund	Inter-Fund Receivable	Fund	Inter-Fund Payable
General Fund	<u>\$ 12,981</u>	Student Activities	8,628
		Endowment Fund	<u>4,353</u>
			<u>\$ 12,981</u>

NOTE 13 - SINKING FUND COMPLIANCE

The Capital Projects Fund includes activities funded with sinking fund tax dollars issued after November 7, 2017. For this capital project, the District has complied with the applicable provisions of §1351a of the Revised School Code.

NOTE 14 - DONOR-RESTRICTED ENDOWMENTS

The District has donor-restricted endowments with net appreciation of \$0 on investments available for authorization for expenditure by the governing Board. Details for the amounts of the net appreciation on investments and expendable principal balance are presented in the table below.

Donor-Restricted Endowments

Donor-Restricted Endowments	Principle Balance	Amount of Net Appreciation Available for Expenditure	Reported in Net Position
Term Endowments	\$ 1,955,530	\$ 119,073	Expendable
True Endowments	<u>500,000</u>	<u>15,582</u>	Nonexpendable
	<u>\$ 2,455,530</u>	<u>\$ 134,655</u>	

True endowments require the principal to be maintained in perpetuity. Term endowments allow the principal to be expended after all conditions of the endowment have been met. Expendable funds are those funds that may be expended for either a stated purpose or for a general purpose as per the endowment terms. Nonexpendable funds are those required to be retained in perpetuity.

The District's endowment was the result of a donation received for educational purposes. The Uniform Prudent Management of Institutional Act of 2009, MCL-Section 451.924 provides general guidelines on how endowments should be maintained. A District may appropriate for expenditures or accumulate as much as it determines for the uses, benefits, purposes, and duration of the endowment. The District sets the amounts of net appreciation and principal that is authorized for expenditure in its' annual budget in accordance with the terms of the endowment.



BREITUNG TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

(Continued)

NOTE 15 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Public Act 621 of 1978, as amended, provides that a District shall not incur expenditures in excess of amounts appropriated. The District budgeted expenditures on a functional basis.

During the year ended June 30, 2025, the District's General Fund incurred expenditures which were in excess of the amounts appropriated.

	<u>Appropriated</u>	<u>Actual</u>	<u>Over</u>
Instruction	\$ 13,941,156	\$ 14,949,160	\$ 1,008,004
Supporting Service	<u>7,892,755</u>	<u>8,642,623</u>	<u>749,868</u>
	<u>\$ 21,833,911</u>	<u>\$ 23,591,783</u>	<u>\$ 1,757,872</u>

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPALS & PRIOR PERIOD ADJUSTMENT

Governmental Accounting Standards Board Statement 101, Compensated Absences, is effective for periods beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement establishes the requirement 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.

Beginning net position as previously reported	\$ 7,314,643
Adjustment for GASB 101	<u>(421,641)</u>
Beginning net position as corrected	<u>\$ 6,893,002</u>





REQUIRED SUPPLEMENTARY INFORMATION

BREITUNG TOWNSHIP SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND**

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variation
	Original	Final	(Budgetary Basis) (Note 1)	
REVENUES:				
Local sources	\$ 3,442,146	\$ 3,759,919	\$ 3,756,591	\$ (3,328)
State sources	20,872,886	21,404,119	21,242,137	(161,982)
Federal sources	343,283	451,389	435,351	(16,038)
TOTAL REVENUES	24,658,315	25,615,427	25,434,079	(181,348)
EXPENDITURES:				
Instruction	16,028,681	13,941,156	14,949,160	1,008,004
Supporting services	7,410,519	7,892,755	8,642,623	749,868
School service	1,491,743	1,560,117	795,558	(764,559)
Community services	505,887	400,734	459,559	58,825
TOTAL EXPENDITURES	25,436,830	23,794,762	24,846,900	1,052,138
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(778,515)	1,820,665	587,179	(1,233,486)
OTHER FINANCING SOURCES (USES):				
Payments received from other governmental units	545,000	376,753	471,335	94,582
Transfers in	-	50,000	50,000	-
Transfers out	-	(1,200,000)	(800,000)	400,000
Other sources	-	-	16,449	16,449
Other uses	-	-	(2,046)	(2,046)
TOTAL OTHER FINANCING SOURCES (USES)	545,000	(773,247)	(264,262)	508,985
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	(233,515)	1,047,418	322,917	(724,501)
FUND BALANCE, JULY 1	6,577,519	6,577,519	6,577,519	-
FUND BALANCE, JUNE 30	\$ 6,344,004	\$ 7,624,937	\$ 6,900,436	\$ (724,501)

The accompanying notes to the financial statements are an integral part of this statement.





BREITUNG TOWNSHIP SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

LAST 10 FISCAL YEARS (Amounts were determined as of 9/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Reporting unit's proportion of net pension liability (%)	0.1055401800%	0.1033198100%	0.1040827000%	0.1066616100%	0.1055180420%	0.1033456000%	0.1032479000%	0.1038107000%	0.10322029%	0.09828%
B. Reporting unit's proportionate share of net pension liability	\$ 25,838,365	\$ 33,440,558	\$ 39,144,170	\$ 25,252,576	\$ 36,130,618	\$ 34,224,588	\$ 31,038,183	\$ 26,901,765	\$ 25,752,618	\$ 24,005,087
C. Reporting unit's covered-employee payroll	\$ 11,140,370	\$ 10,466,332	\$ 9,738,736	\$ 9,658,427	\$ 9,331,174	\$ 8,995,304	\$ 8,744,512	\$ 8,598,113	\$ 8,856,727	\$ 8,255,243
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	231.93453%	319.50599%	401.94302%	261.45641%	387.20335%	380.47172%	354.94471%	312.87987%	290.76902%	290.78597%
E. Plan fiduciary net position as a percentage of total pension liability	74.83%	66.30%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

The accompanying notes to the financial statements are an integral part of this statement.



BREITUNG TOWNSHIP SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (Amounts were determined as of 6/30 of each fiscal year)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
A. Statutorily required contributions	\$ 4,412,479	\$ 3,723,761	\$ 3,542,545	\$ 3,202,645	\$ 3,186,835	\$ 2,852,125	\$ 2,733,256	\$ 2,609,837	\$ 2,438,068	\$ 2,601,740
B. Contributions in relation to statutorily required contributions*	\$ 4,412,479	\$ 3,723,761	\$ 3,542,545	\$ 3,202,645	\$ 3,186,835	\$ 2,852,125	\$ 2,733,256	\$ 2,609,837	\$ 2,438,068	\$ 2,601,740
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Reporting unit's covered-employee payroll	\$ 11,410,778	\$ 10,811,792	\$ 10,188,639	\$ 9,885,447	\$ 9,580,098	\$ 9,231,648	\$ 8,953,693	\$ 8,639,847	\$ 8,626,135	\$ 8,555,948
E. Contributions as a percentage of covered-employee payroll	38.66940%	34.44166%	34.76956%	32.39757%	33.26516%	30.89508%	30.52658%	30.20698%	28.26374%	30.40855%

* Contributions in relation to statutorily required contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

The accompanying notes to the financial statements are an integral part of this statement.



BREITUNG TOWNSHIP SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

LAST 10 FISCAL YEARS (Amounts were determined as of 9/30 of each fiscal year)

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
A. Reporting unit's proportion of net OPEB liability (%)			0.10493130%	0.10450399%	0.10007800%	0.10683111%	0.10518042%	0.10314698%	0.10286563%	0.10363427%
B. Reporting unit's proportionate share of net OPEB liability			\$ (4,516,660)	\$ (591,777)	\$ 2,119,715	\$ 1,630,646	\$ 5,647,688	\$ 7,403,630	\$ 8,176,739	\$ 9,177,303
C. Reporting unit's covered-employee payroll			\$ 11,140,370	\$ 10,466,332	\$ 10,466,332	\$ 9,658,427	\$ 9,331,174	\$ 8,995,304	\$ 8,744,512	\$ 8,598,113
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)			-40.54318%	-5.65410%	20.25270%	16.88314%	60.52495%	82.30550%	93.50709%	106.73625%
E. Plan fiduciary net position as a percentage of total OPEB liability			143.96%	105.72%	83.00%	87.33%	59.44%	48.46%	42.95%	36.39%

The accompanying notes to the financial statements are an integral part of this statement.



BREITUNG TOWNSHIP SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

LAST 10 FISCAL YEARS (Amounts were determined as of 6/30 of each fiscal year)

	<u>2027</u>	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Statutorily required OPEB contributions			\$ 872,196	\$ 814,081	\$ 762,328	\$ 793,055	\$ 781,097	\$ 734,450	\$ 699,773	\$ 623,237
B. OPEB contributions in relation to statutorily required contributions*			\$ 872,196	\$ 814,081	\$ 762,328	\$ 793,055	\$ 781,097	\$ 734,450	\$ 699,773	\$ 623,237
C. Contribution deficiency (excess)			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Reporting unit's covered-employee payroll			\$ 11,410,778	\$ 10,811,792	\$ 10,466,332	\$ 9,885,447	\$ 9,580,098	\$ 9,231,648	\$ 8,953,693	\$ 8,639,847
E. OPEB contributions as a percentage of covered-employee payroll			7.64362%	7.52957%	7.28362%	8.02245%	8.15333%	7.95578%	7.81547%	7.21352%

* Contributions in relation to statutorily required OPEB contributions are the contributions an employer actual made to the OPEB Plans, as distinct from the statutorily required contributions.

The accompanying notes to the financial statements are an integral part of this statement.



OTHER SUPPLEMENTARY INFORMATION

BREITUNG TOWNSHIP SCHOOL DISTRICT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2025

	Special Revenue		Debt Service	Capital Projects	Total Nonmajor Governmental Funds
	Food Service	Student Activities		Sinking Fund	
ASSETS:					
Cash and equivalents	\$ 297,260	\$ 250,124	\$ 1	\$ 236,306	\$ 783,691
Accounts receivable	5,284	-	-	-	5,284
Taxes receivable	-	-	-	59	59
Due from other governments	48,095	-	-	-	48,095
Inventory	52,400	-	-	-	52,400
Prepaid expenses	4,095	-	-	-	4,095
	<u>\$ 407,134</u>	<u>\$ 250,124</u>	<u>\$ 1</u>	<u>\$ 236,365</u>	<u>\$ 893,624</u>
LIABILITIES:					
Accounts payable	\$ 6,879	\$ 5,259	\$ -	\$ -	\$ 12,138
Accrued salaries	14,804	-	-	-	14,804
Accrued expenses	15,123	-	-	-	15,123
Due to other funds	-	8,628	-	-	8,628
Unearned revenues	13,260	-	-	-	13,260
TOTAL LIABILITIES	<u>50,066</u>	<u>13,887</u>	<u>-</u>	<u>-</u>	<u>63,953</u>
FUND BALANCE AND OTHER CREDITS:					
Fund balances:					
Nonspendable	56,495	-	-	-	56,495
Restricted for:					
Food service	300,573	-	-	-	300,573
Student activities	-	236,237	-	-	236,237
Debt service	-	-	1	-	1
Sinking fund	-	-	-	236,365	236,365
TOTAL FUND BALANCE AND OTHER CREDITS	<u>357,068</u>	<u>236,237</u>	<u>1</u>	<u>236,365</u>	<u>829,671</u>
TOTAL LIABILITIES, FUND BALANCE AND OTHER	<u>\$ 407,134</u>	<u>\$ 250,124</u>	<u>\$ 1</u>	<u>\$ 236,365</u>	<u>\$ 893,624</u>

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

BREITUNG TOWNSHIP SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2025

	Special Revenue		Debt Service	Capital Projects	Total Nonmajor Governmental Funds
	Food Service	Student Activities		Sinking Fund	
REVENUES:					
Local sources	\$ 132,365	\$ 348,114	\$ -	\$ 424,409	\$ 904,888
State sources	746,311	-	-	-	746,311
Federal sources	811,773	-	-	-	811,773
TOTAL REVENUES	1,690,449	348,114	-	424,409	2,462,972
EXPENDITURES:					
Supporting services	630	-	-	813,203	813,833
School service	1,906,027	319,149	-	-	2,225,176
TOTAL EXPENDITURES	1,906,657	319,149	-	813,203	3,039,009
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(216,208)	28,965	-	(388,794)	(576,037)
OTHER FINANCING SOURCES (USES):					
Transfers out	(50,000)	-	-	-	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	-	-	-	(50,000)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(266,208)	28,965	-	(388,794)	(626,037)
FUND BALANCE, JULY 1	623,276	207,272	1	625,159	1,455,708
FUND BALANCE, JUNE 30	\$ 357,068	\$ 236,237	\$ 1	\$ 236,365	\$ 829,671

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

**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**

Board of Education
Breitung Township School District
Kingsford, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, each major fund, and the aggregate remaining fund information of the Breitung Township School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Breitung Township School District's basic financial statements, and have issued our report thereon dated October 29, 2025.

Reports on Internal Control Over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.



**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**

(Continued)

Report Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Breitung Township 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and question costs as item 2025-001.

Breitung Township School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Breitung Township School District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Breitung Township School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

October 29, 2025



BREITUNG TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2025

(Continued)

FINDINGS – FINANCIAL STATEMENT AUDIT

COMPLIANCE WITH LAWS AND REGULATIONS

MATERIAL WEAKNESS

Finding 2025-001

Statement of Condition:

The District's General Fund incurred expenditures in excess of appropriations of \$1,686,736 related to instruction and supporting services.

Criteria:

Public Act 621 of 1978, as amended, provides that a District shall not incur expenditures in excess of amounts appropriated.

Condition:

The District is not in compliance with Public Act 621 of 1978, as amended, as described in the *Criteria* section above.

Questioned Costs:

\$1,757,872.

Effect:

The District is not in compliance with Public Act 621 of 1978, as amended.

Cause:

The District's General Fund incurred expenditures in excess of the amounts appropriated for instruction.

Recommendation:

The District should review budgeted amounts on a regular basis and amend the budget as necessary.

Management's Response:

The District will review budgeted amounts throughout the year and will amend the budget accordingly.





ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices throughout Michigan

Iron Mountain Office:

Shane M. Ellison, CPA, PC - Principal
Lynn M. Mott, MSA - Principal

Michelle Christian, BSA - Senior

Member of:

Private Companies Practice Section
American Institute of Certified
Public Accountants

October 29, 2025

To the Board of Education
Breitung Township School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Breitung Township School District for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 3, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Breitung Township School District are described in Note 1 to the financial statements. The Breitung Township School District changed accounting policies related to compensated absences by adopting Statement of Governmental Accounting Standards (GASB statement) No. 101, Compensated Absences in 2025. We noted no transactions entered into by Breitung Township School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the sick, vacation, and personal time used in the subsequent year is based on a three-year estimate of sick, vacation, and personal time utilized. We evaluated the methods, assumptions, and data used to develop the estimate of the sick, vacation, and personal time used in the subsequent year in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the MD&A, budgetary comparison schedule – general fund, and pension and OPEB schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the combining balance sheet – nonmajor governmental funds and combining statement of revenue, expenditures and changes in fund balances – nonmajor governmental funds which accompany the financial statements but are not RSI, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of the Breitung Township School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

ANDERSON, TACKMAN & COMPANY, PLC

By: Shane M. Ellison, CPA, PC

By: 

Shane M. Ellison, President