MONTROSE COMMUNITY SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional
supplementary information)

JUNE 30, 2026

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Lewis & Knopf CPAs, PC

October 14, 2026

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of
Montrose Community Schools

**Report on 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 Montrose Community Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montrose Community Schools, as of June 30, 2026, and the respective changes in financial position, and, where applicable, cash flows 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 Montrose Community Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***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 Montrose Community Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



5206 Gateway Centre | Suite 100 | Flint, MI 48507 | 810-238-4617 | 877-244-1787 | 810-238-5083 fax

*additional offices in*
Brighton • Fenton • Owosso

www.lewis-knopf.com

***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 Montrose Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Montrose Community Schools' ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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 Montrose Community Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents is 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2026, on our consideration of the Montrose Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Montrose Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montrose Community Schools' internal control over financial reporting and compliance.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf CPAs, PC

The purpose of management's discussion and analysis (MD&A) is to help the District's residents and other readers understand what the financial statements and notes in this financial report say about the District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the District's finances.

If you have any questions about this report or need any additional information, please contact the Business Office, Montrose Community Schools at 810-591-8817.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's financial report contains basic financial statements. Those financial statements present the District's finance at both an overall and a detailed level. The first two - the *government-wide financial statements* - cover the District's governmental activities. (See the diagram in Figure A-1.)

- *Governmental activities* comprise the District's most basic functions, such as instruction, support services, and food services. Governmental activities primarily are financed by property taxes from non-personal residence exemption properties, state aid foundation, and federal grants. These statements provide both short-term and long-term information.

The remaining basic financial statements present the District's finances in greater detail and present fiduciary activities. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The District reports three groups of funds:

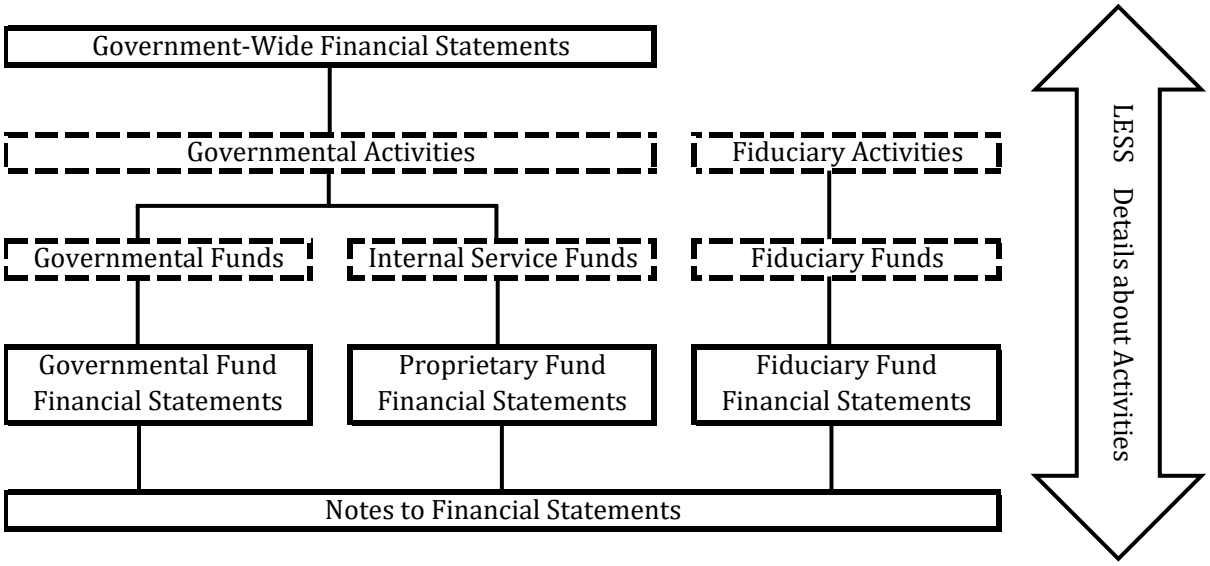
- *Governmental fund financial statements* report all of the governmental activities except those that involve providing services to District departments. In addition to the District's main operating fund - the general fund - those financial statements report special revenue funds that track the use of restricted or committed funding sources, debt service funds to record the repayment of outstanding bonds, and capital projects funds to account for resources used to acquire or construct long-lived assets.

- *Proprietary fund financial statements* report the services provided to District departments *(internal service funds).*

- *Fiduciary fund financial statements* report resources for which the District acts as a trustee or custodian. The resources in this fund do not belong to the District and cannot be used to provide services, which is why they are not included in the government-wide financial statements.

The District did not have any fiduciary or proprietary funds for the year ended June 30, 2026.

**Figure A-1. Contents of the District's Basic Financial Statements**




The next section of this financial report contains *notes to financial statements*, which delve deeper into the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

**TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS**

All of the District's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. (See Figure A-2.) In other words, they comprehensively report all types of financial statement elements:

- *Assets* - resources the District controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.
- *Liabilities* - amounts the District owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.
- *Deferred outflows of resources and deferred inflows of resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and expenses* - inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on construction.

**Figure A-2. Types of Information Reported in the District's Financial Statements**

| | Financial Statements | | | |
|---|---|---|---|---|
| | Government-wide | Proprietary Fund (if any) | Fiduciary Fund (if any) | Governmental Funds |
| Types of assets and liabilities | * All assets and liabilities, both financial and nonfinancial, short term and long term | | | * Only current financial resources, such as cash, receivables, and accounts payable |
| Types of revenues/ additions | * All types of revenues/additions that flow into the District during the year that relate to that year, regardless of when cash is received | | | * Only revenues that are measurable and available to finance expenditures of that year |
| Types of expenses/ deductions/ expenditures | * All types of expenses/deductions that flow out of the District during the year that relate to that year, regardless of when cash is paid | | | * Only expenditures for which the related governmental fund liability is incurred in that year |
| Types of deferred outflows of resources and deferred inflows of resources | * All types of resources that flow into and out of the District during the year that relate to a future year | | | * Current financial resources that flow into and out of the governmental funds during the year that related to a future year |

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies.

## FINANCIAL SUMMARY AND ANALYSIS OF THE DISTRICT'S FINANCES

**TABLE A-1**
**NET POSITION**

| | 2026 | 2025 | Dollar Change | Total Percentage Change |
|---|---|---|---|---|
| Current Assets | $14,432,334 | $21,355,856 | ($6,923,522) | -32.4% |
| Net Other Postemployment Benefits Asset | 5,281,013 | 3,271,893 | 2,009,120 | 61.4% |
| Capital Assets | 29,279,595 | 23,761,036 | 5,518,559 | 23.2% |
| Total Assets | $48,992,942 | $48,388,785 | $604,157 | 1.2% |
| Deferred Outflows of Resources | 5,226,340 | 6,615,511 | (1,389,171) | -21.0% |
| Long-Term Debt Outstanding | 31,433,736 | 31,917,948 | (484,212) | -1.5% |
| Net Pension Liability | 14,895,608 | 19,053,274 | (4,157,666) | -21.8% |
| Other Liabilities | 2,711,105 | 3,466,123 | (755,018) | -21.8% |
| Total Liabilities | $49,040,449 | $54,437,345 | ($5,396,896) | -9.9% |
| Deferred Inflows of Resources | 11,269,464 | 11,150,246 | 119,218 | 1.1% |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 9,520,215 | 8,376,264 | 1,143,951 | 13.7% |
| Restricted | 6,042,582 | 3,533,253 | 2,509,329 | 71.0% |
| Unrestricted | (21,653,428) | (22,492,812) | 839,384 | -3.7% |
| TOTAL NET POSITION | ($6,090,631) | ($10,583,295) | $4,492,664 | -42.5% |

Table A-1 shows that as of June 30, 2026, the District's total net position - assets and deferred outflows minus liabilities and deferred inflows - was $(6,090,631), an increase of $4,492,664 or 43% compared with 2025. This increase is primarily due additions to fixed assets from bonded construction projects and changes in pension and OPEB obligations. All of the increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

## GOVERNMENTAL ACTIVITIES

Table A-2 shows revenues exceeding expenses in the current year, resulting in an increase in net position. The total net position of the District's governmental activities was $4,492,664 a decrease of $17,234 or less than 1% from 2025. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

1. Growth in the taxable value of nonpersonal residential exempt properties.
2. Increase in Foundation Allowance.
3. Decrease in interest income
4. Increases in capital outlay due to construction project
5. Increased depreciation due to building improvements
6. Expenses were offset due to decreases in net pension and OPEB obligations

**TABLE A-2**
**CHANGES IN NET POSITION**

| | 2026 | 2025 | Dollar Change | Total Percentage Change |
|---|---|---|---|---|
| REVENUES | | | | |
| Program Revenues | | | | |
| Charges for Services | $652,122 | $688,364 | ($36,242) | -5.3% |
| Operating Grants | 7,461,603 | 7,484,741 | (23,138) | -0.3% |
| General Revenues | | | | |
| Property Taxes | 2,732,080 | 2,604,139 | 127,941 | 4.9% |
| State Sources - Unrestricted | 13,328,282 | 12,865,236 | 463,046 | 3.6% |
| Interdistrict Sources | 128,202 | 109,252 | 18,950 | 17.3% |
| Other General Revenues | 716,450 | 1,097,226 | (380,776) | -34.7% |
| Total Revenues | $25,018,739 | $24,848,958 | $169,781 | 0.7% |
| EXPENSES | | | | |
| Instruction | 9,445,194 | 10,080,208 | (635,014) | -6.3% |
| Support Services | 6,947,306 | 5,761,727 | 1,185,579 | 20.6% |
| Community Services | 147,241 | 145,090 | 2,151 | 1.5% |
| Outgoing Transfers and Other Uses | 108,003 | 554,295 | (446,292) | -80.5% |
| Food Service | 1,311,508 | 1,133,001 | 178,507 | 15.8% |
| Student Activities | 413,315 | 410,188 | 3,127 | 0.8% |
| Interest on Long-Term Debt | 1,126,740 | 1,257,087 | (130,347) | -10.4% |
| Depreciation/Amortization | 1,026,768 | 997,464 | 29,304 | 2.9% |
| Total Expenses | $20,526,075 | $20,339,060 | $187,015 | 0.9% |
| CHANGE IN NET POSITION | $4,492,664 | $4,509,898 | ($17,234) | -0.4% |

**Increase in Property taxes**

The increase in property taxes was primarily attributable to growth in the taxable value of nonpersonal residential properties that are exempt from personal property taxation. The higher taxable values resulted in an increase in the property tax assessment compared with the prior year.

**Increase in State Sources**

State Sources are a product of student counts multiplied by the foundation allowance. The foundation allowance increased by $442 per pupil in 2026, while student enrollment decreased by 17 students. Despite the decrease in enrollment, these factors resulted in an increase in State Sources revenue of 3.6%.

**Decrease in Other General Revenues**

Other general revenues decreased significantly compared with the prior year, primarily due to decreased interest earnings generated from funds held in the capital projects fund.

**Increase in Expenses**

Total expenses for the District increased by 0.9% overall. The increase was due to capital outlay from the capital projects fund offset by a reduction in the pension and opeb obligations.

**GOVERNMENTAL FUNDS**

The District reports three major funds individually in the governmental fund financial statements. These funds are the general fund, 2024 capital projects fund and cafeteria fund. Most of the discussion regarding governmental activities is equally applicable to the finances of this governmental fund. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide statements. The changes are shown in Table A-3 and are discussed in more detail below.

**TABLE A-3**
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

| | General Fund | | Other Major Funds | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| REVENUES | $20,919,390 | $20,390,465 | $1,724,873 | $2,391,456 |
| EXPENDITURES | 20,809,584 | 20,463,023 | 8,361,921 | 8,579,064 |
| Excess (Deficiency) of Revenues Over Expenditures | $109,806 | ($72,558) | ($6,637,048) | ($6,187,608) |
| OTHER FINANCING SOURCES (USES) | (56,592) | 43,310 | (43,220) | 1,379,236 |
| NET CHANGE IN FUND BALANCE | $53,214 | ($29,248) | ($6,680,268) | ($4,808,372) |

Fund balance represents the financial standing of a governmental fund at the end of the fiscal year from a short-term perspective.

**General Fund**

The fund balance of the District's general fund increased by $53,214. The increase in fund balance is attributable to additional state aid revenues received in August under the Section 147e MPSERS normal cost offset categorical."

The overall fund balance at the end of June 30, 2026, represented approximately 30% of operating expenditures. The District aims to have a minimum fund balance of 10% of operating expenditures. Within fund balance, approximately 87% of the balance is considered unassigned. The remaining 13% is considered either restricted, committed, or assigned for other items and is not readily available for use.

**Other Major Funds**

The fund balance for the other major funds is considered to be 100% restricted. This means that the fund balance can only be used for the restricted purpose of that fund and is not readily available for use.

## SIGNIFICANT CAPITAL ASSET AND LONG-TERM OBLIGATIONS

### Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets-original cost minus accumulated depreciation- increased 23% over 2025. See Table A-4 for the carrying value of capital assets.

**TABLE A-4**
**CAPITAL ASSETS**

| | 2026 | | | 2025 | |
|---|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Net Book Value | Net Book Value | Total % Change |
| Land | $49,925 | $0 | $49,925 | $49,925 | 0.0% |
| Construction in Progress | 2,247,402 | 0 | 2,247,402 | 5,960,434 | 0.0% |
| Building and Improvements | 40,046,794 | 15,201,215 | 24,845,579 | 15,829,989 | 57.0% |
| Furniture and Equipment | 6,080,616 | 4,466,664 | 1,613,952 | 1,184,773 | 36.2% |
| Vehicles and Buses | 317,040 | 154,485 | 162,555 | 171,593 | -5.3% |
| Right to Use - Lease Equipment | 972,604 | 612,422 | 360,182 | 564,322 | -36.2% |
| TOTAL | $49,714,381 | $20,434,786 | $29,279,595 | $23,761,036 | 23.2% |

A significant reason for the increase in the net capital assets relates to the building and athletic complex improvements along with construction in progress from the building and site bond. The additions of capital assets outpaced the depreciation during the year, resulting in a net increase in capital assets.

### Long-term Obligations

Overall, the carrying value of the District's long-term obligations decreased by 1.5% from the prior year. See Table A-5 for the carrying value of the District's long-term obligations.

**TABLE A-5**
**OUTSTANDING LONG-TERM OBLIGATIONS**

| | 2026 | 2025 | |
|---|---|---|---|
| General Obligation Bonds - Net | $23,417,833 | $25,515,216 | -8.2% |
| Notes from Direct Borrowings & Direct Placements | 6,156,711 | 4,516,144 | 36.3% |
| Compensated Absences | 1,859,192 | 1,886,588 | -1.5% |
| TOTAL | $31,433,736 | $31,917,948 | -1.5% |

During 2026, the District borrowed $1,644,229 from the Michigan School Bond Loan Fund The total amount of principal paid in the current year was $2,045,000.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

There are several factors that could significantly affect the financial health of the District in the future.

- State and Federal grant allocations
- Cost of employee health insurance
- Student enrollment
- Cost of negotiated labor contracts

# BASIC FINANCIAL STATEMENTS

MONTROSE COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2026

| | Governmental Activities |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $4,498,394 |
| Investments | 6,084,851 |
| Receivables: | |
| Accounts Receivable | 16,786 |
| Due from Other Governmental Units | 3,613,059 |
| Prepaid Expenditures | 219,244 |
| Net Other Postemployment Benefits Asset | 5,281,013 |
| Capital Assets, Non-Depreciable - Construction in Progress | 2,247,402 |
| Capital Assets, Non-Depreciable - Land | 49,925 |
| Capital Assets, Net of Accumulated Depreciation/Amortization | 26,982,268 |
| Total Assets | $48,992,942 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Charge on Refunding | 35,519 |
| Related to Pensions | 4,269,561 |
| Related to Postemployment Benefits | 921,260 |
| Total Deferred Outflows of Resources | $5,226,340 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | $54,219,282 |
| LIABILITIES | |
| Accounts Payable | 556,380 |
| Due to Other Governmental Units | 210,465 |
| Salaries Payable | 1,356,751 |
| Accrued Expenditures | 397,283 |
| Unearned Revenue | 190,226 |
| Non-Current Liabilities - Due Within One Year | 2,234,707 |
| Non-Current Liabilities - Due in More than One Year | 29,199,029 |
| Net Pension Liability | 14,895,608 |
| Total Liabilities | $49,040,449 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to State Aid Funding for Pension and Other Postemployment Benefits | 1,157,672 |
| Related to Pensions | 5,574,758 |
| Related to Other Postemployment Benefits | 4,537,034 |
| Total Deferred Inflows of Resources | $11,269,464 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | $60,309,913 |
| NET POSITION | |
| Net Investment in Capital Assets | 9,520,215 |
| Restricted | 6,042,582 |
| Unrestricted | (21,653,428) |
| TOTAL NET POSITION | ($6,090,631) |

See notes to the financial statements.

MONTROSE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues: Charges For Services | Program Revenues: Program Specific Operating Grants and Contributions | Governmental Activities: Net (Expense) Revenue and Change in Net Position |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Instruction | $9,445,194 | $172,470 | $6,034,640 | ($3,238,084) |
| Support Services | 6,947,306 | 79,840 | 87,349 | (6,780,117) |
| Community Services | 147,241 | 0 | 0 | (147,241) |
| Outgoing Transfers and Other Uses | 108,003 | 0 | 0 | (108,003) |
| Food Service | 1,311,508 | 79,453 | 1,339,614 | 107,559 |
| Student Activities | 413,315 | 320,359 | 0 | (92,956) |
| Interest - Long-Term Obligations | 1,126,740 | 0 | 0 | (1,126,740) |
| Depreciation/Amortization - Unallocated | 1,026,768 | 0 | 0 | (1,026,768) |
| Total Governmental Activities | $20,526,075 | $652,122 | $7,461,603 | ($12,412,350) |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes, Levied for General Purposes | | | | 911,180 |
| Property Taxes, Levied for Debt Retirement | | | | 1,601,482 |
| Property Taxes, Levied for Capital Projects | | | | 219,418 |
| State Sources - Unrestricted | | | | 13,328,282 |
| Interdistrict Sources | | | | 128,202 |
| Interest | | | | 375,702 |
| Other General Revenues | | | | 340,748 |
| Total General Revenues | | | | $16,905,014 |
| **Change in Net Position** | | | | $4,492,664 |
| Net Position - Beginning of Year | | | | (10,583,295) |
| **Net Position - End of Year** | | | | ($6,090,631) |

See notes to the financial statements.

MONTROSE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

| | General Fund | 2024 Capital Projects Fund | Cafeteria Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash and Cash Equivalents | $2,468,479 | $0 | $875,000 | $1,154,915 | $4,498,394 |
| Investments | 1,526,299 | 4,458,552 | 0 | 100,000 | 6,084,851 |
| Receivables: | | | | | |
| Accounts Receivable | 10,717 | 0 | 5,369 | 700 | 16,786 |
| Due from Other Funds | 415,845 | 0 | 785 | 1,057 | 417,687 |
| Due from Other Governmental Units | 3,602,623 | 0 | 10,436 | 0 | 3,613,059 |
| Prepaid Expenditures | 219,244 | 0 | 0 | 0 | 219,244 |
| TOTAL ASSETS | $8,243,207 | $4,458,552 | $891,590 | $1,256,672 | $14,850,021 |
| LIABILITIES | | | | | |
| Accounts Payable | $84,044 | $471,404 | $932 | $0 | $556,380 |
| Due to Other Funds | 1,842 | 0 | 415,745 | 100 | 417,687 |
| Due to Other Governmental Units | 210,465 | 0 | 0 | 0 | 210,465 |
| Salaries Payable | 1,354,930 | 0 | 1,821 | 0 | 1,356,751 |
| Accrued Expenditures | 248,433 | 0 | 0 | 0 | 248,433 |
| Unearned Revenue | 190,226 | 0 | 0 | 0 | 190,226 |
| Total Liabilities | $2,089,940 | $471,404 | $418,498 | $100 | $2,979,942 |
| FUND BALANCES | | | | | |
| Non-Spendable | | | | | |
| Prepaid Expenditures | 219,244 | 0 | 0 | 0 | 219,244 |
| Restricted | | | | | |
| Debt Retirement | 0 | 0 | 0 | 240,869 | 240,869 |
| Food Service | 0 | 0 | 473,092 | 0 | 473,092 |
| Capital Projects | 0 | 3,987,148 | 0 | 504,612 | 4,491,760 |
| Committed | | | | | |
| Student Activities | 0 | 0 | 0 | 511,091 | 511,091 |
| Assigned | | | | | |
| Subsequent Year Expenditures | 605,965 | 0 | 0 | 0 | 605,965 |
| Unassigned | 5,328,058 | 0 | 0 | 0 | 5,328,058 |
| Total Fund Balances | $6,153,267 | $3,987,148 | $473,092 | $1,256,572 | $11,870,079 |
| TOTAL LIABILITIES AND FUND BALANCES | $8,243,207 | $4,458,552 | $891,590 | $1,256,672 | $14,850,021 |

See notes to the financial statements.

MONTROSE COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2026

| | | |
|---|---|---|
| Total Governmental Fund Balances: | | $11,870,079 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Deferred Outflows of Resources - Related to Pensions | | 4,269,561 |
| Deferred Outflows of Resources - Related to Postemployment Benefits | | 921,260 |
| Deferred Inflows Related to State Aid Funding for Pension and Other Postemployment Benefits | | (1,157,672) |
| Deferred Inflows of Resources - Related to Pensions | | (5,574,758) |
| Deferred Inflows of Resources - Related to Other Postemployment Benefits | | (4,537,034) |
| Deferred Inflows of Resources - Related to Refunding | | 35,519 |
| Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. | | |
| Noncurrent asset at yar end consists of: | | |
| Net Other Postemployment Benefits Asset | | 5,281,013 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | | |
| Construction in Progress | $2,247,402 | |
| Capital Assets | 47,466,979 | |
| Less: Accumulated Depreciation/Amortization | (20,434,786) | |
| Capital Assets, Net of Accumulated Depreciation/Amortization | | 29,279,595 |
| Accrued Interest on Long-Term Debt | | (148,850) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | | |
| General Obligation Bonds | $23,417,833 | |
| Notes from Direct Borrowings and Direct Placements | 6,156,711 | |
| Compensated Absences Payable | 1,859,192 | |
| Total Long-Term Liabilities | | (31,433,736) |
| Net Pension Liability | | (14,895,608) |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | | ($6,090,631) |

See notes to the financial statements.

MONTROSE COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

| | General Fund | 2024 Capital Projects Fund | GASB 100 Change in Reporting Entity: Formally Non-Major Cafeteria Fund | GASB 100 Change in Reporting Entity: Formally Major Debt Fund | Non-Major Governmental Funds |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Local Sources | $1,428,266 | $303,088 | $82,171 | $0 | $2,286,939 |
| State Sources | 18,353,268 | 0 | 81,745 | 0 | 12,905 |
| Federal Sources | 1,009,654 | 0 | 1,257,869 | 0 | 74,444 |
| Interdistrict Sources | 128,202 | 0 | 0 | 0 | 0 |
| Total Revenues | $20,919,390 | $303,088 | $1,421,785 | $0 | $2,374,288 |
| EXPENDITURES | | | | | |
| Instruction | 12,774,198 | 0 | 0 | 0 | 0 |
| Student Services | 1,126,816 | 0 | 0 | 0 | 0 |
| Instructional Support | 1,093,243 | 0 | 0 | 0 | 0 |
| General Administration | 440,470 | 0 | 0 | 0 | 0 |
| School Administration | 1,114,025 | 0 | 0 | 0 | 0 |
| Business Administration | 319,955 | 0 | 0 | 0 | 0 |
| Operation & Maintenance | 2,118,115 | 0 | 0 | 0 | 0 |
| Transportation | 560,170 | 0 | 0 | 0 | 0 |
| Support Services - Other | 791,309 | 0 | 0 | 0 | 0 |
| Community Services | 178,045 | 0 | 0 | 0 | 0 |
| Outgoing Transfers and Other Uses | 293,238 | 0 | 0 | 0 | 0 |
| Food Service | 0 | 0 | 1,410,453 | 0 | 0 |
| Student Activities | 0 | 0 | 0 | 0 | 413,315 |
| Debt Retirement | | | | | |
| Principal Repayment | 0 | 0 | 0 | 0 | 2,045,000 |
| Interest | 0 | 0 | 0 | 0 | 1,004,053 |
| Dues and Fees | 0 | 0 | 0 | 0 | 3,143 |
| Capital Projects | 0 | 6,951,468 | 0 | 0 | 212,948 |
| Total Expenditures | $20,809,584 | $6,951,468 | $1,410,453 | $0 | $3,678,459 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | $109,806 | ($6,648,380) | $11,332 | $0 | ($1,304,171) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer In | 44,250 | 0 | 842 | 0 | 100,000 |
| Transfers Out | (100,842) | 0 | (44,250) | 0 | 0 |
| Other Transfers | 0 | 0 | 188 | 0 | 0 |
| Loan Proceeds | 0 | 0 | 0 | 0 | 1,644,229 |
| Total Other Financing Sources (Uses) | ($56,592) | $0 | ($43,220) | $0 | $1,744,229 |
| Net Change in Fund Balance | $53,214 | ($6,648,380) | ($31,888) | $0 | $440,058 |
| FUND BALANCE - BEGINNING | 6,100,053 | 10,635,528 | 0 | (46,520) | 1,368,014 |
| Adjustment to Beginning Fund Balance | 0 | 0 | 504,980 | 46,520 | (551,500) |
| Beginning of Year - As Restated | $6,100,053 | $10,635,528 | $504,980 | $0 | $816,514 |
| FUND BALANCE - ENDING | $6,153,267 | $3,987,148 | $473,092 | $0 | $1,256,572 |

See notes to the financial statements.

MONTROSE COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

| Total Governmental Funds | | | |
|---|---|---|---|
| | Total net change in fund balances - governmental funds | | ($6,186,996) |
| | Amounts reported for governmental activities in the statement of activities are different because: | | |
| $4,100,464 | Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. | | |
| 18,447,918 | Construction in Progress | ($3,713,032) | |
| 2,341,967 | Capital Outlay | 10,258,359 | |
| 128,202 | Depreciation/Amortization Expense | (1,026,768) | |
| $25,018,551 | Total | | 5,518,559 |
| 12,774,198 | Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments reported as expenditures in the governmental funds. | | 2,045,000 |
| 1,126,816 | | | |
| 1,093,243 | | | |
| 440,470 | | | |
| 1,114,025 | Lease Payments | | 185,235 |
| 319,955 | | | |
| 2,118,115 | Net Change - MI School Bond Loan Fund | | (1,825,802) |
| 560,170 | | | |
| 791,309 | Amortization of: | | |
| 178,045 | Bond Premium | | 52,383 |
| 293,238 | | | |
| 1,410,453 | Deferred Charge on Refunding | | (8,846) |
| 413,315 | | | |
| | Change in accrued interest on long-term liabilities | | 18,492 |
| 2,045,000 | | | |
| 1,004,053 | Change in accrued compensated absences | | 27,396 |
| 3,143 | | | |
| 7,164,416 | Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental Funds. | | |
| $32,849,964 | | | |
| ($7,831,413) | State Aid Funding for Pension and Other Postemployment Benefits | | (149,560) |
| | Pension Related Items | | 2,917,728 |
| | OPEB Related Items | | 1,899,075 |
| 145,092 | | | |
| (145,092) | CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | | $4,492,664 |
| 188 | | | |
| 1,644,229 | | | |
| $1,644,417 | | | |
| ($6,186,996) | | | |
| 18,057,075 | | | |
| 0 | | | |
| $18,057,075 | | | |
| $11,870,079 | | | |

See notes to the financial statements.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A) DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

### B) REPORTING ENTITY

The District is governed by an elected seven-member Board of Education. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are part of the District's reporting entity and which organizations are legally separate component units of the District. Based on application of the criteria, the District does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

### C) BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

### D) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the District's funds, including its fiduciary funds (if any). Separate statements for each fund category - governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental funds:

**General Fund** - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for and reported in another fund.

**2024 Building and Site Capital Projects Fund** includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete, and a subsequent year audit is expected.

Other Non-Major Funds:

**Special Revenue Funds** - The special revenue funds accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in the special revenue funds. (Cafeteria Fund is major).

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

**Capital Projects Sinking Funds** - The Capital Projects Sinking Fund accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund 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.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E) MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to the financial statements is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates are primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

**Fiduciary Fund Financial Statements** (if any) are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) MEASUREMENT FOCUS, BASIS OF ACCOUNTING (Continued)
Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end).

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

F) CASH AND CASH EQUIVALENTS
Cash and cash equivalents include amounts in demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

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.

G) PREPAID COSTS
Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a $5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period of the estimated useful lives. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

| Description | Governmental Activities Estimated Lives |
|---|---|
| Buildings and Improvements | 20 – 50 years |
| Furniture and Equipment | 5 – 20 years |
| Vehicles and Buses | 5 – 10 years |
| Right-to-Use Equipment | 3 – 6 years |

I) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net position.

J) UNEARNED REVENUE

The District reports unearned revenue on its governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

K) 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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

M) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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 asset 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 three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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 asset that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualifies for reporting in this category. The first is restricted state aid funding deferred to offset deferred outflows related to section 147c pension and other postemployment benefit 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.

N) DEFINED BENEFIT PLAN

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O) NET POSITION FLOW ASSUMPTION

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide 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.

P) FUND BALANCE FLOW ASSUMPTION

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

Q) FUND BALANCE POLICIES

Fund balances for each of the District's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

* Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

* Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The District's Debt Retirement Fund and Food Service balances are considered restricted.

* Committed fund balance – amounts that have been formally set aside by specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.

* Assigned fund balance - amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.

* Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 5% of the preceding year's expenditures.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R) *LEASES AND SUBSCRIPTION BASED IT ARRANGEMENTS (SBITA)*

Lessee/subscriber: The District is a lessee for a noncancelable lease/subscription of office equipment and an IT arrangement. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

At the commencement of a lease/subscription, 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 leases included how the District determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

* 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/SBITA.

* The lease/SBITA term includes the noncancelable period of the lease/subscription. 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.

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

S) REVENUE

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S) REVENUE (Continued)

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

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

T) USE OF ESTIMATES

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

U) MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL

The accompanying financial statements have been prepared on a basis substantially consistent with the Michigan Public School Accounting Manual (Bulletin 1022), which outlines the accounting procedures and policies for school districts required by the Michigan State Board of Education.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2026 the District had deposits and investments subject to the following risk:

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2026, $4,041,697 of the District's bank balance of $4,782,666 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 $4,498,394.

**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 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; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

2) DEPOSITS AND INVESTMENTS (Continued)

**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.

| Investment Type | Fair value | Weighted Average Maturity (Years) | Standard & Poor's Rating | % |
|---|---|---|---|---|
| MILAF External Investment Pool - MICMS | $6,084,851 | 0.0027 | AAAm | 100.00% |

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

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

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

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

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

The asset or liability's fair measurement level with 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.

MILAF-MIMAX investments fair value measurement is level 2.

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 is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2026, the fair value of the District's investments is the same as the value of the pooled shares.

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.

The above amounts are reported in the financial statements as follows:

| | |
|---|---|
| Cash – District Wide | $ 4,498,394 |
| Investments – District Wide | 6,084,851 |
| TOTAL | $ 10,583,245 |

3) RECEIVABLES – DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2026, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

| GOVERNMENTAL ACTIVITIES | AMOUNT |
|---|---|
| State Aid | $ 3,177,388 |
| Federal Grants | 164,253 |
| Other | 271,418 |
| TOTAL | $ 3,613,059 |

No allowance for doubtful accounts is considered necessary based on previous experience.

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2026, was as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance |
|---|---|---|---|---|
| Assets Not Being Depreciated | | | | |
| Land | $49,925 | $0 | $0 | $49,925 |
| Construction in Progress | 5,960,434 | 2,247,402 | 5,960,434 | 2,247,402 |
| Total Assets Not Being Depreciated | $6,010,359 | $2,247,402 | $5,960,434 | $2,297,327 |
| Capital Assets Being Depreciated/Amortized | | | | |
| Buildings and Improvements | 30,374,525 | 9,672,269 | 0 | 40,046,794 |
| Furniture and Equipment | 5,507,966 | 572,650 | 0 | 6,080,616 |
| Vehicles and Buses | 303,600 | 13,440 | 0 | 317,040 |
| Right to Use - Equipment | 972,604 | 0 | 0 | 972,604 |
| Total Capital Assets Being Depreciated | $37,158,695 | $10,258,359 | $0 | $47,417,054 |
| Less: Accumulated Depreciation/Amortization | | | | |
| Buildings and Improvements | (14,544,536) | (656,679) | 0 | (15,201,215) |
| Furniture and Equipment | (4,323,193) | (143,471) | 0 | (4,466,664) |
| Vehicles and Buses | (132,007) | (22,478) | 0 | (154,485) |
| Right to Use - Equipment | (408,282) | (204,140) | 0 | (612,422) |
| Total Accum. Depreciation/Amortization | ($19,408,018) | ($1,026,768) | $0 | ($20,434,786) |
| Net Capital Assets Being Depreciated/Amortized | $17,750,677 | $9,231,591 | $0 | $26,982,268 |
| NET CAPITAL ASSETS | $23,761,036 | $11,478,993 | $5,960,434 | $29,279,595 |

Depreciation/amortization expense was unallocated on the Statement of Activities as the District considers all fixed assets to have mixed use.

4) CAPITAL ASSETS (Continued)
Net investment in capital assets consists of the following:

| | |
|---|---|
| Construction in Progress | $ 2,247,402 |
| Capital Assets | 47,466,979 |
| Less: Accumulated Depreciation/Amortization | (20,434,786) |
| Add: Deferred Charge on Refunding | 35,519 |
| Less: Related Long-Term Liabilities | (23,782,047) |
| Add: 2024 Unspent Capital Projects | 3,987,148 |
| NET INVESTMENT IN CAPITAL ASSETS | $ 9,520,215 |

5) SHORT-TERM DEBT
The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2026.

6) GENERAL LONG-TERM DEBT
The following is a summary of long-term obligations for the District for the year ended June 30, 2026:

| Governmental Activities: | Balance Beginning | Additions | Deductions | Balance Ending | Amount Due in One Year |
|---|---|---|---|---|---|
| General Obligation Bonds | $25,515,216 | $0 | $2,097,383 | $23,417,833 | $2,059,913 |
| Notes from Direct Borrowings and Direct Placements | 4,516,144 | 1,825,802 | 185,235 | 6,156,711 | 174,794 |
| Compensated Absences | 1,886,588 | 0 | 27,396 | 1,859,192 | 0 |
| Total Governmental Activities | $31,917,948 | $1,825,802 | $2,310,014 | $31,433,736 | $2,234,707 |

**GENERAL OBLIGATIONS BONDS**

| | |
|---|---|
| **2011 School Building & Site Bonds Series A** - dated May 17, 2011, in the amount of $12,800,000 with interest rates ranging from 1.6% to 6.2% per annum, paid in full during year. These bonds were issued under the ARRA Construction funding program and the interest to be paid on the bonds will be subsidized by the US Treasury up to 5.43% for each interest payment. The total subsidy and resultant interest savings to the District is $6,350,797 over the 15 year life of the bonds. | $ 0 |
| **2015 Refunding Bonds** – dated March 19, 2015, in the amount of $2,020,000 with interest rates ranging from 2.25% to 3% per annum, paid in full during year. | 0 |
| **2019 Refunding Bonds** - dated December 19, 2019, in the amount of $7,585,000, bearing interest at rates varying from 2.412% to 2.612% per annum, matures in 2030. | 7,585,000 |
| **2024 School Building & Site Bonds** - dated March 7, 2024, in the amount of $14,585,000, bearing interest at rates varying from 4% to 5% per annum, matures in 2051. | 14,585,000 |
| **Bond Premium** | 1,247,833 |
| **TOTAL GENERAL OBLIGATION BONDS** | $ 23,417,833 |

6) GENERAL LONG-TERM DEBT (Continued)

**NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS**

| | |
|---|---|
| **Michigan School Bond Loan Fund** - The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of $181,573 has been assessed for the year ended June 30, 2026, and is included in the amount owing the State at that date. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default. | $ 5,792,497 |
| **Copier Lease** – Konica Minolta Business Solutions requires monthly payments of $2,773 including interest, paid in full during year. | 0 |
| **Equipment Lease** – Turf Tank requires annual payments of $10,000 including interest, matures August 2028. | 18,464 |
| **Bus Lease** - The District entered into a five year lease for eleven buses effective July 1, 2023. The lease calls for annual payments of $195,173. | 345,750 |
| **TOTAL NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS** | $ 6,156,711 |
| **COMPENSATED ABSENCES** | 1,859,192 |
| **TOTAL GENERAL LONG-TERM OBLIGATIONS** | $ 31,433,736 |

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $6,156,711 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

6) GENERAL LONG-TERM DEBT (Continued)
The annual requirements to amortize long-term obligations outstanding exclusive of employment benefit obligation payments as of June 30, 2026 are as follows:

| | General Obligation Bonds | | Notes from Direct Borrowings and Direct Placements | | |
|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Total |
| June 30, 2027 | $2,059,913 | $893,102 | $174,794 | $30,401 | $3,158,210 |
| June 30, 2028 | 2,114,913 | 841,446 | 189,420 | 15,813 | 3,161,592 |
| June 30, 2029 | 2,269,913 | 787,530 | 0 | 0 | 3,057,443 |
| June 30, 2030 | 2,229,913 | 728,490 | 0 | 0 | 2,958,403 |
| June 30, 2031 | 449,913 | 667,800 | 0 | 0 | 1,117,713 |
| June 30, 2032-2036 | 2,509,566 | 3,081,500 | 0 | 0 | 5,591,066 |
| June 30, 2037-2041 | 3,129,566 | 2,485,250 | 0 | 0 | 5,614,816 |
| June 30, 2042-2046 | 3,939,566 | 1,688,500 | 0 | 0 | 5,628,066 |
| June 30, 2047-2051 | 4,714,570 | 682,500 | 0 | 0 | 5,397,070 |
| Thereafter | 0 | 0 | 5,792,497 | 0 | 5,792,497 |
| TOTAL | $23,417,833 | $11,856,118 | $6,156,711 | $46,214 | $41,476,876 |

Interest expense (all funds) for the year ended June 30, 2026 was $1,049,725.

7) INTERFUND ACTIVITY
Interfund balances at June 30, 2026 consisted of the following:

| | | DUE FROM | | | | |
|---|---|---|---|---|---|---|
| | | General Fund | Cafeteria Fund | Student Activities | Capital Projects Fund | Total |
| DUE TO | General Fund | $0 | $785 | $912 | $145 | $1,842 |
| | Debt Retirement | 100 | 0 | 0 | 0 | 100 |
| | Cafeteria Fund | 415,745 | 0 | 0 | 0 | 415,745 |
| | TOTAL | $415,845 | $785 | $912 | $145 | $417,687 |

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

8) INTERFUND TRANSFERS
Interfund transfers for the year ended June 30, 2026, consisted of the following:

| | | TRANFERS OUT | | |
|---|---|---|---|---|
| | | General Fund | Cafeteria Fund | TOTAL |
| TRANSFERS IN | General Fund | $0 | $44,250 | $44,250 |
| | Cafeteria Fund | 842 | 0 | 842 |
| | Capital Projects | 100,000 | 0 | 100,000 |
| | TOTAL | $100,842 | $44,250 | $145,092 |

8) INTERFUND TRANSFERS (Continued)
Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers were made from the Cafeteria fund to the General Fund for indirect costs.

9) TAX ABATEMENTS
The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. There were no property taxes abated.

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

10) RESTRICTED NET POSITION
Restricted net position consists of the following:

| | |
|---|---|
| Net Other Postemployment Benefits Asset | $5,281,013 |
| Cafeteria - Net of Pension & OPEB Obligation | 164,938 |
| Debt Retirement | 240,869 |
| Less: Accrued Interest | (148,850) |
| GF Capital Projects | 100,145 |
| Sinking Capital Projects | 404,467 |
| TOTAL | $6,042,582 |

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS

**Plan Description**
The Michigan Public School Employees' Retirement System (MPSERS) (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. MPSERS 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.

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**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 MPSERS is as follows:

| Plan Name | Plan Type | Plan Status |
|---|---|---|
| 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.

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 (MPSERS) who became a member of MPSERS 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

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Pension Reform 2012** (Continued)

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.

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, and before February 1, 2018, 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.

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

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

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (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, 2025 were determined as of the September 30, 2022 actuarial valuations. The pension and OPEB unfunded (overfunded) actuarial accrued liabilities (UAAL) as of September 30, 2022 are amortized over a 14-year period beginning October 1, 2024 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, 2025 – September 30, 2026 | 15.21% - 26.08% | 0.00% - 3.83% |
| October 1, 2024 – September 30, 2025 | 20.96% - 30.11% | 0.00% - 1.25% |

The District's pension contributions for the year ended June 30, 2026 were equal to the required contribution total. Total pension contributions were approximately $3,422,000. Of the total pension contributions approximately $3,373,000 was contributed to fund the Defined Benefit Plan and approximately $49,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2026 were equal to the required contribution total. Total OPEB contributions were approximately $204,000. Of the total OPEB contributions approximately $157,000 was contributed to fund the Defined Benefit Plan and approximately $47,000 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).

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (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, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2024 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, 2025 |
|---|---|---|
| Total Pension Liability | $95,765,499,515 | $97,436,103,863 |
| Plan Fiduciary Net Position | 71,283,482,728 | 77,403,114,236 |
| Net Pension Liability | $24,482,016,787 | $20,032,989,627 |
| Proportionate Share | 0.07783% | 0.07436% |
| Net Pension Liability for the District | $19,053,274 | $14,895,608 |

For the year ended June 30, 2026, the District recognized pension expense of $309,038.

At June 30, 2026, 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 |
|---|---|---|
| Changes of Assumptions | $534,646 | ($787,269) |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 0 | (3,559,731) |
| Differences Between Actual and Expected Experience | 576,950 | (132,674) |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 7,256 | (1,095,084) |
| Employer Contributions Subsequent to the Measurement Date | 3,150,709 | 0 |
| TOTAL | $4,269,561 | ($5,574,758) |

$3,150,709, 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.

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

| Year Ending Sept. 30, | Amount |
|---|---|
| 2026 | ($622,589) |
| 2027 | (1,923,086) |
| 2028 | (1,449,190) |
| 2029 | (461,041) |
| | ($4,455,906) |

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**OPEB Liabilities, 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, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2024 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.

| MPSERS (Plan) Non-University Employers | September 30, 2024 | September 30, 2025 |
|---|---|---|
| Total Other Postemployment Benefits Liability | $9,991,545,923 | $ 9,360,649,860 |
| Plan Fiduciary Net Position | 14,295,943,589 | 15,439,767,833 |
| Net Other Postemployment Benefits Liability (Asset) | $(4,304,397,666) | $ (6,079,117,973) |
| Proportionate Share | 0.07601% | 0.08687% |
| Net Other Postemployment Benefits Liability for the District | $(3,271,893) | $(5,281,013) |

For the year ended June 30, 2026, the District recognized OPEB benefit of $(1,700,588).

At June 30, 2026, 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 |
|---|---|---|
| Changes of Assumptions | $704,808 | ($56,010) |
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments | 0 | (742,098) |
| Differences Between Actual and Expected Experience | 0 | (3,615,632) |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 80,277 | (123,294) |
| Employer Contributions Subsequent to the Measurement Date | 136,175 | 0 |
| TOTAL | $921,260 | ($4,537,034) |

$136,175, 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 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:

| Year Ending Sept. 30, | Amount |
|---|---|
| 2026 | ($985,511) |
| 2027 | (1,004,063) |
| 2028 | (909,656) |
| 2029 | (587,818) |
| 2030 | (203,441) |
| Thereafter | (61,460) |
| | ($3,751,949) |

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 Plan 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%.

**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 adjusted for mortality improvements using projection scale MP-2021 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, 7.75% for year one and graded to 3.50% in year fifteen. Post 65, 6.50% for year one and graded to 3.50% 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 electing two-person coverage are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees who elected coverage are assumed to elect coverage for 1 or more dependents.

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)
The target asset allocation at September 30, 2025 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| | Target Allocation* | | |
|---|---|---|---|
| **Investment Category** | **Pension** | **OPEB** | **Long-term Expected Real Rate of Return*** |
| Domestic Equity Pools | 21.0% | 16.0% | 5.8% |
| International Equity Pools | 14.0% | 11.0% | 5.6% |
| Private Equity Pools | 16.0% | 16.0% | 9.3% |
| Real Estate and Infrastructure Pools | 8.0% | 5.0% | 7.0% |
| Fixed Income Pools | 15.0% | 26.0% | 2.5% |
| Absolute Return Pools | 13.0% | 15.0% | 4.4% |
| Real Return/Opportunistic Pools | 9.0% | 7.0% | 7.0% |
| Short Term Investment Pools | 4.0% | 4.0% | 1.3% |
| **Total** | **100.0%** | **100.0%** | |

* Long term rates of return are net of administrative expenses and 2.4% inflation.

**Rate of Return** - For fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24%, 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 was based on the assumption that in the future, 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 liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this single discount rate was based on the assumption that in the future, 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 liability.

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

**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:

| | Pension | | |
|---|---|---|---|
| | 1% Decrease | Discount Rate | 1% Increase |
| District's proportionate share of the net pension liability | $23,506,090 | $14,895,608 | $7,724,178 |

**Sensitivity of the Net OPEB Liability (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:

| | Other Postemployment Benefit | | |
|---|---|---|---|
| | 1% Decrease | Discount Rate | 1% Increase |
| District's proportionate share of the net other postemployment benefit liability (asset) | $(4,549,927) | $(5,281,013) | $(5,920,872) |

**Sensitivity to the Net OPEB Liability (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 liability (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:

| | Other Postemployment Benefit | | |
|---|---|---|---|
| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
| District proportionate share of the net other postemployment benefit liability (asset) | $(5,915,033) | $(5,281,013) | $(4,615,313) |

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).

12) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2026 or any of the prior 3 years.

13) COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the District is involved in various pending or threatened legal actions. The District believe that any ultimate liability arising from these actions will not have a material adverse effect on its financial position.

The District participates in a number of federal and state programs that require compliance with specific terms and conditions and are subject to audits by the contracting agencies. Management believes that the effect of any disallowed expenditures would be immaterial to the financial statements.

The District has active capital projects outstanding at June 30, 2026. Approximately $3,987,000 is restricted and recorded as fund balance in the 2024 building and site fund.

14) CHANGES IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2026, the District implemented the following GASB standards:

GASB Statement No. 103, *Financial Reporting Model Improvements.* The Standard addressed the following areas:

a. Management's discussion and analysis (MD&A)
b. Unusual or infrequent items
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
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 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.

GASB 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. This Statement also requires additional disclosures for capital assets held for sale.

15) UPCOMING ACCOUNTING PRONOUNCEMENTS

In December 2025, the GASB issued Statement No. 105, Subsequent Events. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

16) ADJUSTMENTS TO BEGINNING FUND BALANCES/NET POSITION

During the fiscal year changes to beginning fund balance/net position are as follows:

| | Reporting Units Affected by Adjustments and Restatements of Beginning Balances | | | | | |
|---|---|---|---|---|---|---|
| | General Fund | 2024 Capital Projects | Debt Fund | Cafeteria Fund | Nonmajor Governmental Funds | Total |
| Fund Balance, As Previously Reported | $6,100,053 | $10,635,528 | ($46,520) | $0 | $1,368,014 | $18,057,075 |
| Change from Nonmajor to Major Fund | 0 | 0 | 0 | 504,980 | (504,980) | 0 |
| Change from Major to Nonmajor Fund | 0 | 0 | 46,520 | 0 | (46,520) | 0 |
| Fund Balance, as Restated | $6,100,053 | $10,635,528 | $0 | $504,980 | $816,514 | $18,057,075 |

# REQUIRED SUPPLEMENTARY

# INFORMATION

MONTROSE COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2026

| | Budgeted Amounts | | Variance with Original and Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|---|
| | Original | Final | | | |
| REVENUES | | | | | |
| Local Sources | $1,374,790 | $1,387,848 | $13,058 | $1,428,266 | $40,418 |
| State Sources | 17,268,469 | 18,154,762 | 886,293 | 18,353,268 | 198,506 |
| Federal Sources | 1,006,167 | 1,051,570 | 45,403 | 1,009,654 | (41,916) |
| Total Revenues | $19,649,426 | $20,594,180 | $944,754 | $20,791,188 | $197,008 |
| EXPENDITURES | | | | | |
| Instruction | 12,869,345 | 13,267,004 | 397,659 | 12,774,198 | 492,806 |
| Student Services | 1,103,911 | 1,145,481 | 41,570 | 1,126,816 | 18,665 |
| Instructional Support | 1,058,006 | 1,163,444 | 105,438 | 1,093,243 | 70,201 |
| General Administration | 449,022 | 462,272 | 13,250 | 440,470 | 21,802 |
| School Administration | 1,071,601 | 1,112,541 | 40,940 | 1,114,025 | (1,484) |
| Business Administration | 312,024 | 327,494 | 15,470 | 319,955 | 7,539 |
| Operation & Maintenance | 2,048,757 | 2,196,860 | 148,103 | 2,118,115 | 78,745 |
| Transportation | 540,831 | 608,262 | 67,431 | 560,170 | 48,092 |
| Support Services - Other | 717,929 | 816,662 | 98,733 | 791,309 | 25,353 |
| Community Services | 199,844 | 223,333 | 23,489 | 178,045 | 45,288 |
| Total Expenditures | $20,371,270 | $21,323,353 | $952,083 | $20,516,346 | $807,007 |
| Excess of Revenues Over (Under) Expenditures | ($721,844) | ($729,173) | ($7,329) | $274,842 | $1,004,015 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Other Financing Sources | 172,500 | 172,500 | 0 | 172,452 | (48) |
| Other Financing Uses | (439,398) | (482,822) | (43,424) | (394,080) | 88,742 |
| Total Other Financing Sources (Uses) | ($266,898) | ($310,322) | ($43,424) | ($221,628) | $88,694 |
| Net Change in Fund Balance | ($988,742) | ($1,039,495) | ($50,753) | $53,214 | $1,092,709 |
| FUND BALANCE - BEGINNING OF YEAR | | | | 6,100,053 | |
| FUND BALANCE - END OF YEAR | | | | $6,153,267 | |

MONTROSE COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
CAFETERIA FUND
YEAR ENDED JUNE 30, 2026

| | Budgeted Amounts | | Variance with Original and Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|---|
| | Original | Final | | | |
| REVENUES | | | | | |
| Local Sources | $93,104 | $86,622 | ($6,482) | $82,171 | ($4,451) |
| State Sources | 97,000 | 82,814 | (14,186) | 81,745 | (1,069) |
| Federal Sources | 1,282,150 | 1,251,150 | (31,000) | 1,257,869 | 6,719 |
| Total Revenues | $1,472,254 | $1,420,586 | ($51,668) | $1,421,785 | $1,199 |
| EXPENDITURES | | | | | |
| Food Service | 1,359,233 | 1,538,683 | 179,450 | 1,410,453 | 128,230 |
| Excess of Revenues Over (Under) Expenditures | $113,021 | ($118,097) | ($231,118) | $11,332 | $129,429 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Other Financing Sources | 920 | 0 | (920) | 1,030 | 1,030 |
| Other Financing Uses | (44,250) | (44,250) | 0 | (44,250) | 0 |
| Total Other Financing Sources (Uses) | ($43,330) | ($44,250) | ($920) | ($43,220) | $1,030 |
| Net Change in Fund Balance | $69,691 | ($162,347) | ($232,038) | ($31,888) | $130,459 |
| FUND BALANCE - BEGINNING OF YEAR | | | | 504,980 | |
| FUND BALANCE - END OF YEAR | | | | $473,092 | |

MONTROSE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Reporting unit's proportion of net pension liability (%) | 0.07435% | 0.07782% | 0.07824% | 0.08064% | 0.08077% | 0.07985% | 0.07970% | 0.07723% | 0.07549% | 0.07658% |
| Reporting unit's proportionate share of net pension liability | $14,895,608 | $19,053,274 | $25,324,003 | $30,328,307 | $19,124,859 | $27,432,421 | $26,395,100 | $23,217,890 | $19,563,793 | $19,105,549 |
| Reporting unit's covered-employee payroll | $7,838,381 | $7,877,472 | $7,620,912 | $7,443,290 | $7,269,409 | $6,889,256 | $6,893,862 | $6,669,860 | $6,214,146 | $6,495,866 |
| Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll | 190.03% | 241.87% | 332.30% | 407.46% | 263.09% | 398.19% | 382.88% | 348.10% | 314.83% | 294.12% |
| Plan fiduciary net position as a percentage of total pension liability | 79.44% | 74.44% | 65.91% | 60.77% | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% |

MONTROSE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - PENSION
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contributions | $3,096,923 | $3,253,773 | $2,819,945 | $2,744,710 | $2,425,500 | $2,194,628 | $2,117,353 | $2,103,094 | $1,770,743 | $1,755,626 |
| Contributions in relation to statutorily required contributions | 3,096,923 | 3,253,773 | 2,819,945 | 2,744,710 | 2,425,500 | 2,194,628 | 2,117,353 | 2,103,094 | 1,770,743 | 1,755,626 |
| Contribution deficiency (excess) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Reporting unit's covered-employee payroll | $8,347,690 | $7,807,706 | $7,873,682 | $7,824,344 | $7,353,817 | $7,096,896 | $6,881,896 | $6,880,478 | $6,537,979 | $6,106,731 |
| Contributions as a percentage of covered-employee payroll | 37.10% | 41.67% | 35.81% | 35.08% | 32.98% | 30.92% | 30.77% | 30.57% | 27.08% | 28.75% |

MONTROSE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Reporting unit's proportion of net OPEB liability (%) | 0.08687% | 0.07601% | 0.07717% | 0.07759% | 0.08134% | 0.07837% | 0.07935% | 0.07860% | 0.07538% |
| Reporting unit's proportionate share of net OPEB liability | ($5,281,013) | ($3,271,893) | ($436,546) | $1,643,439 | $1,241,708 | $4,198,352 | $5,695,852 | $6,248,229 | $6,675,296 |
| Reporting unit's covered-employee payroll | $7,838,381 | $7,877,472 | $7,620,912 | $7,443,290 | $7,269,409 | $6,889,256 | $6,893,862 | $6,669,860 | $6,214,146 |
| Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll | -67.37% | -41.53% | -5.73% | 22.08% | 17.08% | 60.94% | 82.62% | 93.68% | 107.42% |
| Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers) | 164.94% | 143.08% | 105.04% | 83.09% | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

MONTROSE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - OPEB
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contributions | $81,701 | $631,823 | $601,146 | $591,041 | $603,897 | $553,685 | $544,853 | $510,219 | $586,869 |
| Contributions in relation to statutorily required contributions | 81,701 | 631,823 | 601,146 | 591,041 | 603,897 | 553,685 | 544,853 | 510,219 | 586,869 |
| Contribution deficiency (excess) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Reporting unit's covered-employee payroll | $8,347,690 | $7,807,706 | $7,873,682 | $7,824,344 | $7,353,817 | $7,096,896 | $6,881,896 | $6,880,478 | $6,537,979 |
| Contributions as a percentage of covered-employee payroll | 0.98% | 8.09% | 7.63% | 7.55% | 8.21% | 7.80% | 7.92% | 7.42% | 8.98% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**NOTE 1 - Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The final budget was approved prior to June 30, 2026 year-end.

**NOTE 2 - BUDGETARY COMPARISON**

**Significant variances between original and final budget:**

| GENERAL FUND | Variance | Explanation |
|---|---|---|
| REVENUES | | |
| State Sources | $ 886,293 | The state budget was not passed when we created our budget. We had budgeted for 31aa dollars plus we were 10 students under our enrollment projection. |
| EXPENDITURES | | |
| Instruction | 397,659 | We passed a 3% wages increase after the original budget was passed. |

**NOTE 2 - BUDGETARY COMPARISON** (Continued)

**Significant variances between final budget and actual:**

| GENERAL FUND | Variance | Explanation |
|---|---|---|
| REVENUES | | |
| State Sources | $ 198,506 | On the August state aid report we received an additional 104,784 on MPSERS funds that were not expecting (147a & 147e). |
| EXPENDITURES | | |
| Instruction | 492,806 | The max ORS rate was used for budgeting. |

**Significant variances between original and final budget:**

| CAFETERIA FUND | Variance | Explanation |
|---|---|---|
| EXPENDITURES | | |
| Food Service | $ 179,450 | The variance is due to additional expenditures budgeted for 2026–27 as part of the planned spend-down of the Cafeteria Fund's excess fund balance. |

**Significant variances between final budget and actual:**

| CAFETERIA FUND | Variance | Explanation |
|---|---|---|
| EXPENDITURES | | |
| Food Service | $ 129,230 | The variance is due to the District using the highest projected ORS rate for budgeting purposes, along with several larger purchases that did not occur as originally planned. |

**NOTE 3 - PENSION INFORMATION**

Benefit Changes

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

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 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 4 - OPEB INFORMATION**

Benefit Changes

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

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2025 - The health care cost trend rate used in the September 30, 2024, actuarial valuation increased by 0.50 percentage points for members under 65. This increased the plan's total OPEB liability by $267 million in 2025.
- 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.
- 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.

# ADDITIONAL SUPPLEMENTARY INFORMATION

MONTROSE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2026

| | Student Activities | Debt Fund | General Fund Capital Projects Fund | Sinking Capital Projects Fund | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash and Cash Equivalents | $509,479 | $240,969 | $0 | $404,467 | $1,154,915 |
| Investments | 0 | 0 | 100,000 | 0 | 100,000 |
| Receivables: | | | | | |
| Accounts Receivable | 700 | 0 | 0 | 0 | 700 |
| Due from Other Funds | 912 | 0 | 145 | 0 | 1,057 |
| TOTAL ASSETS | $511,091 | $240,969 | $100,145 | $404,467 | $1,256,672 |
| LIABILITIES | | | | | |
| Due to Other Funds | $0 | $100 | $0 | $0 | $100 |
| FUND BALANCE | | | | | |
| Restricted | | | | | |
| Debt Retirement | 0 | 240,869 | 0 | 0 | 240,869 |
| Capital Projects | 0 | 0 | 100,145 | 404,467 | 504,612 |
| Committed | | | | | |
| Student Activities | 511,091 | 0 | 0 | 0 | 511,091 |
| Total Fund Balance | $511,091 | $240,869 | $100,145 | $404,467 | $1,256,572 |
| TOTAL LIABILITIES AND FUND BALANCES | $511,091 | $240,969 | $100,145 | $404,467 | $1,256,672 |

MONTROSE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

| | Student Activities | Debt Fund | General Fund Capital Projects Fund | Sinking Capital Projects Fund | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Local Sources | $457,148 | $1,609,571 | $145 | $220,075 | $2,286,939 |
| State Sources | 0 | 11,341 | 0 | 1,564 | 12,905 |
| Federal Sources | 0 | 74,444 | 0 | 0 | 74,444 |
| Total Revenues | $457,148 | $1,695,356 | $145 | $221,639 | $2,374,288 |
| OTHER FINANCING SOURCES | | | | | |
| Transfers from Other Funds | 0 | 0 | 100,000 | 0 | 100,000 |
| Loan Proceeds | 0 | 1,644,229 | 0 | 0 | 1,644,229 |
| Total Other Financing Sources | $0 | $1,644,229 | $100,000 | $0 | $1,744,229 |
| Total Revenues & Other Financing Sources | $457,148 | $3,339,585 | $100,145 | $221,639 | $4,118,517 |
| EXPENDITURES | | | | | |
| Student Activities | 413,315 | 0 | 0 | 0 | 413,315 |
| Debt Retirement | | | | | |
| Principal | 0 | 2,045,000 | 0 | 0 | 2,045,000 |
| Interest | 0 | 1,004,053 | 0 | 0 | 1,004,053 |
| Dues and Fees | 0 | 3,143 | 0 | 0 | 3,143 |
| Capital Projects | 0 | 0 | 0 | 212,948 | 212,948 |
| Total Expenditures | $413,315 | $3,052,196 | $0 | $212,948 | $3,678,459 |
| Net Change in Fund Balance | $43,833 | $287,389 | $100,145 | $8,691 | $440,058 |
| FUND BALANCE - BEGINNING | 467,258 | (46,520) | 0 | 395,776 | 816,514 |
| FUND BALANCE - ENDING | $511,091 | $240,869 | $100,145 | $404,467 | $1,256,572 |

MONTROSE COMMUNITY SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2026

DATE OF ISSUE - December 19, 2019 Original amount of issue - $7,585,000

2019 REFUNDING BONDS

| PAYMENT DATE | PRINCIPAL REQUIREMENT | NOVEMBER INTEREST REQUIREMENT | MAY INTEREST REQUIREMENT | TOTAL PAYMENT |
|---|---|---|---|---|
| 2027 | $1,810,000 | $94,851 | $94,851 | $1,999,702 |
| 2028 | 1,865,000 | 73,023 | 73,023 | 2,011,046 |
| 2029 | 2,000,000 | 50,065 | 50,065 | 2,100,130 |
| 2030 | 1,910,000 | 24,945 | 24,945 | 1,959,890 |
| TOTAL | $7,585,000 | $242,884 | $242,884 | $8,070,768 |

DATE OF ISSUE - March 7, 2024 Original amount of issue - $14,585,000

2024 SCHOOL BUILDING AND SITE BONDS

| PAYMENT DATE | PRINCIPAL REQUIREMENT | NOVEMBER INTEREST REQUIREMENT | MAY INTEREST REQUIREMENT | TOTAL PAYMENT |
|---|---|---|---|---|
| 2027 | $200,000 | $351,700 | $351,700 | $903,400 |
| 2028 | 200,000 | 347,700 | 347,700 | 895,400 |
| 2029 | 220,000 | 343,700 | 343,700 | 907,400 |
| 2030 | 270,000 | 339,300 | 339,300 | 948,600 |
| 2031 | 400,000 | 333,900 | 333,900 | 1,067,800 |
| 2032 | 415,000 | 325,900 | 325,900 | 1,066,800 |
| 2033 | 430,000 | 317,600 | 317,600 | 1,065,200 |
| 2034 | 450,000 | 309,000 | 309,000 | 1,068,000 |
| 2035 | 470,000 | 300,000 | 300,000 | 1,070,000 |
| 2036 | 495,000 | 288,250 | 288,250 | 1,071,500 |
| 2037 | 520,000 | 275,875 | 275,875 | 1,071,750 |
| 2038 | 545,000 | 262,875 | 262,875 | 1,070,750 |
| 2039 | 575,000 | 249,250 | 249,250 | 1,073,500 |
| 2040 | 605,000 | 234,875 | 234,875 | 1,074,750 |
| 2041 | 635,000 | 219,750 | 219,750 | 1,074,500 |
| 2042 | 665,000 | 203,875 | 203,875 | 1,072,750 |
| 2043 | 700,000 | 187,250 | 187,250 | 1,074,500 |
| 2044 | 735,000 | 169,750 | 169,750 | 1,074,500 |
| 2045 | 775,000 | 151,375 | 151,375 | 1,077,750 |
| 2046 | 815,000 | 132,000 | 132,000 | 1,079,000 |
| 2047 | 855,000 | 111,625 | 111,625 | 1,078,250 |
| 2048 | 865,000 | 90,250 | 90,250 | 1,045,500 |
| 2049 | 885,000 | 68,625 | 68,625 | 1,022,250 |
| 2050 | 930,000 | 46,500 | 46,500 | 1,023,000 |
| 2051 | 930,000 | 23,250 | 23,250 | 976,500 |
| TOTAL | $14,585,000 | $5,684,175 | $5,684,175 | $25,953,350 |

Lewis & Knopf CPAs, PC

October 14, 2026

To the Board of Education of
Montrose Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montrose Community Schools for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Montrose Community Schools are described in Note 1 to the financial statements. The application of existing policies was not changed during the 2025-2026 year. During the fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements* and No. 104 *Disclosure of Certain Capital Assets*. 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 management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Estimates have been used to calculate the net pension and net OPEB liabilities.

Estimates have been used in calculating the liability for employee compensated absences.

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of right-of-use assets and right-of-use liabilities. Management's estimates include the determination of the lease term, including any reasonably certain renewal periods, and the determination of the appropriate discount rate to calculate the present value of lease payments. These estimates significantly affect the measurement of lease liabilities and right-of-use assets on the statement of financial position. We evaluated the key factors and assumptions used to develop the lease estimates used by management in determining that it is reasonable in relation to the financial statements taken as a whole.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are 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 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 14, 2026.

*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 governmental unit'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. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information (RSI) which are required and 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 the 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.

The District had approximately $10,000 in excess food service fund balance at June 30, 2026.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Montrose Community Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Lewis & Knopf CPAs, PC