Otsego Public Schools

Financial Statements

June 30, 2025

YEO & YEO

BUSINESS SUCCESS PARTNERS

Table of Contents

Section		Page
1	**Members of the Board of Education and Administration**	1 - 1
2	**Independent Auditors' Report**	2 - 1
3	**Management's Discussion and Analysis**	3 - 1
4	**Basic Financial Statements**	
	District-wide Financial Statements	
	Statement of Net Position	4 - 1
	Statement of Activities	4 - 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 - 4
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 - 5
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 6
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 7
	Notes to the Financial Statements	4 - 8

Section		Page
5	**Required Supplementary Information**	
	Budgetary Comparison Schedule - General Fund	5 - 1
	Schedule of the School District's Proportionate Share of the Net Pension Liability	5 - 2
	Schedule of the School District's Pension Contributions	5 - 3
	Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)	5 - 4
	Schedule of the School District's OPEB Contributions	5 - 5
6	**Other Supplementary Information**	
	Nonmajor Governmental Funds	
	Combining Balance Sheet	6 - 1
	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 - 2
	Schedule of Outstanding Bonded Indebtedness	6 - 3

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

Members of the Board of Education

Amy Stender - President

Shelly Jirgens - Vice President

Todd Bentley - Treasurer

Mike Keeler - Secretary

Shannon Goodwin - Trustee

Jason Davis - Trustee

Jessica Hazelhoff - Trustee

Administration

Dr. Christie Robinson - Superintendent

Tina Wilson - Director of Finance

Independent Auditors' Report

Management and the Board of Education
Otsego Public Schools
Otsego, Michigan

Report on the Audit of the Financial Statements

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Public Schools, as of June 30, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Adoption of New Accounting Standard
As discussed in Notes 1 and 14 to the financial statements, during the year ended June 30, 2025, the School District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otsego Public Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis

and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025 on our consideration of Otsego Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Otsego Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otsego Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
October 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Using this Annual Financial Report

This annual financial report consists of a series of financial statements, notes to those financial statements, and other supplementary information (hereinafter referred to as "financial statements"). These financial statements are organized so the reader can understand the School District's whole financial situation.

The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

The fund financial statements provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future expenditures. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund (the General Fund) with all other funds being presented as either a major or non-major fund.

The annual financial report is comprised of the following elements:

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

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Other Supplementary Information

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

The statement of net position and the statement of activities, which appear first in the School District's district-wide financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net position includes all of the School District's assets, deferred outflow of resources, liabilities and deferred inflows of resources. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is actually received or paid.

These two statements report the School District's net position and activities and how they have changed. Net position – the difference between assets, deferred outflow of resources, liabilities and deferred inflows of resources as reported in the statement of net position – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. We must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net position and statement of activities also report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

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

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

Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which is a combination of cash basis and full accrual basis. Revenues are recognized when they are both measurable and available. Expenditures, however, are recorded on a full accrual basis because they are always measurable when they are incurred. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2024 and 2025 (the difference between assets and liabilities as of certain dates).

	Governmental Activities	
	2024	2025
Assets:		
Current and other assets	$ 21,475,560	$ 25,738,462
Property and equipment	67,178,659	67,218,340
Total assets	88,654,219	92,956,802
Deferred outflows of resources	18,633,701	13,799,599
Total assets and deferred outflows of resources	107,287,920	106,756,401
Liabilities:		
Current liabilities	6,722,433	5,613,622
Long-term liabilities	116,406,007	102,093,415
Total liabilities	123,128,440	107,707,037
Deferred inflows of resources	16,405,109	22,074,297
Total liabilities and deferred inflows of resources	139,533,549	129,781,334
Net position:		
Net investment in capital assets	3,933,432	6,252,494
Restricted for:		
Food Service	546,248	693,711
Debt Service	0	60,094
Unrestricted (deficit)	(36,725,309)	(30,031,232)
Total net position	$ (32,245,629)	$ (23,024,933)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ending June 30, 2024 and 2025.

	Governmental Activities	
	2024	2025
Revenue:		
Program Revenue:		
Charges for services	$ 1,869,163	$ 1,463,185
Operating grants	8,216,323	11,995,666
General revenue:		
Property taxes	7,318,716	7,769,456
State aid - unrestricted	24,316,333	20,578,263
Interest and investment earnings	502,964	295,565
Other	10,000	0
Total Revenue	42,233,499	42,101,876
Functions/Program Expenses:		
Instruction	18,733,500	16,922,490
Support services	12,837,833	11,596,439
Food services	1,500,428	1,384,749
Community services	647,850	676,665
Interest on long-term debt	2,191,491	2,235,318
Total Expenses	35,911,102	32,815,661
Change in net position	$ 6,322,397	$ 9,286,215

As of June 30, 2025, the estimated net pension liability for the School District was $35,836,186 ($46,814,236 as of June 30, 2024). Additionally, deferred inflows relating to net pension liability as of June 30, 2025 were $11,584,986 ($7,591,014 as of June 30, 2024) and deferred outflows relating to the net pension liability as of June 30, 2024 were $10,861,135 ($14,151,816 as of June 30, 2024). As of June 30, 2025, the School District had an estimated net OPEB asset of $6,421,110 (As of June 30, 2024, the School District had an estimated net OPEB liability of $821,141). Deferred inflows relating to the net OPEB asset as of June 30, 2025 were $8,191,734 (Deferred inflows relating to the net OPEB liability were $6,444,421 as of June 30, 2024) and deferred outflows relating to the net OPEB asset as of June 30, 2025 were $1,739,672 (deferred inflows relating to the net OPEB liability were $3,144,002 as of June 30, 2024). These deferrals will be amortized both in the current year and into the future. These changes, along with capital asset additions and long term debt reductions, made up the majority of the difference between the change in net position on the district-wide statements and the change in fund balance on the fund level statements.

Property taxes for operations and unrestricted State of Michigan aid constitute the vast majority of School District unrestricted operating revenue sources. The Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

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

In the General Fund, the School District's principal operating fund balance increased by $1,193,746, from $7,349,296 to $8,543,042. The General Fund principal operating fund balance is approximately 26% of our General Fund operating expenditures.

- The overall General Fund revenue sources decreased by approximately $266,257 over the prior year. The vast majority of this decrease is a result of the reduction of federal sources of $1,438,105. The District had a decrease in federal sources as American Rescue Plan federal grants are now completed. All federal funding relating to COVID was expended by September 30, 2024. State sources increased $1,585,263 which offset the loss of federal funding.

- The General Fund expenditures decreased approximately $207,338 over the prior year.

- Overall, the General Fund increased about $1.2 million in the prior year and increased nearly the same amount in the current year.

Responsible budgeting and fiscal operating practices will continue due to the continued uncertainty in state aid revenue and expenditure periods ending for federal sources.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenses. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in late June 2025. A schedule showing the School District's original and final budget amounts compared with actual revenues and expenditures is provided in the required supplementary information of these financial statements on page 5-1.

Over the course of the fiscal year, the District revised the annual operating budget for the state aid budget which was released subsequent to the June adoption, for actual student count updates vs what was projected, and also for changes in revenue and expense for approved federal grant applications. Total budgeted revenues between original and final budget decreased about $400,000, and the budgeted expenditures between the original adoption and final amendment decreased about $675,000 as a result of these changes.

Our actual budget results as shown on page 5-1 to the financial statements show revenues came in higher than budgeted by about $450,000, and expenditures were lower than budgeted by $475,000. The combined effects are that total actual fund balance was higher than projected by approximately $925,000. Key differences are as follows:

- Nearly the entire budget to actual variance for expenditures was related to retirement expense being lower than budgeted. Nearly every other line item was very consistent between budget and actual.

- The budget to actual variance for revenues was comprised of the following: 1) state/federal restricted grants were around $150,000 higher than budgeted. Local sources were $220,000 higher than budgeted – many smaller variances were noted which aggregated to the total. The remaining variances of about $90,000 were related to other revenues.

The key process is a conservative adoption and the continued comparison of actual versus budget revisions. The School District strives to maintain a strong fund balance to support long-term sustained operations.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2024 and 2025, the School District had the following costs of investments in capital assets, including land, buildings, and furniture and equipment:

	2024	2025
Land	$ 1,196,860	$ 1,196,860
Building and additions	88,359,079	93,763,878
Equipment and furniture	7,480,489	7,603,458
Right to use assets – equipment	194,701	194,701
Buses and other vehicles	1,098,337	1,098,337
Construction-in-progress	2,957,333	37,489
Total capital assets	101,286,799	103,894,723
Less accumulated depreciation	(34,108,140)	(36,676,383)
Total capital assets, net of accumulated depreciation	$ 67,178,659	$ 67,218,340

Debt

As of June 30, 2025, the School District had $40,570,000 in General Obligation Bonds outstanding versus $46,480,000 as of June 30, 2024 – a decrease of about 13%. The decrease is a result of scheduled principal payments totaling $5,910,000.

The School District's General Obligation Bond rating is "A+" from Standard & Poor's Corporation. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "Qualified Debt" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit.

Other obligations include school bond loans, notes payable and compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and FY25/26 Budgets

The School District's elected officials and administration considered many factors when setting the School District's FY 25/26 fiscal year budget. A primary directive is projecting a conservative adopted budget with all known available information. As of the date of the School District's FY 25/26 budget being adopted, the State of Michigan had not adopted a state aid budget. As a result, the elected officials and administration of the School District adopted a budget based on many assumptions that will need to be adjusted once the budget is passed and actual October student count comes in. We have budgeted for a net zero change in fund balance for 2025-2026.

Contacting the School District's Financial Management

This annual financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, Otsego Public Schools, 400 Sherwood Street, Otsego, Michigan, 49078.

BASIC FINANCIAL STATEMENTS

Otsego Public Schools
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash	$ 9,965,235
Leases receivable	2,297,577
Due from other governmental units	5,666,435
Inventory	41,546
Investments	1,009,358
Prepaid items	337,201
Capital assets not being depreciated	1,234,349
Capital assets - net of accumulated depreciation	65,983,991
Net OPEB asset	6,421,110
Total assets	92,956,802
Deferred Outflows of Resources	
Deferred amount on debt refunding	1,198,792
Deferred amount relating to the net pension liability	10,861,135
Deferred amount relating to the net OPEB asset	1,739,672
Total deferred outflows of resources	13,799,599

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Statement of Net Position
June 30, 2025

	Governmental Activities
Liabilities	
Accounts payable	193,421
Due to other governmental units	947,745
Payroll deductions and withholdings	51,330
Accrued expenditures	347,911
Accrued salaries payable	2,060,128
Unearned revenue	2,013,087
Long-term liabilities	
Net pension liability	35,836,186
Due within one year	6,225,241
Due in more than one year	60,031,988
Total liabilities	107,707,037
Deferred Inflows of Resources	
Deferred amount on leases receivable	2,297,577
Deferred amount relating to the net pension liability	11,584,986
Deferred amount relating to the net OPEB asset	8,191,734
Total deferred inflows of resources	22,074,297
Net Position	
Net investment in capital assets	5,978,507
Restricted for:	
Food service	693,711
Debt service	60,094
Unrestricted	(29,757,245)
Total net position	$ (23,024,933)

See Accompanying Notes to the Financial Statements

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 16,922,490	$ -	$ 6,110,119	$ (10,812,371)
Supporting services	11,596,439	1,040,646	3,590,915	(6,964,878)
Food services	1,384,749	35,255	1,665,946	316,452
Community services	676,665	387,284	628,686	339,305
Interest and fiscal charges on long-term debt	2,235,318	-	-	(2,235,318)
Total governmental activities	$ 32,815,661	$ 1,463,185	$ 11,995,666	(19,356,810)
General revenues				
Property taxes, levied for general purposes				2,407,470
Property taxes, levied for debt service				5,361,986
State aid - unrestricted				20,578,263
Interest and investment earnings				295,565
Total general revenues				28,643,025
Change in net position				9,286,215
Net position - beginning, as previously reported				(32,245,629)
Change in accounting principle (GASB 101)				(65,519)
Net position - beginning, as restated				(32,311,148)
Net position - ending				$ (23,024,933)

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Governmental Funds
Balance Sheet
June 30, 2025

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	$ 8,328,066	$ 1,637,169	$ 9,965,235
Leases receivable	2,297,577	-	2,297,577
Due from other funds	397,339	833,889	1,231,228
Due from other governmental units	5,666,435	-	5,666,435
Inventory	-	41,546	41,546
Investments	-	1,009,358	1,009,358
Prepaid items	314,101	23,100	337,201
Total assets	$ 17,003,518	$ 3,545,062	$ 20,548,580
Liabilities			
Accounts payable	$ 136,901	$ 56,520	$ 193,421
Due to other funds	833,889	397,339	1,231,228
Due to other governmental units	947,745	-	947,745
Payroll deductions and withholdings	51,330	-	51,330
Accrued expenditures	168,510	-	168,510
Accrued salaries payable	2,060,128	-	2,060,128
Unearned revenue	1,964,396	48,691	2,013,087
Total liabilities	6,162,899	502,550	6,665,449
Deferred Inflows of Resources			
Leases receivable	2,297,577	-	2,297,577
Fund Balances			
Non-spendable			
Inventory	-	41,546	41,546
Prepaid items	314,101	23,100	337,201
Restricted for			
Food service	-	652,165	652,165
Debt service	-	239,495	239,495
Capital projects	-	1,222,036	1,222,036
Committed	-	864,170	864,170
Assigned	1,823,376	-	1,823,376
Unassigned	6,405,565	-	6,405,565
Total fund balances	8,543,042	3,042,512	11,585,554
Total liabilities, deferred inflows of resources, and fund balances	$ 17,003,518	$ 3,545,062	$ 20,548,580

See Accompanying Notes to the Financial Statements

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

Total fund balances for governmental funds	$ 11,585,554
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets - net of amortization	84,371
Capital assets not being depreciated	1,234,349
Capital assets - net of accumulated depreciation	65,899,620
Net OPEB asset is not recorded as an asset in the governmental funds	6,421,110
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	1,198,792
Deferred outflows of resources resulting from the net pension liability	10,861,135
Deferred outflows of resources resulting from the net OPEB liability	1,739,672
Deferred inflows of resources resulting from the net pension liability	(11,584,986)
Deferred inflows of resources resulting from the net OPEB liability	(8,191,734)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(179,401)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(35,836,186)
Compensated absences	(514,306)
Bonds payable	(41,175,787)
School bond loan payable	(24,203,748)
Installment agreements	(273,987)
Other loans payable and liabilities	(89,401)
Net position of governmental activities	$ (23,024,933)

See Accompanying Notes to the Financial Statements

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

	General Fund	*Moved to Nonmajor Fund* 2017 Refunding Debt Fund	*Moved to Nonmajor Fund* 2022 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	$ 3,674,251			$ 6,116,235	$ 9,790,486
State sources	28,899,776			764,297	29,664,073
Federal sources	197,413			1,108,565	1,305,978
Interdistrict sources	1,341,339			-	1,341,339
Total revenues	34,112,779			7,989,097	42,101,876
Expenditures					
Current					
Education					
Instruction	18,781,379			-	18,781,379
Supporting services	12,138,049			742,713	12,880,762
Food services	-			1,553,738	1,553,738
Community services	744,261			-	744,261
Facilities acquisition	-			1,830,252	1,830,252
Capital outlay	926,064			-	926,064
Debt service					
Principal	301,038			5,910,000	6,211,038
Interest and other expenditures	28,242			1,200,815	1,229,057
Total expenditures	32,919,033			11,237,518	44,156,551
Excess (deficiency) of revenues over expenditures	1,193,746			(3,248,421)	(2,054,675)
Other Financing Sources					
Proceeds from school loan revolving fund	-			1,870,948	1,870,948
Net change in fund balances	1,193,746			(1,377,473)	(183,727)
Fund balances - beginning, as previously reported	7,349,296	$ 7,877	$ 2,398,905	2,013,203	11,769,281
Change within financial reporting entity - major to nonmajor fund	-	(7,877)	(2,398,905)	2,406,782	-
Fund balances - beginning, as adjusted	7,349,296			4,419,985	11,769,281
Fund balances - ending	$ 8,543,042			$ 3,042,512	$ 11,585,554

See Accompanying Notes to the Financial Statements

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

Net change in fund balances - Total governmental funds	$ (183,727)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation and amortization expense	(2,568,243)
Capital outlay	2,607,924
Expenses are recorded when incurred in the statement of activities.	
Interest	(956,061)
Compensated absences	(45,291)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	10,978,050
Net change in deferrals of resources related to the net pension liability	(7,284,653)
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB changes. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB asset	5,599,969
Net change in deferrals of resources related to the net OPEB asset	(3,151,643)
Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(1,870,948)
Repayments of long-term debt	6,211,038
Amortization of premiums	88,891
Amortization of deferred amount on debt refunding	(139,091)
Change in net position of governmental activities	$ 9,286,215

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

Fund Financial Statements

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

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

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

The School District reports the following major governmental funds:

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

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and the Student/School Activity Fund.

Debt Service Funds – The Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long term debt.

Capital Project Funds – The 2022 and 2018 Building & Site Funds are used to record bond proceeds and other local revenue and expenditures for projects related to the 2022 and 2018 Building and Site Bonds. The funds are kept open until the purpose for which the fund was created has been accomplished.

Assets, Liabilities and Net Position or Equity

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

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

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

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	8.49000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the Counties of Allegan, Van Buren, and Kalamazoo and remitted to the School District by May 15.

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

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

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

equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15 - 50 years
Equipment and furniture	5 - 50 years
Buses and other vehicles	5 - 10 years

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities (assets) in the following year.

Compensated Absences - The accrued compensated absence liability consists of earned leave that is more likely than not to be utilized by employees, or unutilized but paid in cash. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

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

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

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

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

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred inflow for leases is related to leases receivable and are being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. For district-wide financial statements, the School District reports deferred inflows of resources as

a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

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

At June 30, 2025, assigned fund balance consisted of the following:

Instructional purposes	$ 394,071
District improvements	510,000
Technology upgrades	653,305
Turf field replacement	245,000
Band uniforms	21,000
	$ 1,823,376

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

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

Use of Estimates

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

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

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

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

Upcoming Accounting and Reporting Changes
Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization's accountability while also addressing certain application issues. This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. This statement is effective for the year ending June 30, 2026.

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

Note 2 - Stewardship, Compliance, and Accountability

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

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

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

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

Excess of Expenditures over Appropriations
The School District had the following variances between final budgeted and actual expenditures.

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Community services	$ 742,862	$ 744,261	$ 1,399
Capital outlay	752,621	926,064	173,443
Debt service	329,187	329,280	93
Food Service Fund	1,484,595	1,553,738	69,143
Student/School Activity Fund	738,148	742,713	4,565

Compliance - Bond Proceeds
The 2022 Building & Site Fund includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete and a subsequent year audit is expected.

Note 3 - Deposits and Investments

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

	Governmental Activities
Cash	$ 9,965,235
Investments	1,009,358
	$ 10,974,593

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$10,258,887
Investments in securities, mutual funds, and similar vehicles	715,706
Total	$10,974,593

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
Michigan CLASS	$ 715,706	N/A	AAAm	S&P

Interest rate risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy restricts investment maturities to within four years of the date of purchase. In addition, the policy restricts investments in commercial paper, which can only be purchased with a 270-day maturity. The School District's policy does not address other ways to minimize interest rate risk.

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

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

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, $10,205,974 of the School District's bank balance of $10,484,578 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District has the following recurring fair value measurements as of June 30, 2025:

The District holds shares or interests of $715,706 in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statues and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies (Level 2 inputs).

Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,196,860	$ -	$ -	$ 1,196,860
Construction-in-progress	2,957,333	37,489	2,957,333	37,489
Total capital assets not being depreciated	4,154,193	37,489	2,957,333	1,234,349
Capital assets being depreciated				
Buildings and additions	88,359,079	5,404,799	-	93,763,878
Equipment and furniture	7,480,489	122,969	-	7,603,458
Right to use asset - equipment and furniture	194,701	-	-	194,701
Buses and other vehicles	1,098,337	-	-	1,098,337
Total capital assets being depreciated	97,132,606	5,527,768	-	102,660,374
Less accumulated depreciation for				
Buildings and additions	30,075,506	1,864,558	-	31,940,064
Equipment and furniture	3,603,813	538,156	-	4,141,969
Right to use asset - equipment and furniture	71,390	38,940	-	110,330
Buses and other vehicles	357,431	126,589	-	484,020
Total accumulated depreciation	34,108,140	2,568,243	-	36,676,383
Net capital assets being depreciated	63,024,466	2,959,525	-	65,983,991
Net capital assets	$67,178,659	$ 2,997,014	$ 2,957,333	$67,218,340
Right to use assets				
Right to use assets - net of amortization	$ 123,311	$ (38,940)	$ -	$ 84,371
Capital assets				
Assets not being depreciated	4,154,193	37,489	2,957,333	1,234,349
Other capital assets, net of depreciation	62,901,155	2,998,465	-	65,899,620
Net capital assets	$67,178,659	$ 2,997,014	$ 2,957,333	$67,218,340

Depreciation expense of capital assets and amortization expense of right to use assets were charged to activities of the School District as follows:

Governmental activities	
Instruction	$ 1,412,534
Supporting services	975,932
Food services	128,412
Community services	51,365
Total governmental activities	$ 2,568,243

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Funds	$ 397,339
Nonmajor Funds	General Fund	833,889
		$ 1,231,228

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

Note 7 - Leases

Lease Receivable

The School District has a lease agreement for the use of broadband airwaves. The lease commenced in 2019 and automatically renews in renewal terms through no later than 2049 unless the lessee notifies the lessor in writing of the lessee's intention not to extend the agreement 90 days prior to the expiration of any term. It is the School District's intent to exercise all renewals. Payments are $10,000 per month with an implied interest rate of 2.05%.

The School District collected $120,000 from the lessee for the year ended June 30, 2025, which includes $72,097 in lease revenue and $47,903 in lease interest revenue. A lease receivable and deferred inflow of resources have been recorded to reflect future expected payments.

Lease Liability

During the 2023 fiscal year, the School District entered into a 5 year lease agreement as lessee for the use of office equipment. An initial lease liability was recorded in the amount of $194,701 during the 2023 fiscal year. As of June 30, 2025, the value of the lease liability was $128,002. The School District is required to make annual principal and interest payments of $43,240. The lease has an interest rate of 4.2%. The value of the right-to-use asset as of the end of the current fiscal year was $194,701 and had accumulated amortization of $110,330.

Future payments are due as follows:

Year ending June 30,	Principal	Interest	Total
2026	$ 40,254	$ 2,986	$ 43,240
2027	41,978	1,262	43,240
2028	7,169	38	7,207
Total	$ 89,401	$ 4,286	$ 93,687

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. For the School Loan Revolving Fund, the State may withhold state aid if the School District is in default or apply late charges in an instance of default or fails to appropriately levy debt mills. Other long-term obligations include compensated absences, installment

purchase agreements, and leases.

Long-term obligation activity is summarized as follows:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	$ 46,480,000	$ -	$ 5,910,000	$ 40,570,000	$ 5,820,000
Premium on bonds	694,676	-	88,889	605,787	-
Total bonds payable	47,174,676	-	5,998,889	41,175,787	5,820,000
Notes from direct borrowings and direct placements					
School Loan Revolving Fund (SLRF)	20,273,638	1,870,948	-	22,144,586	-
Accrued interest- SLRF	1,075,533	983,629	-	2,059,162	-
Installment agreement - buses	536,426	-	262,439	273,987	273,987
Total notes from direct borrowings and direct placements	21,885,597	2,854,577	262,439	24,477,735	273,987
Other liabilities					
Leases	128,002	-	38,601	89,401	40,254
Compensated absences	469,015	45,291	-	514,306	91,000
Total other liabilities	597,017	45,291	38,601	603,707	131,254
Total	$ 69,657,290	$ 2,899,868	$ 6,299,929	$ 66,257,229	$ 6,225,241

For governmental activities, installment agreements and leases are primarily liquidated by the General Fund.

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

$6,960,000 2018 Building and Site bond due in annual installments of $120,000 to $400,0000 through May 2049, interest at 2.00% to 3.00%	$ 5,560,000
$9,465,000 2016 Refunding serial bond due in annual installments of $2,000,000 to $2,025,000 through May 2027, interest at 2.00% to 3.00%	4,025,000
$7,715,000 2022 Building & Site bonds due in annual installments of $100,000 to $845,000 beginning May 2027 though May 2050, interest at 3.51% to 3.75%	7,715,000
$7,105,000 2019 Refunding bond due in one installment of $3,795,000 in May 2026, interest at 2.00%	3,795,000
$15,125,000 2020 Building & Site bonds due in annual installments of $445,000 to $800,000 beginning May 2028 through May 2050, interest at 2.13% to 2.40%	15,025,000
$3,850,000 2020 Refunding bond due in annual installments of $905,000 to $960,000 beginning May 2028 through May 2031, interest at 2.00%	3,750,000
$29,295,000 2017 Refunding serial bond due in annual installments of $100,000 starting May 2028 through May 2034, interest at 3.00% to 3.25%	700,000
Total general obligation bonded debt	$ 40,570,000

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

	Bonds		
Year Ending June 30,	Principal	Interest	Total
2026	$ 5,820,000	$ 1,076,409	$ 6,896,409
2027	2,500,000	956,213	3,456,213
2028	1,550,000	896,213	2,446,213
2029	1,700,000	845,263	2,545,263
2030	1,650,000	793,413	2,443,413
2031-2035	6,035,000	3,403,549	9,438,549
2036-2040	6,150,000	2,663,266	8,813,266
2041-2045	6,980,000	1,786,225	8,766,225
2046-2050	8,185,000	711,313	8,896,313
Total	$40,570,000	$13,131,864	$53,701,864

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of $239,495 to pay this debt. Future debt and interest will be payable from future tax levies.

School Loan Revolving Fund
The School Loan Revolving Fund (SLRF) consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's bond issues. In prior years, the School District issued bonds to renovate and construct School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage, but instead the election permitted the School District to extend this levy. Since the monies generated by the mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow from the SLRF to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the SLRF. During the year, the School District borrowed $1,870,948 and accrued interest of $983,629. The School District had an outstanding balance at year-end of $24,203,748 from the School Loan Revolving Fund and related accrued interest. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Deferred Amount on Refunding
The advance refundings resulted in differences between the reacquisition price and the net carrying amount of the old debt. The amounts are reported in the accompanying statement of net position as deferred outflows of resources and are being charged to activities through fiscal year 2034.

Compensated Absences
Accrued compensated absences at year end, consist of $514,306 of accrued sick and vacation time benefits. Compensated absences additions and deductions are reported at their net value.

Note 9 - Risk Management

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

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

Note 10 - Pension 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 on the ORS website at www.michigan.gov/orsschools.

Benefits Provided
Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

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

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

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

Pension Contribution Rates

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

Required contributions to the pension plan from the School District were $6,119,832 for the year ending September 30, 2024.

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

At June 30, 2025, the School District reported a liability of $35,836,186 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 School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2024, the School District's proportion was .1464 percent, which was an increase of *.0017* percent from its proportion measured as of September 30, 2023.

For the plan year ending September 30, 2024, the School District recognized pension expense of $3,381,604 for the measurement period. For the reporting period ending June 30, 2025, the School District recognized total pension contribution expense of $5,853,773.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ 972,261	$ (389,365)	$ 582,896
Changes of assumptions	3,736,135	(2,625,659)	1,110,476
Net difference between projected and actual earnings on pension plan investments	-	(6,839,063)	(6,839,063)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	661,208	(89,833)	571,375
Total to be recognized in future	5,369,604	(9,943,920)	(4,574,316)
School District contributions subsequent to the measurement date	5,491,531	(1,641,066)	3,850,465
Total	$10,861,135	$(11,584,986)	$ (723,851)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2025	$ (813,931)
2026	389,834
2027	(2,422,741)
2028	(1,727,478)
	$ (4,574,316)

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2023
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.00% net of investment expenses
  - Pension Plus Plan: 6.00% net of investment expenses
  - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
  - Retirees: PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
  - Active: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4612 years.

Recognition period for assets in years is 5.0000.

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

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

allocation as of September 30, 2024, are summarized in the following table:

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

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

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

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, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% 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.

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

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.00%	6.00%	7.00%
$ 52,536,234	$ 35,836,186	$ 21,930,183

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

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 11 - 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).

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

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

Benefits Provided

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

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

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

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and

retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

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

OPEB Contribution Rates

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

Required contributions to the OPEB plan from the School District were $1,239,957 for the year ended September 30, 2024.

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

At June 30, 2025, the School District reported an asset of $6,421,110 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2023. The School District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2024, the School District's proportion was .1492 percent, which was an increase of .004 percent from its proportion measured as of September 30, 2023.

For the plan year ending September 30, 2024, the School District recognized OPEB expense of $(2,189,403) for the measurement period. For the reporting period ending June 30, 2025, the School District recognized total OPEB contribution expense of $254,187.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ -	$(6,804,416)	$(6,804,416)
Changes of assumptions	1,402,463	(161,201)	1,241,262
Net difference between projected and actual earnings on OPEB plan investments	-	(1,215,590)	(1,215,590)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	227,073	(10,527)	216,546
Total to be recognized in future	1,629,536	(8,191,734)	(6,562,198)
School District contributions subsequent to the measurement date	110,136	-	110,136
Total	$ 1,739,672	$(8,191,734)	$(6,452,062)

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2025	$(2,121,569)
2026	(1,277,552)
2027	(1,270,522)
2028	(1,155,676)
2029	(621,323)
Thereafter	(115,556)
	$(6,562,198)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2023
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.25% Year 1 graded to 3.5% Year 15; Post-65: 6.50% Year 1 graded to 3.5% Year 15
- Mortality:
    - Retirees: PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
    - Active: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

- Opt Out Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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

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

Recognition period for assets in years is 5.0000.

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

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

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

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
$ (4,962,287)	$ (6,421,110)	$ (7,682,417)

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ (7,682,431)	$ (6,421,110)	$ (5,068,351)

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

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

Note 12 - Contingencies and Commitments

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

The School District has entered into an agreement with a third party for the installation and maintenance of solar panels on School District property. The agreement expires in the year 2044. Should the School District wish to terminate the agreement, various payments would be required to be made to the third party. The School District has no immediate plans to terminate this agreement.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City of Otsego. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2025, the School District's property tax revenues were not reduced by a material amount under these programs.

There are no significant abatements made by the School District.

Note 14 - Changes Within the Financial Reporting Entity

During the year ended June 30, 2025, funds that had previously been reported as major were reclassified to non-major. Additionally, GASB Statement No. 101, *Compensated Absences*, was required to be adopted by the District. As a result, the following restatement and presentation change was necessary to be made in the financial statements:

	Reporting Units Affected by Adjustments/Restatements to Beginning Fund Balances/Net Position			
	Funds			District-Wide
	2017 Refunding Debt Fund	2022 Building & Site Fund	Nonmajor Funds	Governmental Activities
June 30, 2024, as previously reported	$ 7,877	$ 2,398,905	$ 2,013,203	$ (32,245,629)
Change in accounting principle (GASB 101)	-	-	-	(65,519)
Change from major to non-major fund	(7,877)	(2,398,905)	2,406,782	-
July 1, 2024, as adjusted	$ -	$ -	$ 4,419,985	$ (32,311,148)

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenues				
Local sources	$ 3,792,192	$ 3,453,770	$ 3,674,251	$ 220,481
State sources	28,633,649	28,482,887	28,899,776	416,889
Federal sources	394,883	466,052	197,413	(268,639)
Interdistrict sources	1,244,055	1,250,402	1,341,339	90,937
Total revenues	34,064,779	33,653,111	34,112,779	459,668
Expenditures				
Instruction				
Basic programs	16,628,696	16,520,964	16,195,154	(325,810)
Added needs	2,595,555	2,623,914	2,586,225	(37,689)
Supporting services				
Pupil	1,798,416	1,725,914	1,681,177	(44,737)
Instructional staff	964,715	800,268	766,224	(34,044)
General administration	979,997	1,118,968	1,107,377	(11,591)
School administration	1,930,000	1,699,044	1,610,815	(88,229)
Business	571,227	537,778	533,211	(4,567)
Operations and maintenance	3,806,652	3,675,149	3,664,119	(11,030)
Pupil transportation services	1,189,301	1,079,947	1,078,403	(1,544)
Central	1,030,678	992,915	955,622	(37,293)
Athletic activities	773,268	751,415	741,101	(10,314)
Community services	681,028	742,862	744,261	1,399
Intergovernmental payments	52,177	41,946	-	(41,946)
Capital outlay	733,787	752,621	926,064	173,443
Debt service				
Principal	329,282	329,187	301,038	(28,149)
Interest and fiscal charges	-	-	28,242	28,242
Total expenditures	34,064,779	33,392,892	32,919,033	(473,859)
Excess of revenues over expenditures	-	260,219	1,193,746	933,527
Net change in fund balances	-	260,219	1,193,746	933,527
Fund balance - beginning	7,349,296	7,349,296	7,349,296	-
Fund balance - ending	$ 7,349,296	$ 7,609,515	$ 8,543,042	$ 933,527

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

	June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. School District's proportion of the net pension liability (%)	0.1464%	0.1446%	0.1447%	0.1424%	0.1411%	0.1380%	0.1333%	0.1303%	0.1271%	0.1237%
B. School District's proportionate share of the net pension liability	$ 35,836,186	$ 46,814,236	$ 54,419,298	$ 33,719,157	$ 48,466,012	$ 45,689,287	$ 40,065,818	$ 33,773,738	$ 31,713,117	$ 30,219,791
C. School District's covered payroll	$ 15,785,542	$ 14,515,343	$ 14,079,018	$ 13,028,757	$ 12,649,348	$ 12,274,679	$ 12,062,986	$ 11,391,833	$ 10,899,835	$ 10,319,821
D. School District's proportionate share of the net pension liability as a percentage of its covered payroll	227.02%	322.52%	386.53%	258.81%	383.15%	372.22%	332.14%	296.47%	290.95%	292.83%
E. Plan fiduciary net position as a percentage of total pension liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

Note Disclosures

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

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

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

	For the Years Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. Statutorily required contributions	$ 5,853,773	$ 6,065,660	$ 5,275,666	$ 4,931,639	$ 4,205,780	$ 3,871,552	$ 3,637,630	$ 3,056,903	$ 2,140,902	$ 2,021,386
B. Contributions in relation to statutorily required contributions	5,853,773	6,065,660	5,275,666	4,931,639	4,205,780	3,871,552	3,637,630	3,056,903	2,140,902	2,021,386
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
D. School District's covered payroll	$ 16,002,225	$ 15,515,394	$ 14,884,156	$ 13,938,904	$ 12,645,078	$ 12,724,320	$ 11,536,031	$ 11,391,833	$ 11,443,384	$ 10,481,814
E. Contributions as a percentage of covered payroll	36.58%	39.09%	35.44%	35.38%	33.26%	30.43%	31.53%	26.83%	18.71%	19.28%

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

	June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. School District's proportion of the net OPEB liability (asset) (%)	0.1492%	0.1452%	0.1449%	0.1442%	0.1428%	0.1405%	0.1355%	0.1306%		
B. School District's proportionate share of the net OPEB liability (asset)	$ (6,421,110)	$ (821,141)	$ 3,069,180	$ 2,201,393	$ 7,648,770	$ 10,085,379	$ 10,769,677	$ 11,567,881		
C. School District's covered payroll	$ 15,785,542	$ 14,515,343	$ 14,079,018	$ 13,028,757	$ 12,649,348	$ 12,274,679	$ 12,062,986	$ 11,391,833		
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-40.68%	-5.66%	21.80%	16.90%	60.47%	82.16%	89.28%	101.55%		
E. Plan fiduciary net position as a percentage of total OPEB liability (asset)	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%		

Note Disclosures

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

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

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

	For the Years Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. Statutorily required contributions	$ 254,187	$ 1,227,082	$ 1,157,396	$ 1,120,871	$ 1,033,980	$ 1,008,099	$ 947,957	$ 1,017,008		
B. Contributions in relation to statutorily required contributions	254,187	1,227,082	1,157,396	1,120,871	1,033,980	1,008,099	947,957	1,017,008		
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
D. School District's covered payroll	$ 16,002,225	$ 15,515,394	$ 14,884,156	$ 13,938,904	$ 12,645,078	$ 12,724,320	$ 11,536,031	$ 11,391,833		
E. Contributions as a percentage of covered payroll	1.59%	7.91%	7.78%	8.04%	8.18%	7.92%	8.22%	8.93%		

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds		Debt Service Funds							Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student/School Activity Fund	2022 Debt Fund	2016 Refunding Debt Fund	2017 Refunding Debt Fund	2018 Debt Fund	2019 Refunding Debt Fund	2020 Refunding Debt Fund	2020 Debt Fund	2018 Building & Site Fund	2022 Building & Site Fund	
Assets												
Cash	$ 359,658	$ 783,684	$ -	$ 34,299	$ -	$ 65	$ 205,131	$ -	$ -	$ 93,839	$ 160,493	$ 1,637,169
Due from other funds	726,827	107,062	-	-	-	-	-	-	-	-	-	833,889
Inventory	41,546	-	-	-	-	-	-	-	-	-	-	41,546
Investments	-	-	-	-	-	-	-	-	-	293,652	715,706	1,009,358
Prepaid items	-	-	-	-	-	-	-	-	-	-	23,100	23,100
Total assets	$ 1,128,031	$ 890,746	$ -	$ 34,299	$ -	$ 65	$ 205,131	$ -	$ -	$ 387,491	$ 899,299	$ 3,545,062
Liabilities												
Accounts payable	$ 4,181	$ 10,685	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 41,654	$ 56,520
Due to other funds	381,448	15,891	-	-	-	-	-	-	-	-	-	397,339
Unearned revenue	48,691	-	-	-	-	-	-	-	-	-	-	48,691
Total liabilities	434,320	26,576	-	-	-	-	-	-	-	-	41,654	502,550
Fund Balances												
Non-spendable												
Inventory	41,546	-	-	-	-	-	-	-	-	-	-	41,546
Prepaid items	-	-	-	-	-	-	-	-	-	-	23,100	23,100
Restricted for												
Food service	652,165	-	-	-	-	-	-	-	-	-	-	652,165
Debt service	-	-	-	34,299	-	65	205,131	-	-	-	-	239,495
Capital projects	-	-	-	-	-	-	-	-	-	387,491	834,545	1,222,036
Committed	-	864,170	-	-	-	-	-	-	-	-	-	864,170
Total fund balances	693,711	864,170	-	34,299	-	65	205,131	-	-	387,491	857,645	3,042,512
Total liabilities and fund balance	$ 1,128,031	$ 890,746	$ -	$ 34,299	$ -	$ 65	$ 205,131	$ -	$ -	$ 387,491	$ 899,299	$ 3,545,062

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

	Special Revenue Funds		Debt Service Funds							Capital Projects Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student/School Activity Fund	2022 Debt Fund	2016 Refunding Debt Fund	*Formerly a Major Fund* 2017 Refunding Debt Fund	2018 Debt Fund	2019 Refunding Debt Fund	2020 Refunding Debt Fund	2020 Debt Fund	2018 Building & Site Fund	*Formerly a Major Fund* 2022 Building & Site Fund	
Revenues												
Local sources	$ 38,005	$ 828,945	$ -	$ 2,363,858	$ -	$ 23,500	$ 2,778,745	$ 500	$ 500	$ 21,465	$ 60,717	$ 6,116,235
State sources	554,631	-	-	104,833	-	-	104,833	-	-	-	-	764,297
Federal sources	1,108,565	-	-	-	-	-	-	-	-	-	-	1,108,565
Total revenues	1,701,201	828,945	-	2,468,691	-	23,500	2,883,578	500	500	21,465	60,717	7,989,097
Expenditures												
Current												
Education												
Supporting services	-	742,713	-	-	-	-	-	-	-	-	-	742,713
Food services	1,553,738	-	-	-	-	-	-	-	-	-	-	1,553,738
Facilities acquisition	-	-	-	-	-	-	-	-	-	228,275	1,601,977	1,830,252
Debt service												
Principal	-	-	-	2,400,000	-	-	3,310,000	100,000	100,000	-	-	5,910,000
Interest and other expenditures	-	-	274,181	129,780	22,864	187,169	147,833	77,500	361,488	-	-	1,200,815
Total expenditures	1,553,738	742,713	274,181	2,529,780	22,864	187,169	3,457,833	177,500	461,488	228,275	1,601,977	11,237,518
Excess (deficiency) of revenues over expenditures	147,463	86,232	(274,181)	(61,089)	(22,864)	(163,669)	(574,255)	(177,000)	(460,988)	(206,810)	(1,541,260)	(3,248,421)
Other Financing Sources												
Proceeds from school bond loan fund	-	-	274,181	672	14,987	163,734	779,386	177,000	460,988	-	-	1,870,948
Net change in fund balances	147,463	86,232	-	(60,417)	(7,877)	65	205,131	-	-	(206,810)	(1,541,260)	(1,377,473)
Fund balances - beginning, as previously presented	546,248	777,938	-	94,716	-	-	-	-	-	594,301	-	2,013,203
Change within the financial reporting entity (major to nonmajor fund)	-	-	-	-	7,877	-	-	-	-	-	2,398,905	2,406,782
Fund balances, beginning, as adjusted	546,248	777,938	-	94,716	7,877	-	-	-	-	594,301	2,398,905	4,419,985
Fund balances - ending	$ 693,711	$ 864,170	$ -	$ 34,299	$ -	$ 65	$ 205,131	$ -	$ -	$ 387,491	$ 857,645	$ 3,042,512

Otsego Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2025

Year Ending June 30,	2016 Debt Principal	2017 Debt Principal	2018 Building & Site Bonds	2019 Refunding Bonds	2020 Building & Site Bonds	2020 Refunding Bonds	2022 Building & Site Bonds	Total
2026	$ 2,025,000	$ -	$ -	$ 3,795,000	$ -	$ -	$ -	$ 5,820,000
2027	2,000,000	-	-	-	-	-	500,000	2,500,000
2028	-	100,000	120,000	-	445,000	905,000	100,000	1,670,000
2029	-	100,000	125,000	-	450,000	930,000	100,000	1,705,000
2030	-	100,000	130,000	-	470,000	955,000	-	1,655,000
2031	-	100,000	140,000	-	500,000	960,000	-	1,700,000
2032	-	100,000	145,000	-	590,000	-	245,000	1,080,000
2033	-	100,000	150,000	-	605,000	-	250,000	1,105,000
2034	-	100,000	160,000	-	615,000	-	255,000	1,130,000
2035	-	-	265,000	-	630,000	-	260,000	1,155,000
2036	-	-	275,000	-	640,000	-	265,000	1,180,000
2037	-	-	285,000	-	645,000	-	280,000	1,210,000
2038	-	-	295,000	-	660,000	-	285,000	1,240,000
2039	-	-	305,000	-	675,000	-	290,000	1,270,000
2040	-	-	315,000	-	680,000	-	305,000	1,300,000
2041	-	-	315,000	-	710,000	-	310,000	1,335,000
2042	-	-	325,000	-	725,000	-	320,000	1,370,000
2043	-	-	340,000	-	730,000	-	335,000	1,405,000
2044	-	-	350,000	-	750,000	-	340,000	1,440,000
2045	-	-	365,000	-	765,000	-	350,000	1,480,000
2046	-	-	370,000	-	790,000	-	360,000	1,520,000
2047	-	-	385,000	-	750,000	-	425,000	1,560,000
2048	-	-	400,000	-	700,000	-	500,000	1,600,000
2049	-	-	-	-	800,000	-	845,000	1,645,000
2050	-	-	-	-	700,000	-	795,000	1,495,000
Total	$ 4,025,000	$ 700,000	$ 5,560,000	$ 3,795,000	$ 15,025,000	$ 3,750,000	$ 7,715,000	$ 40,570,000
Principal payments due the first day of	May	May	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	May and November	
Interest rate	2.00% - 3.00%	3.00% - 3.25%	3.00% – 5.00%	2.00% – 2.10%	4.00% – 4.25%	2.00%	3.49% – 3.75%	
Original issue	$ 9,465,000	$ 29,295,000	$ 6,960,000	$ 7,105,000	$ 15,125,000	$ 3,850,000	$ 7,715,000	