



BERRIEN SPRINGS PUBLIC SCHOOLS
FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2025

**Berrien Springs Public Schools
Berrien Springs, Michigan
June 30, 2025**

BOARD OF EDUCATION

		<u>Term Expires</u>
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**Berrien Springs Public Schools
Berrien Spring, Michigan
June 30, 2025**

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**Berrien Springs Public Schools
Berrien Spring, Michigan
June 30, 2025**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Berrien Springs Public Schools
Berrien Springs, 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 Berrien Springs Public Schools ("the District"), as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprises the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 14 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Required Supplementary Information

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

Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan

October 21, 2025

As management of Berrien Springs Public Schools (the “District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

The first two statements, the Statement of Net Position, and the Statement of Activities, are Government-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the Government-wide statements.

Governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The Basic Financial Statements also include notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District Wide Statements

The Government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

- The two Government-wide statements report the District’s net position, and how it has changed. Net position – the difference between the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources is one way to measure the District’s financial health or position.
- Over time, increases or decreases in the District’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District’s overall health, one should consider additional non-financial factors such as changes in the District’s property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed Government-wide Financial Information

The Statement of Net Position provides financial information on the District as a whole.

	<u>2025</u>	<u>2024*</u>
Assets	\$ 144,175,702	\$ 131,293,796
Deferred Outflows of Resources	25,823,064	38,048,945
Liabilities	102,567,306	123,800,805
Deferred Inflows of Resources	<u>33,582,630</u>	<u>18,873,655</u>
Net Position		
Net investment in capital assets	\$ 45,021,533	\$ 37,344,756
Restricted	11,210,146	8,403,010
Unrestricted	(22,382,849)	(19,079,485)
Total Net Position	<u><u>\$ 33,848,830</u></u>	<u><u>\$ 26,668,281</u></u>

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

The Statement of Activities presents changes in net position from operating results:

	For the Year Ended June 30th	
	2025	2024*
Revenues		
Program Revenue		
Charges for services	\$ 392,528	\$ 111,434
Operating grants and contributions	20,424,509	19,454,563
General Revenues		
Property taxes	4,048,598	3,871,632
State school aid, unrestricted	49,233,329	47,185,632
Interest and investment earnings	1,492,408	1,256,546
Other	19,481,506	19,010,385
Gain on sale of capital assets	27,398	-
Total Revenues	\$ 95,100,276	\$ 90,890,192
Expenses		
Instruction and instructional support	\$ 31,408,943	\$ 28,582,023
Support services	42,786,775	34,770,960
Community services	3,077,884	2,604,459
Food Services	1,468,217	1,394,986
Other	-	20,745
Interest on long-term debt	1,198,217	1,132,402
Depreciation/amortization (unallocated)	6,047,932	5,611,670
Total Expenses	\$ 85,987,968	\$ 74,117,245
Change in Net Position	\$ 9,112,308	\$ 16,772,947

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

Financial Analysis of the District as a Whole

Total revenues exceeded expense by \$9,112,308, for an ending total net position of \$33,848,830. Unrestricted net position increased by \$3,303,364 to an unrestricted deficit of \$22,382,849 at June 30, 2025. The District's assets and deferred outflows of resources increased by \$656,025 for an ending total of \$169,998,766. The District's liabilities and deferred inflows of resources decreased by \$6,524,524 for an ending total of \$136,149,936.

The District's financial position is the product of various financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation and amortization of capital assets. A large portion of the District's net position reflects investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, construction in progress, and right to use assets); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, they are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's total revenues increased \$4,211,437, or 4.63%, in the fiscal year. Property taxes and unrestricted State aid accounted for 56.03% of the District's revenue, increasing \$471,121 over the previous fiscal year. Federal and State grants for specific programs accounted for 21.89% of total District revenues, increasing \$1,251,040 over the previous fiscal year.

Total cost of all programs and services increased by \$11,872,076 to approximately \$86,000,000 in 2024-25. The District's expenses are predominantly related to instruction (36.53%) and supporting services (49.76%).

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information following the governmental funds' statements explains the relationship (or differences) between them.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. The District's funds are described as follows:

Major FundsGeneral Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$90,800,856, total other financing sources of \$1,029,471, total expenditures of \$82,048,178, and total other financing uses of \$1,190,100. The ending fund balance was \$47,282,231 at June 30, 2025, up from \$38,690,452 at June 30, 2024.

Nonmajor FundsSpecial Revenue Funds

The District operates two Special Revenue funds: the Food Service Fund and Student/School Activity Fund. Total revenues of the Food Service Fund were \$1,560,864, total expenditures were \$1,446,697, and total other financing uses were \$100,000. Total revenues of the Student/School Activity Fund were \$333,026, and total expenditures were \$326,558. The ending fund balance in the Special Revenue Funds totaled \$856,674 at June 30, 2025, up from \$836,039 at June 30, 2024. Of the ending fund balances, \$487,498 is attributed to the Food Service Fund, and \$369,176 is attributed to the Student/School Activity Fund.

Debt Service Funds

The District operates seven Debt Service funds. Total revenues were \$1,431,399, total other financing sources were \$1,403,034, and total expenditures were \$7,687,333. The ending fund balances in the Debt Service Funds totaled \$213,757 at June 30, 2025, down from \$5,066,657 at June 30, 2024.

Capital Projects Funds

The District operates three nonmajor Capital Projects Funds. Total revenues were \$46,283, total expenditures were \$106,003, and total other financing uses were \$212,934. The ending fund balances in the Capital Projects Funds totaled \$986,501 at June 30, 2025, down from \$1,259,155 at June 30, 2024.

General Fund Budgetary Highlights

- The District approved the original 2024-2025 budget on June 19, 2024, which included \$87,744,124 of revenue and \$88,670,602 of expenditures and other financing sources (uses).
- As a matter of practice, the District may amend its budget during the school year. For the 2024-2025 school year, the District amended its original budget on March 14, 2024 to adjust for student enrollment, staffing, and grant awards.

Capital Assets and Right-of-Use Assets

At year end, the District had a \$111.7 million investment in a broad range of capital assets including land, school buildings, athletic facilities, administrative offices, furniture and equipment, and transportation and other vehicles. More detailed information about capital assets can be found in the Notes to the Basic Financial Statements.

At June 30, 2025, the District's net capital assets (after accumulated depreciation) was \$73,309,209. Net capital asset additions totaled \$5,907,212 for the fiscal year, disposals and adjustments totaled \$465,690, and accumulated depreciation increased \$6,047,932, resulting in a decrease in net capital assets of \$142,073. Net capital assets of the District as of June 30 are detailed as follows:

	2025	2024
Land	\$ 3,088,032	\$ 3,089,385
Construction-in-progress	3,315,664	2,648,629
Buildings and site improvements	83,490,235	79,522,623
Buses and other vehicles	3,075,805	2,603,852
Furniture and equipment	3,779,414	3,467,687
Leasehold improvements	6,894,756	6,870,208
Right-to-use - leased buildings	8,041,578	8,041,578
Total Assets	\$ 111,685,484	\$ 106,243,962
Less: accumulated depreciation/amortization	(38,376,275)	(32,792,680)
Net Capital Assets	\$ 73,309,209	\$ 73,451,282

Long-term Obligations

At year end, the District had \$23,604,908 in general obligation bonds (including premiums) and other long-term debt outstanding.

- The District continued to pay down its debt, \$6,847,672 in general obligation bonds (including premium amortization) and \$945,679 in lease liabilities.

The District's bond rating for general obligation debt was affirmed by Standard and Poor's as A+ with a stable outlook. The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within a District's boundaries.

The District's other obligations include compensated absences. There is more detailed information about our long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The foundation allowance for 2025-2026 will increase to \$10,050 per student.
- The cyber district foundation allowance for 2025-2026 will be restored to the full foundation allowance.
- Enrollment projections continue to reflect an increase in enrollment at the virtual learning centers.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Berrien Springs Public Schools, Sylvester Avenue PO Box 130, Berrien Springs, Michigan 49103. Contact by phone at (269) 471-2891.

BERRIEN SPRINGS PUBLIC SCHOOLSSTATEMENT OF NET POSITION
AS OF JUNE 30, 2025

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,482,523
Investments	36,395,271
Receivables	5,924,583
Due from other governmental units	13,138,166
Inventory	6,123
Prepaid expenditures	113,568
Capital assets, not being depreciated/amortized	6,403,696
Capital assets, net of accumulated depreciation/amortization	66,905,513
Net OPEB asset	10,806,259
Total Assets	<u>\$ 144,175,702</u>
Deferred Outflows of Resources	
Related to pensions	\$ 21,722,866
Related to OPEB	4,100,198
Total Deferred Outflows of Resources	<u>\$ 25,823,064</u>
Liabilities	
Accounts payable	\$ 1,319,620
Salaries and benefits payable	3,282,529
Due to other governmental units	1,723,387
Unearned revenue	4,372,545
Accrued interest payable	314,233
Construction retainage payable	22,990
Noncurrent Liabilities:	
Leases payable - due within one year	919,240
Bonds payable - due within one year	1,682,672
Compensated absences - due within one year	216,404
Leases payable - due in more than one year	3,789,027
Bonds payable - due in more than one year	21,922,236
Compensated absences - due in more than one year	1,947,639
Net pension liability	61,054,784
Total Liabilities	<u>\$ 102,567,306</u>
Deferred Inflows of Resources	
Related to pensions	\$ 16,952,416
Related to state funding for pension benefits	2,853,223
Related to OPEB	13,776,991
Total Deferred Inflows of Resources	<u>\$ 33,582,630</u>
Net Position	
Net investment in capital assets	\$ 45,021,533
Restricted:	
Capital projects	190,130
Debt retirement	213,757
Net OPEB Asset	10,806,259
Unrestricted	(22,382,849)
Total Net Position	<u>\$ 33,848,830</u>

The Notes to the Financial Statements are an integral part of this statement.

BERRIEN SPRINGS PUBLIC SCHOOLSSTATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues			Governmental
		Charges for	Operating	Capital Grants/	Activities
		Services	Grants/ Contributions	Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
Instruction and instructional support	\$ 31,408,943	\$ -	\$ 17,420,539	\$ -	\$ (13,988,404)
Support services	42,786,775	333,026	1,488,217	-	(40,965,532)
Community services	3,077,884	-	-	-	(3,077,884)
Food services	1,468,217	59,502	1,492,107	-	83,392
Other	-	-	9,579	-	9,579
Interest on long-term debt	1,198,217	-	14,067	-	(1,184,150)
Depreciation/amortization	6,047,932	-	-	-	(6,047,932)
	<u>\$ 85,987,968</u>	<u>\$ 392,528</u>	<u>\$ 20,424,509</u>	<u>\$ -</u>	<u>\$ (65,170,931)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes					\$ 2,674,445
Property taxes, levied for debt service					1,374,153
State school aid, unrestricted					49,233,329
Interest and investment earnings					1,492,408
Other					19,481,506
Gain on sale of capital assets					<u>27,398</u>
Total general revenues					<u>\$ 74,283,239</u>
Change in Net Position					\$ 9,112,308
Net Position - beginning of year (as previously stated)					26,668,281
Adjustment to beginning net position					<u>(1,931,759)</u>
Net Position - beginning of year (as restated)					<u>24,736,522</u>
Net Position - end of year					<u>\$ 33,848,830</u>

The Notes to the Financial Statements are an integral part of this statement.

BERRIEN SPRINGS PUBLIC SCHOOLS

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2025

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and cash equivalents	\$ 3,096,716	\$ 1,385,807	\$ 4,482,523
Investments	35,598,406	796,865	36,395,271
Receivables	5,921,241	3,342	5,924,583
Due from other funds	103,735	4,486	108,221
Due from other governmental units	13,106,160	32,006	13,138,166
Inventory	-	6,123	6,123
Prepaid expenditures	113,508	60	113,568
Total Assets	\$ 57,939,766	\$ 2,228,689	\$ 60,168,455
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,271,285	\$ 48,335	\$ 1,319,620
Salaries and benefits payable	3,279,132	3,397	3,282,529
Due to other funds	4,486	103,735	108,221
Due to other governmental units	1,715,949	7,438	1,723,387
Unearned revenue	4,363,693	8,852	4,372,545
Construction retainage payable	22,990	-	22,990
Total Liabilities	\$ 10,657,535	\$ 171,757	\$ 10,829,292
Fund Balances:			
Nonspendable - inventory	\$ -	\$ 6,123	\$ 6,123
Nonspendable - prepaid expenditures	113,508	60	113,568
Restricted for debt retirement	-	213,757	213,757
Restricted for food service	-	481,375	481,375
Restricted for capital projects	-	190,130	190,130
Committed for student activities	-	369,176	369,176
Committed for capital projects	-	796,311	796,311
Assigned for 2025/2026 budgeted deficit	7,341,496	-	7,341,496
Unassigned	39,827,227	-	39,827,227
Total Fund Balances	\$ 47,282,231	\$ 2,056,932	\$ 49,339,163
Total Liabilities and Fund Balance	\$ 57,939,766	\$ 2,228,689	\$ 60,168,455

The Notes to the Financial Statements are an integral part of this statement.

BERRIEN SPRINGS PUBLIC SCHOOLS**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2025**

Total Governmental Fund Balances \$ 49,339,163

Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred outflows of resources related to
Pensions 21,722,866
OPEB 4,100,198

Capital assets used in governmental activities are not financial resources, and are not reported in the funds.
The cost of the capital assets 111,685,484
Accumulated depreciation/depreciation (38,376,275)

Long-term liabilities are not due and payable in the current period and are not reported in the funds:
Leases payable (4,708,267)
Bonds payable (21,486,800)
Bond premium (2,118,108)
Compensated absences (2,164,043)

Net pension liability (61,054,784)

Net OPEB asset 10,806,259

Deferred inflows of resources related to
Pensions (16,952,416)
State aid funding for pension (2,853,223)
OPEB (13,776,991)

Interest payable is not included as a liability in governmental funds. (314,233)

Net Position of Governmental Activities \$ 33,848,830

The Notes to the Financial Statements are an integral part of this statement.

BERRIEN SPRINGS PUBLIC SCHOOLS

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

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Local sources	\$ 22,658,501	\$ 1,855,819	\$ 24,514,320
State sources	64,132,996	217,414	64,350,410
Federal sources	1,451,535	1,298,339	2,749,874
Interdistrict sources	2,557,554	-	2,557,554
Total Revenues	\$ 90,800,586	\$ 3,371,572	\$ 94,172,158
Expenditures:			
Instruction	\$ 31,148,223	\$ -	\$ 31,148,223
Supporting services	41,671,024	328,727	41,999,751
Community services	3,057,022	-	3,057,022
Food services	-	1,446,697	1,446,697
Facilities acquisition, construction, and improvements	5,008,626	106,003	5,114,629
Debt service:			
Principal on long-term debt	945,679	6,680,600	7,626,279
Interest on long-term debt	217,604	1,004,564	1,222,168
Total Expenditures	\$ 82,048,178	\$ 9,566,591	\$ 91,614,769
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 8,752,408	\$ (6,195,019)	\$ 2,557,389
Other Financing Sources (Uses):			
Operating transfers in	\$ 100,000	\$ 1,403,034	\$ 1,503,034
Operating transfers out	(1,190,100)	(312,934)	(1,503,034)
Proceeds from sale of capital assets	28,751	-	28,751
Other transactions	900,720	-	900,720
Total Other Financing Sources (Uses)	\$ (160,629)	\$ 1,090,100	\$ 929,471
Net Change in Fund Balances	\$ 8,591,779	\$ (5,104,919)	\$ 3,486,860
Fund Balances - Beginning of year	38,690,452	7,161,851	45,852,303
Fund Balances - End of year	\$ 47,282,231	\$ 2,056,932	\$ 49,339,163

The Notes to the Financial Statements are an integral part of this statement.

BERRIEN SPRINGS PUBLIC SCHOOLS

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Total Governmental Funds **\$ 3,486,860**

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

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation/amortization expense	\$ (6,047,932)	
Disposal of nondepreciable assets	(1,353)	
Capital outlay	<u>5,907,212</u>	
Total		(142,073)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond payments	6,680,600
Amortization of bond premium	167,072
Lease payments	945,679

Increase in the liability for the interest payable is not reported in the governmental funds.	(143,121)
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Change in benefit expense related to pension (including state aid funding for pension)	(5,070,470)
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Change in benefit expense related to OPEB.	3,391,716
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Increase in the liability for compensated absences is not reported in the governmental funds.	<u>(203,955)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 9,112,308</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**REPORTING ENTITY**

Berrien Springs Public Schools (the “District”) is governed by the Board of Education (the “Board”). The Board is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the area comprised by the District. The Board receives funding from State and Federal governmental sources and must comply with the concomitant requirements of these funding sources entities. However, the Board is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”) since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, under the criteria of the GASB, student, parent, and teacher organizations are not included, except to the extent that the District holds assets in the capacity of an agent.

BASIC FINANCIAL STATEMENTS

Government-wide Statements – The District’s financial statements include both Government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The Government-wide financial statements categorize primary activities as either governmental or business-type. All of the District’s activities are classified as governmental activities.

In the Government-wide Statement of Net Position, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables, deferred outflows of resources, as well as deferred inflows of resources and long-term debt and obligations. The District’s net position is reported in three parts: invested in capital assets, restricted net position, and unrestricted net position.

The District first utilizes restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. The functions are also supported by taxes, intergovernmental revenues, and other nonexchange transactions. 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, unrestricted state sources, interest income, etc.).

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

This Government-wide focus is more on the sustainability of the District as an entity and the change in the District’s net position resulting from the current year’s activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major Governmental Fund:

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

The District reports the following nonmajor Governmental Funds:

Special Revenue Funds are used to account for the specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The nonmajor special revenue funds maintained by the District are Food Service Fund and the Student Activity Fund.

Debt Retirement Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The nonmajor debt retirement funds maintained by the District are the 2009 QZAB Debt Fund, 2009 QSCB Debt Fund, 2012 QZAB Debt Fund, 2019 Athletic Debt Fund, 2019 UTGO AAC Debt Fund, 2021 Energy Conservation Debt Fund, and 2023 Energy Conservation Debt Fund.

Capital Projects Funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The nonmajor capital projects funds maintained by the District are the Building and Site Sinking Fund, Public Improvement Fund, and the 2023 Energy Conservation Capital Project Fund.

The Building and Site Sinking Fund records capital project activities funded with sinking fund millage. For this fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

The 2023 Energy Conservation Capital Project Fund activities are funded with bonds. For this fund, the District has complied with the applicable provisions of Section 1351a of the Revised School Code.

The capital projects fund is not yet substantially complete, and a subsequent year audit is expected.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual - The governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues are generally considered available when they are received in cash (unless legally restricted for some future period), or when expected to be collected soon enough after year-end to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

Budgets and Budgetary Accounting - The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 30, the Superintendent of the District submits to the Board a proposed operating budget for the fiscal year commencing July 1 of that year. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- Prior to July 1, the budget is legally enacted on an activity level basis through passage of a resolution, and in accordance with Public Act 621 of the State.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- The District is required under Public Act 621 of 1978 and by accounting principles generally accepted in the United States of America to adopt a budget for the General Fund and major Special Revenue Funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Budget amounts are reported in the financial statements as originally adopted and as amended by the Board of Education.
- The budget was amended during the fiscal year.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, certificate of deposits, and short-term investments with a maturity of three months or less when acquired.

Inventory - The inventory is valued at cost on a first-in, first-out (“FIFO”) basis. The cost of such inventories is recorded as expenditures/expenses when consumed rather than purchased.

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

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

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

Capital Assets - Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Right-to-use assets of the District are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Donated fixed assets are valued at their estimated fair market value on the date received.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Building and site improvements	5-50 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-20 years
Leasehold improvements	3-5 years
Right-to-use-buildings	5-10 years

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

Deferred Outflows - In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are pension and other postemployment benefits related items reported in the Government-Wide Statement of Net Position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows - In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will *not* be recognized as an inflow of sources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Revenues and Expenditures/Expenses –**

Program Revenues -- Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes - Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1, are due upon receipt of the billing by the taxpayer, and become a lien on the first day of the levy year. The actual due dates are 75 days after the levy dates, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. For the year ended June 30, 2025, the District levied the following mills: General Fund 18.000 mills, Debt Funds 2.800 mills.

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

Long-term Obligations - In the Government-Wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

Leases and Subscription Based IT Arrangements (“SBITA”) - The District is a lessee for a noncancelable lease/subscription of equipment and an IT arrangement. The District recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the Government-wide financial statements. The District recognizes lease/SBITA liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a lease/SBITA, the District initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to lease/SBITAs include how the District determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease term, and (3) lease payments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITAs.
- The lease/SBITA term includes the noncancelable period of the lease. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Right-to-use assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the Government-wide Statement of Net Position.

Fund Equity – In accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District reports fund balance, using the following classifications: non-spendable, restricted, committed, assigned, and unassigned.

The following are the District's fund balance classifications:

Non-spendable Fund Balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned Fund Balance - includes amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed.

Unassigned Fund Balance - is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

NOTE 2. DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, \$5,120,830 of the District's bank balance of \$5,477,241 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$4,482,523.

Custodial Credit Risk - Investments

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

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law and by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market. Additionally, the District will invest operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools, and will limit the average maturity in accordance with the District's cash requirements.

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
MILAF Investment pool - CMC	\$ 13,810	N/A
MILAF Investment pool - MAX	32,267,791	N/A
Michigan CLASS Investment pool	<u>4,113,670</u>	0.0810
Total fair value	<u><u>\$ 36,395,271</u></u>	
Portfolio weighted average maturity		<u><u>0.0810</u></u>

One day maturity equals 0.0027, one year equals 1.00.

Concentration of Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF Investment pool - CMC	\$ 13,810	AAAm	Standard & Poor's
MILAF Investment pool - MAX	32,267,791	AAAm	Standard & Poor's
Michigan CLASS Investment Pool	<u>4,113,670</u>	AAAm	Standard & Poor's
Total	<u><u>\$ 36,395,271</u></u>		

Foreign Currency Risk

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

Fair Value Measurement

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

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

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

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund ("MILAF"). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF ("MAX Class") fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	<u>Amortized Cost</u>
MILAF External Investment Pool - CMC	\$ 13,810
MILAF External Investment Pool - MAX	<u>32,267,791</u>
	<u><u>\$ 32,281,601</u></u>

Investments in Entities that Calculate Net Asset Value per Share

The District holds shares or interests 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% 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 statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The District holds shares or interests in the Michigan Liquid Asset Fund ("MILAF") Term Series, 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 MILAF Term Series includes investments that the District does not control. The investment pool invests primarily in high-quality money market instruments, including certificates of deposit, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

NOTE 2. DEPOSITS AND INVESTMENTS (CONCLUDED)

At the year ended June 30, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MILAF External Investment Pool - CMC	\$ 13,810	\$ -	No restrictions	None
MILAF External Investment Pool - MAX	32,267,791	-	No restrictions	14 days
Michigan CLASS Investment Pool	4,113,670	-	No restrictions	None
	<u>\$ 36,395,271</u>	<u>\$ -</u>		

The deposits and investments referred to above have been reported in either the cash and cash equivalents or investments on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes deposits and investments as of June 30, 2025:

	Primary Government
Cash and cash equivalents	\$ 4,482,523
Investments	36,395,271
Total	<u>\$ 40,877,794</u>

NOTE 3. CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated:				
Land	\$ 3,089,385	\$ -	\$ (1,353)	\$ 3,088,032
Construction-in-progress	2,648,629	4,483,472	(3,816,437)	3,315,664
Subtotal	<u>\$ 5,738,014</u>	<u>\$ 4,483,472</u>	<u>\$ (3,817,790)</u>	<u>\$ 6,403,696</u>
Assets being depreciated/amortized:				
Building and site improvements	\$ 79,522,623	\$ 151,175	\$ 3,816,437	\$ 83,490,235
Buses and other vehicles	2,603,852	936,290	(464,337)	3,075,805
Furniture and equipment	3,467,687	311,727	-	3,779,414
Leasehold improvements	6,870,208	24,548	-	6,894,756
Right-to-use - buildings	8,041,578	-	-	8,041,578
Subtotal	<u>\$ 100,505,948</u>	<u>\$ 1,423,740</u>	<u>\$ 3,352,100</u>	<u>\$ 105,281,788</u>
Accumulated depreciation/amortization:				
Building and site improvements	\$ 23,307,160	\$ 3,163,288	\$ -	\$ 26,470,448
Buses and other vehicles	1,942,471	169,898	(464,337)	1,648,032
Furniture and equipment	1,926,699	404,556	-	2,331,255
Leasehold improvements	2,815,163	1,154,714	-	3,969,877
Right-to-use - buildings	2,801,187	1,155,476	-	3,956,663
Subtotal	<u>\$ 32,792,680</u>	<u>\$ 6,047,932</u>	<u>\$ (464,337)</u>	<u>\$ 38,376,275</u>
Net capital assets being depreciated/amortized	\$ 67,713,268			\$ 66,905,513
Net capital assets	<u>\$ 73,451,282</u>			<u>\$ 73,309,209</u>

Depreciation and amortization for the fiscal year ended June 30, 2025 amounted to \$6,047,932. The District determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 4. LONG-TERM DEBT

The District issues bonds 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 of the District. Long-term obligation activity can be summarized as follows:

Governmental Activities	Beginning Balance (restated)	Additions	Reductions	Ending Balance	Due Within One Year
<i>General Obligation Bonds</i>					
Bonds	\$ 28,167,400	\$ -	\$ (6,680,600)	\$ 21,486,800	\$ 1,515,600
Premium	2,285,180	-	(167,072)	2,118,108	167,072
Total general obligation bonds	<u>\$ 30,452,580</u>	<u>\$ -</u>	<u>\$ (6,847,672)</u>	<u>\$ 23,604,908</u>	<u>\$ 1,682,672</u>
<i>Direct Borrowing and Direct Placement</i>					
Leases	\$ 5,653,946	\$ -	\$ (945,679)	\$ 4,708,267	\$ 919,240
Compensated absences*	1,960,088	203,955	-	2,164,043	216,404
Total direct borrowing and direct placement	<u>\$ 7,614,034</u>	<u>\$ 203,955</u>	<u>\$ (945,679)</u>	<u>\$ 6,872,310</u>	<u>\$ 1,135,644</u>
Total long-term debt	<u><u>\$ 38,066,614</u></u>	<u><u>\$ 203,955</u></u>	<u><u>\$ (7,793,351)</u></u>	<u><u>\$ 30,477,218</u></u>	<u><u>\$ 2,818,316</u></u>

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

Governmental Activities
General Obligation Bonds

2012 QZAB Bond; payable in annual installments of \$115,600 beginning 8/1/2013 through 8/1/2027; interest at 4.25%.	\$ 346,800
2019 Athletic Facility Bond; payable in annual installments ranging from \$220,000 to \$555,000 beginning 5/1/2020 through 5/1/2028; interest at 4.00%.	5,865,000
2019 School Building and Site Bond; payable in annual installments ranging from \$455,000 to \$1,230,000 beginning 5/1/2020 through 5/1/2028; interest at 4.00% - 5.00%.	13,020,000
2021 Energy Conservation Improvement Bond; payable in annual installments ranging from \$125,000 to \$150,000 beginning 5/1/2022 to 5/1/2023; interest at 1.00% - 1.25%.	850,000
2023 Energy Conservation Improvement Bond; payable in annual installments ranging from \$145,000 to \$200,000 beginning 5/1/2024 to 5/1/2033; interest at 4.00%.	1,405,000
Premium	<u>2,118,108</u>
Total General Obligation Bonds	<u><u>\$ 23,604,908</u></u>

NOTE 4. LONG-TERM DEBT (CONTINUED)*Direct Borrowing and Direct Placement*

2022 Link Learning - Alger Heights Lease; payable in annual installments ranging from \$28,654 to \$51,007 through the year ended June 30, 2033; interest at 4.75%.	\$ 339,764
2023 Link Learning - Escanaba Lease; payable in annual installments ranging from \$9,764 to \$18,848 through the year ended June 30, 2028; interest at 4.75%.	46,587
2022 Link Learning - Harrison Lease; payable in annual installments ranging from \$5,529 to \$16,073 through the year ended June 30, 2028; interest at 4.75%.	36,931
2021 Link Learning - Kenowa Hills (Alpine) Lease; payable in annual installments ranging from \$81,482 to \$110,649 through the year ended June 30, 2031; interest at 3.29%.	599,475
2021 Link Learning - Marquette Lease; payable in annual installments ranging from \$25,970 to \$27,454 through the year ended June 30, 2026; interest at 3.29%.	25,970
2022 Link Learning - Menominee Lease; payable in annual installments ranging from \$20,877 to \$22,612 through the year ended June 30, 2027; interest at 4.75%.	44,963
2021 Link Learning - Merrill Lease; payable in annual installments ranging from \$10,515 to \$11,439 through the year ended June 30, 2026; interest at 3.29%.	10,822
2023 Link Learning - Schoolcraft Lease; payable in annual installments ranging from \$29,475 to \$67,551 through the year ended June 30, 2028; interest at 4.75%.	159,442
2023 Link Learning - St. Louis Lease; payable in annual installments ranging from \$5,352 to \$12,420 through the year ended June 30, 2028; interest at 4.75%.	29,617
2023 Link Learning - Three Rivers Lease; payable in annual installments ranging from \$1,752 to \$20,443 through the year ended June 30, 2026; interest at 4.75%.	1,752
2022 Link Learning - Vassar Lease; payable in annual installments ranging from \$2,783 to \$16,247 through the year ended June 30, 2028; interest at 4.75%.	34,525
2023 Success VLC - Flint Leases; payable in annual installments ranging from \$50,964 to \$133,057 through the year ended June 30, 2028; interest at 4.75%.	325,693
2022 Success VLC - Grand Rapids SE Lease; payable in annual installments ranging from \$18,518 to \$71,380 through the year ended June 30, 2033; interest at 4.75%.	414,812
2022 Success VLC - Hazel Park Lease; payable in annual installments ranging from \$40,687 to \$59,452 through the year ended June 30, 2032; interest at 4.75%.	362,617

NOTE 4. LONG-TERM DEBT (CONCLUDED)
Direct Borrowing and Direct Placement (continued)

2021 Success VLC - Lansing South (Cedar) Lease; payable in annual installments ranging from \$58,867 to \$90,083 due through the year ended June 30, 2032; interest at 3.29%.	572,748
2021 Success VLC - Lansing West (Sag) Lease; payable in annual installments ranging from \$13,259 to \$51,678 due through the year ended June 30, 2028; interest at 3.29%.	113,840
2021 Success VLC - Monroe Lease; payable in annual installments ranging from \$51,468 to \$88,084 due through the year ended June 30, 2032; interest at 3.29%.	544,161
2022 Success VLC - Muskegon North Lease; payable in annual installments ranging from \$12,770 to \$33,391 due through the year ended June 30, 2027; interest at 3.29%.	59,398
2021 Success VLC - Muskegon Lease; payable in annual installments ranging from \$13,042 to \$38,024 due through the year ended June 30, 2032; interest at 3.29%.	212,979
2021 Success VLC - Pontiac Lease; payable in annual installments ranging from \$26,148 to \$51,026 through the year ended June 30, 2026; interest at 3.29%.	26,148
2022 Success VLC - Port Huron Lease; payable in annual installments ranging from \$23,630 to \$67,456 through the year ended June 30, 2028; interest at 4.75%.	153,683
2022 Success VLC - Taylor Lease; payable in annual installments ranging from \$51,212 to \$87,285 through the year ended June 30, 2033; interest at 3.29%.	592,340
Total Leases	4,708,267
Compensated absences	2,164,043
Total Direct Borrowing and Direct Placement	\$ 6,872,310

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

Year Ending June 30	General Obligation Bonds		Direct Borrowing and Direct Placement		Total
	Principal	Interest	Principal	Interest	
2026	\$ 1,515,600	\$ 942,701	\$ 919,240	\$ 169,777	\$ 3,547,318
2027	1,580,600	877,901	895,555	131,375	3,485,431
2028	1,640,600	810,100	661,931	96,043	3,208,674
2029	1,590,000	744,600	533,583	74,849	2,943,032
2030	1,655,000	676,238	559,250	54,632	2,945,120
2031-2035	8,250,000	2,338,675	1,138,708	48,291	11,775,674
2036-2038	5,255,000	497,100	-	-	5,752,100
Premium	2,118,108	-	-	-	2,118,108
	<u>\$ 23,604,908</u>	<u>\$ 6,887,315</u>	<u>\$ 4,708,267</u>	<u>\$ 574,967</u>	<u>\$ 35,775,457</u>

Interest expense of \$1,198,217, net of amortization, was not charged to activities as the District considers its debt and related assets to impact multiple activities and allocation was not practical.

NOTE 5. INTERFUND ACTIVITY

The composition of interfund balances as of June 30, 2025 is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	\$ 100,000
General Fund	Student Activity	3,735
Food Service Fund	General Fund	4,486
	Total	<u>\$ 108,221</u>

The Food Service Fund owes the General Fund \$100,000 for indirect costs.

The Student Activity Fund owes the General Fund \$3,735 for miscellaneous expenditures.

The General Fund owes the Food Service Fund \$4,486 for miscellaneous expenditures.

The composition of interfund transfers as of June 30, 2025 is as follows:

Transfer In	Transfer Out	Amount
General Fund	Food Service Fund	\$ 100,000
2021 Debt Service Fund	General Fund	142,000
2023 Debt Service Fund	General Fund	207,700
2019 Athletic Debt Fund	General Fund	589,000
2012 QZAB Debt Fund	General Fund	116,000
2009 QSCB Debt Fund	General Fund	66,667
2009 QZAB Debt Fund	General Fund	68,733
2009 QZAB Debt Fund	Building and Site Sinking Fund	212,934
	Total	<u>\$ 1,503,034</u>

\$100,000 was transferred to the General Fund from the Food Service Fund for indirect costs.

\$1,190,100 was transferred to Debt Service Funds from the General Fund to pay down current year debt.

\$212,934 was transferred to the 2009 QZAB Debt Fund from the Building and Site Sinking Fund to pay down current year debt.

NOTE 6. CONTINGENT LIABILITIES

Grants - In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description -- The Michigan Public School Employees' Retirement System ("MPERS") ("System") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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

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

Benefits Provided - Overall -- Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

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

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

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

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

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

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

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

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

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

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

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

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

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

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

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

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

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

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

Regular Retirement (no reduction factor for age) Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan ("MIP") members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan ("PPP") members, age 60 with 10 years of credited service.

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

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2024 were determined as of the September 30, 2021 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021 are amortized over a 16-year period beginning October 1, 2023 and ending September 30, 2038.

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

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

The District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately \$8,951,000. Of the total pension contributions, approximately \$8,487,000 was contributed to fund the Defined Benefit Plan and approximately \$464,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately \$362,000. Of the total OPEB contributions, approximately \$104,000 was contributed to fund the Defined Benefit Plan and approximately \$258,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university employers	September 30, 2024	September 30, 2023
Total pension liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan fiduciary net position	71,283,482,728	62,581,762,238
Net pension liability	24,482,016,787	32,366,066,319
Proportionate share	0.24939%	0.23765%
Net pension liability for the District	61,054,784	76,916,898

For the year ended June 30, 2025, the District recognized pension expense of \$6,481,930.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,656,459	\$ 663,369
Changes of assumptions	6,365,323	4,473,385
Net difference between projected and actual earnings on pension plan investments	-	11,651,841
Changes in proportion and differences between District contributions and proportionate share of contributions	7,469,316	163,821
District contributions subsequent to the measurement date*	6,231,768	-
Total	\$ 21,722,866	\$ 16,952,416

*\$6,231,768, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

<u>Years Ending</u>	<u>Amount</u>
2025	\$ 1,322,763
2026	2,825,423
2027	(2,940,583)
2028	(2,668,921)
	<u>\$ (1,461,318)</u>

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

The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total other post employment benefits liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan fiduciary net position	14,295,943,589	11,789,347,341
Net other post employment benefits liability (asset)	(4,304,397,666)	(565,698,392)
Proportionate share	0.25105%	0.24965%
Net other postemployment benefits liability (asset) for the District	(10,806,259)	(1,412,271)

For the year ended June 30, 2025, the District recognized OPEB benefit of 4,172,393.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

At June 30, 2025, the Reporting Unit 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
Differences between expected and actual experience	\$ -	\$ 11,451,335
Change of assumptions	2,360,243	271,290
Net difference between projected and actual earnings on OPEB plan investments		2,045,749
Changes in proportion and differences between District contributions and proportionate share of contributions	1,635,772	8,617
District contributions subsequent to the measurement date*	104,183	-
Total	\$ 4,100,198	\$ 13,776,991

*\$104,183 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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

Years Ending	Amount
2025	\$ (3,117,627)
2026	(1,854,925)
2027	(1,846,385)
2028	(1,774,092)
2029	(987,210)
Thereafter	(200,737)
	\$ (9,780,976)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**Mortality Assumptions:**

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

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

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

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

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

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

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

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

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

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage 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.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
International Equity Pools	15.0%	6.5%
Private Equity Pools	16.0%	9.0%
Real Estate and Infrastructure Pools	10.0%	7.1%
Fixed Income Pools	13.0%	2.2%
Absolute Return Pools	9.0%	5.2%
Real Return / Opportunistic Pools	10.0%	7.3%
Short-Term Investment Pools	2.0%	1.4%
TOTAL	100.0%	

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

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

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

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

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONCLUDED)

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

1% Decrease	Discount Rate	1% Increase
\$ 89,506,969	\$ 61,054,784	\$ 37,362,865

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

1% Decrease	Discount Rate	1% Increase
\$ (8,351,166)	\$ (10,806,259)	\$ (12,928,947)

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ (12,928,970)	\$ (10,806,259)	\$ (8,529,664)

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

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

NOTE 8. UNEARNED REVENUE

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

Description of Unearned Revenue	General Fund	Food Service Fund	Total
31a - At Risk	\$ 2,896,304	\$ -	\$ 2,896,304
31aa - Mental Health	789,672	-	789,672
41 - Bilingual	158,561	-	158,561
97d - Critical Incidence	15,750	-	15,750
23g - MI Kids Back on Track	272,411	-	272,411
67f - FAFSA	754	-	754
35a(5) - Early Literacy	2,991	-	2,991
147g - Healthcare	184,520	2,600	187,120
31o - Wraparound services	34,153	-	34,153
Storm Claim	8,577	-	8,577
Other	-	6,252	6,252
Total	<u>\$ 4,363,693</u>	<u>\$ 8,852</u>	<u>\$ 4,372,545</u>

NOTE 9. TAX ABATEMENTS

The District has evaluated the tax abatements and determined they have not received reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. There are no significant abatements made by the District for the year ended June 30, 2025.

NOTE 10. RISK MANAGEMENT

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

NOTE 11. CALCULATION OF NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2025, the calculation of the District's net investment in capital assets in the Statement of Net Position consists of:

Capital Assets - nondepreciable	\$ 6,403,696
Capital Assets - depreciable, net	66,905,513
Less: Long-term debt related to capital assets	(28,313,175)
Add back: bond proceeds not spent on capital assets	25,499
Net investment in capital assets	<u>\$ 45,021,533</u>

NOTE 12. JOINT VENTURE

The District has joined Berrien County in re-establishing a Truancy Academy. The Academy provides educational services in an effort to increase the youths' skills and keep them from future involvement with the court system, including potential out-of-home placements.

The District does not expect to receive residual equity from the above joint venture. The District is unaware of any indication that the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the District in the near future.

NOTE 13. UPCOMING PRONOUNCEMENTS

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

- a) Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b) Unusual or infrequent items;
- c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d) Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e) Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

NOTE 13. UPCOMING PRONOUNCEMENTS (CONTINUED)

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

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. Summary: This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

As of July 1, 2024, the change in governmental net position as a result of the implementation of the accounting principle was a decrease in the amount of \$1,931,759 to a restated beginning governmental net position of \$24,736,522.

NOTE 15. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 21, 2025, the date the financial statements were available to be issued. No events or transactions occurred during the period which requires recognition or disclosures in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BERRIEN SPRINGS PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
 YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance Financial Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual Amounts	
Revenues:				
Local sources	\$ 20,649,951	\$ 19,969,087	\$ 22,658,501	\$ 2,689,414
State sources	61,912,650	63,307,786	64,132,996	825,210
Federal sources	891,523	1,450,360	1,451,535	1,175
Interdistrict sources	4,290,000	2,444,787	2,557,554	112,767
Total Revenues	<u>\$ 87,744,124</u>	<u>\$ 87,172,020</u>	<u>\$ 90,800,586</u>	<u>\$ 3,628,566</u>
Expenditures:				
Current				
Instruction:				
Basic programs	\$ 25,431,989	\$ 23,132,835	\$ 22,561,957	\$ 570,878
Added needs	7,423,496	8,630,160	8,520,033	110,127
Adult Education	65,538	81,864	66,233	15,631
Supporting services:				
Pupil Services	6,549,888	7,464,048	7,189,605	274,443
Instructional staff services	13,827,720	13,988,009	12,376,314	1,611,695
General administration services	1,528,076	1,400,065	1,504,535	(104,470)
School administration services	3,320,489	3,135,912	2,912,111	223,801
Business services	1,245,893	1,632,480	1,597,994	34,486
Operation and maintenance services	5,408,389	5,651,339	5,443,649	207,690
Pupil transportation services	2,515,891	2,618,676	2,753,368	(134,692)
Central services	5,082,692	5,289,743	4,726,788	562,955
Other supporting services	3,181,370	3,383,650	3,166,660	216,990
Community services	3,242,781	3,210,318	3,057,022	153,296
Facilities acquisition, construction, and improvements	6,973,200	6,636,700	5,008,626	1,628,074
Debt service:				
Principal on long-term debt	1,685,600	967,996	945,679	22,317
Interest on long-term debt	1,187,590	217,604	217,604	-
Total Expenditures	<u>\$ 88,670,602</u>	<u>\$ 87,441,399</u>	<u>\$ 82,048,178</u>	<u>\$ 5,393,221</u>
Excess of Revenues Over Expenditures	<u>\$ (926,478)</u>	<u>\$ (269,379)</u>	<u>\$ 8,752,408</u>	<u>\$ 9,021,787</u>
Other Financing Sources (Uses):				
Transfers in	\$ -	\$ 100,000	\$ 100,000	\$ -
Transfers out	-	(1,189,400)	(1,190,100)	(700)
Proceeds from sale of capital assets	-	-	28,751	28,751
Other transactions	-	1,079,470	900,720	178,750
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (9,930)</u>	<u>\$ (160,629)</u>	<u>\$ 206,801</u>
Net Change in Fund Balances	<u>\$ (926,478)</u>	<u>\$ (279,309)</u>	<u>\$ 8,591,779</u>	<u>\$ 9,228,588</u>
Fund Balances - Beginning of year	<u>38,690,452</u>	<u>38,690,452</u>	<u>38,690,452</u>	
Fund Balances - End of year	<u>\$ 37,763,974</u>	<u>\$ 38,411,143</u>	<u>\$ 47,282,231</u>	

The Notes to Required Supplementary Information are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of net pension liability	0.24939%	0.23765%	0.21818%	0.20586%	0.19662%	0.18249%	0.16599%	0.15398%	0.13883%	0.12728%
District's proportionate share of net pension liability	\$ 61,054,784	\$ 76,916,898	\$ 82,054,042	\$ 48,738,178	\$ 67,541,909	\$ 60,434,897	\$ 49,898,842	\$ 39,902,196	\$ 34,637,069	\$ 31,088,812
District's covered-employee payroll	\$ 27,313,475	\$ 26,893,540	\$ 25,843,958	\$ 19,189,798	\$ 19,093,660	\$ 17,429,878	\$ 15,802,298	\$ 14,051,544	\$ 13,054,515	\$ 11,645,242
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	223.53%	286.01%	317.50%	253.98%	353.74%	346.73%	315.77%	283.97%	265.33%	266.97%
Plan fiduciary net position as a percentage of total pension liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.08%	62.12%	63.96%	63.27%	63.17%

The Notes to Required Supplementary Information are an integral part of this statement.

BERRIEN SPRINGS PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 10,426,472	\$ 10,476,601	\$ 8,592,897	\$ 7,363,261	\$ 6,001,204	\$ 5,420,560	\$ 4,862,821	\$ 3,865,920	\$ 3,117,510	\$ 2,455,447
Contributions in relation to statutorily required contributions	10,426,472	10,476,601	8,592,897	7,363,261	6,001,204	5,420,560	4,862,821	3,865,920	3,117,510	2,455,447
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 30,027,307	\$ 27,091,840	\$ 26,458,830	\$ 22,696,693	\$ 18,885,515	\$ 19,002,562	\$ 17,247,046	\$ 15,794,293	\$ 13,054,515	\$ 11,645,242
Contributions as a percentage of covered-employee payroll	34.72%	38.67%	32.48%	32.44%	31.78%	28.53%	28.20%	24.48%	23.88%	21.09%

The Notes to Required Supplementary Information are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY (ASSET)
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (asset)	0.25105%	0.24965%	0.22598%	0.20848%	0.20559%	0.19024%	0.17555%	0.15443%
District's proportionate share of net OPEB liability (asset)	\$ (10,806,259)	\$ (1,412,271)	\$ 4,786,422	\$ 3,182,150	\$ 11,014,105	\$ 13,654,926	\$ 13,954,690	\$ 13,675,899
District's covered-employee payroll	\$ 27,313,475	\$ 26,893,540	\$ 25,843,958	\$ 19,189,798	\$ 19,093,660	\$ 17,429,878	\$ 15,802,298	\$ 14,051,544
District's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll	-39.56%	-5.25%	18.52%	16.58%	57.68%	78.34%	88.31%	97.33%
Plan fiduciary net position as a percentage of total OPEB liability (asset)	143.08%	105.04%	83.09%	87.33%	59.44%	48.67%	43.10%	36.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District presents information for those years for which information is available.

The Notes to Required Supplementary Information are an integral part of this statement.

BERRIEN SPRINGS PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 2,086,757	\$ 2,211,048	\$ 2,172,294	\$ 1,851,355	\$ 1,594,415	\$ 1,518,969	\$ 1,328,922	\$ 1,143,581
Contributions in relation to statutorily required contributions	<u>2,086,757</u>	<u>2,211,048</u>	<u>2,172,294</u>	<u>1,851,355</u>	<u>1,594,415</u>	<u>1,518,969</u>	<u>1,328,922</u>	<u>1,143,581</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 30,027,307	\$ 27,091,840	\$ 26,458,830	\$ 22,696,693	\$ 18,885,515	\$ 19,002,562	\$ 17,247,046	\$ 15,794,293
Contributions as a percentage of covered-employee payroll	6.95%	8.16%	8.21%	8.16%	8.44%	7.99%	7.71%	7.24%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District presents information for those years for which information is available.

The Notes to Required Supplementary Information are an integral part of this statement.

NOTE 1. PENSION INFORMATION

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

Changes of assumptions – the assumption changes for 2024 were:

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

NOTE 2. OPEB INFORMATION

Benefit changes – there were no changes of benefit terms in 2024.

Changes of assumptions – there were no changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2024 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.

NOTE 2. OPEB INFORMATION (CONCLUDED)

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

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations in Budgeted Funds — See previous Budgetary Comparison Schedule for budget variances as they apply to the District.

**OTHER SUPPLEMENTARY
INFORMATION**

BERRIEN SPRINGS PUBLIC SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2025

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental
Assets:				
Cash and cash equivalents	\$ 940,627	\$ 214,178	\$ 231,002	\$ 1,385,807
Investments	-	-	796,865	796,865
Accounts receivable	3,342	-	-	3,342
Due from other funds	4,486	-	-	4,486
Due from other governmental units	25,057	6,949	-	32,006
Inventory	6,123	-	-	6,123
Prepaid expenditures	-	-	60	60
Total Assets	\$ 979,635	\$ 221,127	\$ 1,027,927	\$ 2,228,689
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 6,909	\$ -	\$ 41,426	\$ 48,335
Salaries and benefits payable	3,397	-	-	3,397
Due to other funds	103,735	-	-	103,735
Due to other governmental units	68	7,370	-	7,438
Unearned revenue	8,852	-	-	8,852
Total Liabilities	\$ 122,961	\$ 7,370	\$ 41,426	\$ 171,757
Fund Balances:				
Nonspendable - inventory	\$ 6,123	\$ -	\$ -	\$ 6,123
Nonspendable - prepaid expenditures	-	-	60	60
Restricted for debt retirement	-	213,757	-	213,757
Restricted for food service	481,375	-	-	481,375
Restricted for capital projects	-	-	190,130	190,130
Committed for student activities	369,176	-	-	369,176
Committed for capital projects	-	-	796,311	796,311
Total Fund Balances	\$ 856,674	\$ 213,757	\$ 986,501	\$ 2,056,932
Total Liabilities and Fund Balance	\$ 979,635	\$ 221,127	\$ 1,027,927	\$ 2,228,689

BERRIEN SPRINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2025

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Local sources	\$ 401,783	\$ 1,407,753	\$ 46,283	\$ 1,855,819
State sources	207,835	9,579	-	217,414
Federal sources	1,284,272	14,067	-	1,298,339
Total Revenues	\$ 1,893,890	\$ 1,431,399	\$ 46,283	\$ 3,371,572
Expenditures:				
Supporting services	\$ 326,558	\$ 2,169	\$ -	\$ 328,727
Food services	1,446,697	-	-	1,446,697
Debt services:				
Principal on long-term debt	-	6,680,600	-	6,680,600
Interest on long-term debt	-	1,004,564	-	1,004,564
Facilities acquisition, construction, and improvements	-	-	106,003	106,003
Total Expenditures	\$ 1,773,255	\$ 7,687,333	\$ 106,003	\$ 9,566,591
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 120,635	\$ (6,255,934)	\$ (59,720)	\$ (6,195,019)
Other Financing Sources (Uses):				
Operating transfers in	\$ -	\$ 1,403,034	\$ -	\$ 1,403,034
Operating transfers out	(100,000)	-	(212,934)	(312,934)
Total Other Financing Sources (Uses)	\$ (100,000)	\$ 1,403,034	\$ (212,934)	\$ 1,090,100
Net Change in Fund Balances	\$ 20,635	\$ (4,852,900)	\$ (272,654)	\$ (5,104,919)
Fund Balances - Beginning of Year	836,039	5,066,657	1,259,155	7,161,851
Fund Balances - End of Year	\$ 856,674	\$ 213,757	\$ 986,501	\$ 2,056,932

BERRIEN SPRINGS PUBLIC SCHOOLS**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2025**

	Food Service Fund	Student/School Activity Fund	Total Nonmajor Special Revenue Funds
Assets:			
Cash and cash equivalents	\$ 564,562	\$ 376,065	\$ 940,627
Accounts receivable	3,342	-	3,342
Due from other funds	4,486	-	4,486
Due from other governmental units	25,057	-	25,057
Inventory	6,123	-	6,123
Total Assets	\$ 603,570	\$ 376,065	\$ 979,635
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 3,823	\$ 3,086	\$ 6,909
Salaries and benefits payable	3,397	-	3,397
Due to other funds	100,000	3,735	103,735
Due to other governmental units	-	68	68
Unearned revenue	8,852	-	8,852
Total Liabilities	\$ 116,072	\$ 6,889	\$ 122,961
Fund Balances:			
Nonspendable - inventory	\$ 6,123	\$ -	\$ 6,123
Restricted for food service	481,375	-	481,375
Committed for student activities	-	369,176	369,176
Total Fund Balances	\$ 487,498	\$ 369,176	\$ 856,674
Total Liabilities and Fund Balance	\$ 603,570	\$ 376,065	\$ 979,635

BERRIEN SPRINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2025

	Food Service Fund	Student/School Activity Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Local sources	\$ 68,757	\$ 333,026	\$ 401,783
State sources	207,835	-	207,835
Federal sources	1,284,272	-	1,284,272
Total Revenues	\$ 1,560,864	\$ 333,026	\$ 1,893,890
Expenditures:			
Supporting services	\$ -	\$ 326,558	\$ 326,558
Food services	1,446,697	-	1,446,697
Total Expenditures	\$ 1,446,697	\$ 326,558	\$ 1,773,255
Excess of Revenues Over Expenditures	\$ 114,167	\$ 6,468	\$ 120,635
Other Financing Uses:			
Operating transfers out	\$ (100,000)	\$ -	\$ (100,000)
Total Other Financing Uses	\$ (100,000)	\$ -	\$ (100,000)
Net Change in Fund Balances	\$ 14,167	\$ 6,468	\$ 20,635
Fund Balances - Beginning of Year	473,331	362,708	836,039
Fund Balances - End of Year	\$ 487,498	\$ 369,176	\$ 856,674

BERRIEN SPRINGS PUBLIC SCHOOLS

COMBINING BALANCE SHEET-
NONMAJOR DEBT RETIREMENT FUNDS
AS OF JUNE 30, 2025

	2009 QZAB Debt Fund	2009 QSCB Debt Fund	2012 QZAB Debt Fund	2019 Athletic Debt Fund	2019 UTGO AAC Debt Fund	2021 Energy Conservation Debt Fund	2023 Energy Conservation Debt Fund	Total Nonmajor Debt Service Funds
Assets:								
Cash and cash equivalents	\$ -	\$ -	\$ 12,578	\$ 2,240	\$ 195,509	\$ 2,518	\$ 1,333	\$ 214,178
Due from other governmental units	-	-	6,949	-	-	-	-	6,949
Total Assets	\$ -	\$ -	\$ 19,527	\$ 2,240	\$ 195,509	\$ 2,518	\$ 1,333	\$ 221,127
Liabilities and Fund Balances:								
Liabilities:								
Due to other governmental units	\$ -	\$ -	\$ 7,370	\$ -	\$ -	\$ -	\$ -	\$ 7,370
Total Liabilities	\$ -	\$ -	\$ 7,370	\$ -	\$ -	\$ -	\$ -	\$ 7,370
Fund Balances:								
Restricted for debt retirement	\$ -	\$ -	\$ 12,157	\$ 2,240	\$ 195,509	\$ 2,518	\$ 1,333	\$ 213,757
Total Fund Balances	\$ -	\$ -	\$ 12,157	\$ 2,240	\$ 195,509	\$ 2,518	\$ 1,333	\$ 213,757
Total Liabilities and Fund Balance	\$ -	\$ -	\$ 19,527	\$ 2,240	\$ 195,509	\$ 2,518	\$ 1,333	\$ 221,127

BERRIEN SPRINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
NONMAJOR DEBT RETIREMENT FUNDS
YEAR ENDED JUNE 30, 2025

	2009 QZAB Debt Fund	2009 QSCB Debt Fund	2012 QZAB Debt Fund	2019 Athletic Debt Fund	2019 UTGO AAC Debt Fund	2021 Energy Conservation Debt Fund	2023 Energy Conservation Debt Fund	Total Nonmajor Debt Service Funds
Revenues:								
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 1,407,116	\$ -	\$ 637	\$ 1,407,753
State sources	-	-	-	-	9,579	-	-	9,579
Federal sources	-	-	14,067	-	-	-	-	14,067
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,067</u>	<u>\$ -</u>	<u>\$ 1,416,695</u>	<u>\$ -</u>	<u>\$ 637</u>	<u>\$ 1,431,399</u>
Expenditures:								
Supporting services	\$ -	\$ -	\$ 12	\$ 514	\$ 515	\$ 528	\$ 600	\$ 2,169
Debt service:								
Principal on long-term debt	\$ 4,225,000	\$ 1,000,000	\$ 115,600	\$ 340,000	\$ 725,000	\$ 130,000	\$ 145,000	6,680,600
Interest on long-term debt	-	-	14,739	248,200	667,700	11,925	62,000	1,004,564
Total Expenditures	<u>\$ 4,225,000</u>	<u>\$ 1,000,000</u>	<u>\$ 130,351</u>	<u>\$ 588,714</u>	<u>\$ 1,393,215</u>	<u>\$ 142,453</u>	<u>\$ 207,600</u>	<u>\$ 7,687,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (4,225,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ (116,284)</u>	<u>\$ (588,714)</u>	<u>\$ 23,480</u>	<u>\$ (142,453)</u>	<u>\$ (206,963)</u>	<u>\$ (6,255,934)</u>
Other Financing Sources:								
Operating transfers in	\$ 281,667	\$ 66,667	\$ 116,000	\$ 589,000	\$ -	\$ 142,000	\$ 207,700	\$ 1,403,034
Total Other Financing Sources	<u>\$ 281,667</u>	<u>\$ 66,667</u>	<u>\$ 116,000</u>	<u>\$ 589,000</u>	<u>\$ -</u>	<u>\$ 142,000</u>	<u>\$ 207,700</u>	<u>\$ 1,403,034</u>
Net Change in Fund Balances	\$ (3,943,333)	\$ (933,333)	\$ (284)	\$ 286	\$ 23,480	\$ (453)	\$ 737	\$ (4,852,900)
Fund Balances - Beginning of Year	3,943,333	933,333	12,441	1,954	172,029	2,971	596	5,066,657
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,157</u>	<u>\$ 2,240</u>	<u>\$ 195,509</u>	<u>\$ 2,518</u>	<u>\$ 1,333</u>	<u>\$ 213,757</u>

BERRIEN SPRINGS PUBLIC SCHOOLS**COMBINING BALANCE SHEET-
NONMAJOR CAPITAL PROJECT FUNDS
AS OF JUNE 30, 2025**

	Building and Site Sinking Fund	Public Improvement Fund	2023 Energy Conservation Capital Project Fund	Total Nonmajor Capital Project Funds
Assets:				
Cash and cash equivalents	\$ 164,631	\$ -	\$ 66,371	\$ 231,002
Investments	-	796,865	-	796,865
Prepaid expenditures	-	60	-	60
Total Assets	\$ 164,631	\$ 796,925	\$ 66,371	\$ 1,027,927
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 554	\$ 40,872	\$ 41,426
Total Liabilities	\$ -	\$ 554	\$ 40,872	\$ 41,426
Fund Balances:				
Nonspendable - prepaid expenditures	\$ -	\$ 60	\$ -	\$ 60
Restricted for capital projects	164,631	-	25,499	190,130
Committed for capital projects	-	796,311	-	796,311
Total Fund Balances	\$ 164,631	\$ 796,371	\$ 25,499	\$ 986,501
Total Liabilities and Fund Balance	\$ 164,631	\$ 796,925	\$ 66,371	\$ 1,027,927

BERRIEN SPRINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED JUNE 30, 2025

	Building and Site Sinking Fund	Public Improvement Fund	2023 Energy Conservation Capital Project Fund	Total Nonmajor Capital Project Funds
Revenues:				
Local sources	\$ 6,448	\$ 38,547	\$ 1,288	\$ 46,283
Total Revenues	\$ 6,448	\$ 38,547	\$ 1,288	\$ 46,283
Expenditures:				
Facilities acquisition, construction, and improvements	\$ 540	\$ 73,605	\$ 31,858	\$ 106,003
Total Expenditures	\$ 540	\$ 73,605	\$ 31,858	\$ 106,003
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 5,908	\$ (35,058)	\$ (30,570)	\$ (59,720)
Other Financing Uses:				
Operating transfers out	\$ (212,934)	\$ -	\$ -	\$ (212,934)
Total Other Financing Uses	\$ (212,934)	\$ -	\$ -	\$ (212,934)
Net Change in Fund Balances	\$ (207,026)	\$ (35,058)	\$ (30,570)	\$ (272,654)
Fund Balances - Beginning of Year	371,657	831,429	56,069	1,259,155
Fund Balances - End of Year	\$ 164,631	\$ 796,371	\$ 25,499	\$ 986,501

**MANAGEMENT COMPLIANCE
LETTER**



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Education of
Berrien Springs Public Schools
Berrien Springs, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berrien Springs Public Schools ("the District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Report on Compliance and Other Matters

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

Purpose of This Report

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

Respectfully submitted,

A handwritten signature in blue ink, reading "Kruegel, Lawton & Company, LLC". The signature is stylized and cursive.

Certified Public Accountants

St. Joseph, Michigan

October 21, 2025



October 21, 2025

To the Finance Committee and Management of
Berrien Springs Community Schools
Berrien Springs, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berrien Springs Community Schools (the "District") for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 2, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in the notes to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

Investments are carried at fair value, which is defined as the amount that the District could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and is generally measured by quoted market prices.

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

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

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

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 16, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. During the audit, it was discussed with management that in the 2025 Uniform Guidance update the equipment capitalization threshold increased from \$5,000 to \$10,000. It is our recommendation that management and the Board revisit the District's current capitalization policy.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Finance Committee, Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Kruggel Lawton & Company, LLC



October 21, 2025

To the Board of Education of
Berrien Springs Public Schools
Berrien Springs, Michigan

In connection with our audit of the books and records of Berrien Springs Public Schools (the "District"), for the year ended June 30, 2025, we offer the following comment(s):

1. The USDA requires that the ending fund balance of the NSFSA does not exceed three months' average of operating expenses (7 CFR Part 210.14(b)). The District's ending fund balance as of June 30, 2025 exceeded the allowable amount based on the aforementioned criteria.

We appreciate the cooperation and courtesy extended to us by the officials and employees of Berrien Springs Public Schools and trust that these comments and recommendations will be accepted in the spirit of cooperation in which they are offered.

If we can be of any assistance, or if you have any questions regarding these or any other matters, please feel free to contact us.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Kruggel, Lawton & Company, LLC'.

Certified Public Accountants
St. Joseph, Michigan