Otsego Public Schools

Financial Statements

June 30, 2026



YEO & YEO

BUSINESS SUCCESS PARTNERS

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Otsego Public Schools
Members of the Board of Education and Administration
June 30, 2026

Members of the Board of Education

Amy Stender - President

Shelly Jirgens - Vice President

Todd Bentley - Treasurer

Shannon Goodwin - Secretary

Mike Keeler - Trustee

Jason Davis - Trustee

Jessica Hazelhoff - Trustee

Administration

Dr. Christie Robinson - Superintendent

Dan Crouch - Director of Finance

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Otsego Public Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Otsego Public Schools' basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Public Schools, as of June 30, 2026, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Adoption of New Accounting Standard
As discussed in Note 1 to the financial statements, during the year ended June 30, 2026, the School District adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinions are not modified with respect to this matter.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2026 on our consideration of Otsego Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Otsego Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otsego Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
October 23, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Otsego Public Schools
Management's Discussion and Analysis
June 30, 2026

This section of the Otsego Public Schools' (the School District) annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2026. Please read this section in conjunction with the School District's basic financial statements, which immediately follow this section.

Using this Annual Financial Report

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

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

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

The annual financial report is comprised of the following elements:

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

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Other Supplementary Information

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

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

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

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

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

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

Governmental Funds

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2026 and 2025 (the difference between assets and liabilities as of certain dates).

	Governmental Activities	
	2026	2025
Assets:		
Current and other assets	$ 18,771,193	$ 25,738,462
Property and equipment	64,978,229	67,218,340
Total assets	92,567,394	92,956,802
Deferred outflows of resources	11,010,851	13,799,599
Total assets and deferred outflows of resources	103,578,245	106,756,401
Liabilities:		
Current liabilities	5,269,019	5,613,622
Long-term liabilities	92,007,564	102,093,415
Total liabilities	97,276,673	107,707,037
Deferred inflows of resources	20,939,259	22,074,297
Total liabilities and deferred inflows of resources	118,215,932	129,781,334
Net position:		
Net investment in capital assets	4,639,952	6,252,494
Restricted for:		
Food Service	464,623	693,711
Debt Service	506,176	60,094
Net OPEB asset	8,817,972	6,421,110
Unrestricted (deficit)	(29,066,410)	(30,199,848)
Total net position	$ (14,637,687)	$ (23,024,933)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ending June 30, 2026 and 2025.

	Governmental Activities	
	2026	2025
Revenue:		
Program Revenue:		
Charges for services	$ 1,876,851	$ 1,463,185
Operating grants	11,719,851	11,995,666
General revenue:		
Property taxes	8,052,965	7,769,456
State aid - unrestricted	20,975,723	20,578,263
Interest and investment earnings	149,056	295,565
Other	16,662	0
Total Revenue	42,791,108	42,101,876
Functions/Program Expenses:		
Instruction	17,600,645	16,922,490
Support services	12,249,753	11,596,439
Food services	1,674,497	1,384,749
Community services	753,697	676,665
Interest on long-term debt	2,128,270	2,235,318
Total Expenses	34,403,862	32,815,661
Change in net position	$ 8,387,246	$ 9,286,215

As of June 30, 2026, the estimated net pension liability and related deferrals of resources for the School District was $32.3 million, and the net OPEB asset and related deferrals of resources was $3 million. These items combined represents our net long term obligation to MPSERS, which declined $7.3 million this year and contributed to our change in net position. These deferrals will be amortized both in the current year and into the future. Our total net position increase of $8.4 million is comprised of the following main changes: 1) Change in long term MPSERS obligation of $7.3 million, 2) net debt repayments and amortization activity of $3.4 million, and 3) net capital asset activity of ($2.2 million).

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

The School District's Funds

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

In the General Fund, the School District's principal operating fund balance was flat with the prior year at $8.6 million. The General Fund principal operating fund balance is approximately 25.1% of our General Fund operating expenditures.

- The overall General Fund revenue sources were consistent with the prior year
- The General Fund expenditures increased approximately $1.4 million over the prior year, primarily related to salaries and benefits.
- The General Fund saw a $1.2 million increase in the prior year vs flat performance in the current year. The difference is the increased expenditures this year noted above.

All other funds of the district were non-major.

- The debt funds increased about $400,000 and are carefully managed to fund future debt payments as they become due.
- We spent down approximately $450,000 of funds related to the previous building and site bond issuances.
- The food service fund decreased $230,000, and included a transfer to the General Fund of $120,000 for allowable indirect cost reimbursement.

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

General Fund Budgetary Highlights

The School District has detailed information on budgetary data in section 5 of the financial statements as required by GASB Statement No.103.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2026 and 2025, the School District had the following costs of investments in capital assets, including land, buildings, and furniture and equipment:

	2026	2025
Land	$ 1,196,860	$ 1,196,860
Building and additions	93,801,367	93,763,878
Equipment and furniture	7,630,881	7,603,458
Right to use assets – equipment	194,701	194,701
Buses and other vehicles	1,098,337	1,098,337
Construction-in-progress	2,957,333	37,489
Total capital assets	104,321,370	103,894,723
Less accumulated depreciation	(39,343,141)	(36,676,383)
Total capital assets, net of accumulated depreciation	$ 64,978,229	$ 67,218,340

Debt

As of June 30, 2025, the School District had $34,750,000 in General Obligation Bonds outstanding versus $40,570,000 as of June 30, 2025 as a result of scheduled principal payments. We borrowed $1.7 million from the School Loan Revolving Fund and incurred interest of $1 million.

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

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

Economic Factors and FY25/26 Budgets

The School District's elected officials and administration considered many factors when setting the School District's FY 26/27 fiscal year budget. A primary directive is projecting a conservative adopted budget with all known available information. As of the date of the School District's FY 26/27 budget being adopted, the State of Michigan had not adopted a state aid budget. As a result, the elected officials and administration of the School District adopted a budget based on many assumptions that will need to be adjusted once the budget is passed and actual October student count comes in. We have budgeted for a net zero change in fund balance for 2026/2027.

Contacting the School District's Financial Management

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

BASIC FINANCIAL STATEMENTS

Otsego Public Schools
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash	$ 10,326,499
Accounts receivable	173,940
Leases receivable	2,223,988
Due from other governmental units	5,214,285
Inventory	41,546
Investments	744,375
Prepaid items	46,560
Capital assets not being depreciated	1,596,084
Capital assets - net of accumulated depreciation	63,382,145
Net OPEB asset	8,817,972
Total assets	92,567,394
Deferred Outflows of Resources	
Deferred amount on debt refunding	1,059,701
Deferred amount relating to the net pension liability	8,314,165
Deferred amount relating to the net OPEB asset	1,636,985
Total deferred outflows of resources	11,010,851

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Statement of Net Position
June 30, 2026

	Governmental Activities
Liabilities	
Accounts payable	322,256
Due to other governmental units	660,214
Payroll deductions and withholdings	537,279
Accrued expenditures	159,369
Accrued salaries payable	2,609,440
Unearned revenue	980,461
Long-term liabilities	
Net pension liability	29,312,703
Due within one year	2,636,978
Due in more than one year	60,057,973
Total liabilities	97,276,673
Deferred Inflows of Resources	
Deferred amount on leases receivable	2,223,988
Deferred amount relating to the net pension liability	11,311,126
Deferred amount relating to the net OPEB asset	7,404,145
Total deferred inflows of resources	20,939,259
Net Position	
Net investment in capital assets	4,639,952
Restricted for:	
Food service	464,623
Debt service	506,176
Net OPEB asset	8,817,972
Unrestricted	(29,066,410)
Total net position	$ (14,637,687)

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 17,600,645	$ -	$ 7,138,389	$ (10,462,256)
Supporting services	12,246,753	1,274,858	2,448,512	(8,523,383)
Food services	1,674,497	110,283	1,681,577	117,363
Community services	753,697	491,710	451,373	189,386
Interest and fiscal charges on long-term debt	2,128,270	-	-	(2,128,270)
Total governmental activities	$ 34,403,862	$ 1,876,851	$ 11,719,851	(20,807,160)
General revenues				
Property taxes, levied for general purposes				2,401,463
Property taxes, levied for debt service				5,651,502
State aid - unrestricted				20,975,723
Interest and investment earnings				149,056
Other				16,662
Total general revenues				29,194,406
Change in net position				8,387,246
Net position - beginning				(23,024,933)
Net position - ending				$ (14,637,687)

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Governmental Funds
Balance Sheet
June 30, 2026

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	$ 8,910,016	$ 1,416,483	$ 10,326,499
Accounts receivable	173,940	-	173,940
Leases receivable	2,223,988	-	2,223,988
Due from other funds	66,573	820,355	886,928
Due from other governmental units	5,150,309	63,976	5,214,285
Inventory	-	41,546	41,546
Investments	-	744,375	744,375
Prepaid items	23,460	23,100	46,560
Total assets	$ 16,548,286	$ 3,109,835	$ 19,658,121
Liabilities			
Accounts payable	$ 146,347	$ 175,909	$ 322,256
Due to other funds	780,142	106,786	886,928
Due to other governmental units	660,214	-	660,214
Payroll deductions and withholdings	537,279	-	537,279
Accrued salaries payable	2,609,440	-	2,609,440
Unearned revenue	971,590	8,871	980,461
Total liabilities	5,705,012	291,566	5,996,578
Deferred Inflows of Resources			
Leases receivable	2,223,988	-	2,223,988
Fund Balances			
Non-spendable			
Inventory	-	41,546	41,546
Prepaid items	23,460	23,100	46,560
Restricted for			
Food service	-	423,077	423,077
Debt service	-	665,545	665,545
Capital projects	-	768,305	768,305
Committed for student/school activities	-	896,696	896,696
Assigned	1,935,376	-	1,935,376
Unassigned	6,660,450	-	6,660,450
Total fund balances	8,619,286	2,818,269	11,437,555
Total liabilities, deferred inflows of resources, and fund balances	$ 16,548,286	$ 3,109,835	$ 19,658,121

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2026

Total fund balances for governmental funds	$ 11,437,555
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets - net of amortization	45,430
Capital assets not being depreciated	1,596,084
Capital assets - net of accumulated depreciation	63,336,715
Net OPEB asset is not recorded as an asset in the governmental funds	8,817,972
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	1,059,701
Deferred outflows of resources resulting from the net pension liability	8,314,165
Deferred outflows of resources resulting from the net OPEB asset	1,636,985
Deferred inflows of resources resulting from the net pension liability	(11,311,126)
Deferred inflows of resources resulting from the net OPEB asset	(7,404,145)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(159,369)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(29,312,703)
Compensated absences	(505,568)
Bonds payable	(35,279,012)
School bond loan payable, including interest	(26,861,224)
Other loans payable and liabilities	(49,147)
Net position of governmental activities	$ (14,637,687)

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2026

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	$ 3,873,179	$ 6,607,456	$ 10,480,635
State sources	28,412,715	733,032	29,145,747
Federal sources	619,381	1,146,312	1,765,693
Interdistrict sources	1,399,033	-	1,399,033
Total revenues	34,304,308	8,486,800	42,791,108
Expenditures			
Current			
Education			
Instruction	20,064,239	-	20,064,239
Supporting services	12,983,470	965,402	13,948,872
Food services	-	1,898,460	1,898,460
Community services	843,284	-	843,284
Intergovernmental payments	54,983	-	54,983
Facilities acquisition	-	491,224	491,224
Capital outlay	75,294	-	75,294
Debt service			
Principal	314,241	5,820,000	6,134,241
Interest and other expenditures	15,041	1,078,700	1,093,741
Total expenditures	34,350,552	10,253,786	44,604,338
Deficiency of revenues over expenditures	(46,244)	(1,766,986)	(1,813,230)
Other Financing Sources (Uses)			
Proceeds from school loan revolving fund	-	1,665,231	1,665,231
Transfers in	122,488	8,368,562	8,491,050
Transfers out	-	(8,491,050)	(8,491,050)
Total other financing sources (uses)	122,488	1,542,743	1,665,231
Net change in fund balances	76,244	(224,243)	(147,999)
Fund balances - beginning	8,543,042	3,042,512	11,585,554
Fund balances - ending	$ 8,619,286	$ 2,818,269	$ 11,437,555

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2026

Net change in fund balances - Total governmental funds	$ (147,999)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation and amortization expense	(2,666,758)
Capital outlay	451,858
Sale of capital assets (net book value)	(25,211)
Expenses are recorded when incurred in the statement of activities.	
Interest	(972,213)
Compensated absences	8,738
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	6,523,483
Net change in deferrals of resources related to the net pension liability	(2,273,110)
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB changes. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB asset	2,396,862
Net change in deferrals of resources related to the net OPEB asset	684,902
Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(1,665,231)
Repayments of long-term debt	6,134,241
Amortization of premiums	76,775
Amortization of deferred amount on debt refunding	(139,091)
Change in net position of governmental activities	$ 8,387,246

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The School District reports the following major governmental funds:

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

Additionally, the School District reports the following fund types:

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

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

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

Assets, Liabilities and Net Position or Equity

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2026, the rates are as follows per $1,000 of assessed value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At June 30, 2026, assigned fund balance consisted of the following:

Instructional purposes	$ 394,071
District improvements	510,000
Technology upgrades	653,305
Turf field replacement	345,000
Band uniforms	33,000
	$ 1,935,376

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

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

Use of Estimates

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

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

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

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

Upcoming Accounting and Reporting Changes
Statement No. 105, *Subsequent Events*, establishes accounting and financial reporting standards for events or transactions that occur after the measurement date of the financial statements but before the date the financial statements are available to be issued. This Statement distinguishes between events that provide additional evidence about conditions that existed at the date of the financial statements and events that provide evidence about conditions that did not exist at that date. Events that provide additional evidence about conditions existing at the financial statement date are recognized in the financial statements, whereas events that provide evidence about conditions arising after the financial statement date are not recognized but should be disclosed if they are essential for users' understanding of the financial statements. This Statement also clarifies the definition of the date the financial statements are available to be issued for disclosure purposes. This Statement is effective for the year ending June 30, 2027.

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

Note 2 - Stewardship, Compliance, and Accountability

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

Note 3 - Deposits and Investments

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

	Governmental Activities
Cash	$ 10,326,499
Investments	744,375
	$ 11,070,874

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 10,326,499
Investments in securities, mutual funds, and similar vehicles	744,375
Total	$ 11,070,874

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
Michigan CLASS	$ 744,375	N/A	AAAm	S&P

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

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

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

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, $10,435,469 of the School District's bank balance of $10,685,469 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District has the following recurring fair value measurements as of June 30, 2026:

The District holds shares or interests of $744,375 in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

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

Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,196,860	$ -	$ -	$ 1,196,860
Construction-in-progress	37,489	399,224	37,489	399,224
Total capital assets not being depreciated	1,234,349	399,224	37,489	1,596,084
Capital assets being depreciated				
Buildings and additions	93,763,878	37,489	-	93,801,367
Equipment and furniture	7,603,458	52,634	25,211	7,630,881
Right to use asset - equipment and furniture	194,701	-	-	194,701
Buses and other vehicles	1,098,337	-	-	1,098,337
Total capital assets being depreciated	102,660,374	90,123	25,211	102,725,286
Less accumulated depreciation for				
Buildings and additions	31,940,064	1,970,577	-	33,910,641
Equipment and furniture	4,141,969	531,285	-	4,673,254
Right to use asset - equipment and furniture	110,330	38,941	-	149,271
Buses and other vehicles	484,020	125,955	-	609,975
Total accumulated depreciation	36,676,383	2,666,758	-	39,343,141
Net capital assets being depreciated	65,983,991	(2,576,635)	25,211	63,382,145
Net capital assets	$67,218,340	$ (2,177,411)	$ 62,700	$64,978,229

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

Governmental activities	
Instruction	$ 1,466,717
Supporting services	1,013,368
Food services	133,338
Community services	53,335
Total governmental activities	$ 2,666,758

Note 6 - Unearned Revenue

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

Grant and categorical aid payments received prior to meeting all eligibility requirements	$ 829,923
Student meals	8,871
Rental payments received in advance	141,667
Total	$ 980,461

Note 6 - Leases

Lease Receivable

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

The School District collected $120,000 from the lessee for the year ended June 30, 2026, which includes $73,589 in lease revenue and $46,411 in lease interest revenue. A lease receivable and deferred inflow of resources have been recorded to reflect future expected payments.

Lease Liability

During the 2023 fiscal year, the School District entered into a 5 year lease agreement as lessee for the use of office equipment. An initial lease liability was recorded in the amount of $194,701 during the 2023 fiscal year. As of June 30, 2026, the value of the lease liability was $49,147. The School District is required to make annual principal and interest payments of $43,240. The lease has an interest rate of 4.2%. The value of the right-to-use asset as of the end of the current fiscal year was $194,701 and had accumulated amortization of $149,271.

Note 7 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 66,573
Nonmajor Governmental Funds	Nonmajor Governmental Funds	40,213
Nonmajor Governmental Funds	General Fund	780,142
		$ 886,928

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

Interfund transfers consisted of the following:

	Transfers Out: Nonmajor Governmental Funds
Transfers in	
General Fund	$ 122,488
Nonmajor governmental funds	8,368,562
	$ 8,491,050

Transfers of $122,488 were made from the Food Service Fund to the General Fund to reimburse it for allowable indirect costs. All other transfers were made to properly separate activity between nonmajor debt funds.

Future payments are due as follows:

Year ending June 30,	Principal	Interest	Total
2027	$ 41,978	$ 1,262	$ 43,240
2028	7,169	38	7,207
Total	$ 49,147	$ 1,300	$ 50,447

Note 7 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	$ 40,570,000	$ -	$ 5,820,000	$ 34,750,000	$ 2,500,000
Premium on bonds	605,787	-	76,775	529,012	-
Total bonds payable	41,175,787	-	5,896,775	35,279,012	2,500,000
Notes from direct borrowings and direct placements					
School Loan Revolving Fund (SLRF)	22,144,586	1,665,231	-	23,809,817	-
Accrued interest- SLRF	2,059,162	992,245	-	3,051,407	-
Installment agreement - buses	273,987	-	273,987	-	-
Total notes from direct borrowings and direct placements	24,477,735	2,657,476	273,987	26,861,224	-
Other liabilities					
Leases	89,401	-	40,254	49,147	41,978
Compensated absences	514,306	-	8,738	505,568	95,000
Total other liabilities	603,707	-	48,992	554,715	136,978
Total	$ 66,257,229	$ 2,657,476	$ 6,219,754	$ 62,694,951	$ 2,636,978

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

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

$6,960,000 2018 Building and Site bond due in annual installments of $120,000 to $400,0000 through May 2049, interest at 2.00% to 3.00%	$ 5,560,000
$9,465,000 2016 Refunding serial bond due in one installment of $2,000,000 on May 2027, interest at 2.00%	2,000,000
$7,715,000 2022 Building & Site bonds due in annual installments of $100,000 to $845,000 beginning May 2027 through May 2050, interest at 3.51% to 3.75%	7,715,000
$15,125,000 2020 Building & Site bonds due in annual installments of $445,000 to $800,000 beginning May 2028 through May 2050, interest at 2.13% to 2.40%	15,025,000
$3,850,000 2020 Refunding bond due in annual installments of $905,000 to $960,000 beginning May 2028 through May 2031, interest at 2.00%	3,750,000
$29,295,000 2017 Refunding serial bond due in annual installments of $100,000 starting May 2028 through May 2034, interest at 3.00% to 3.25%	700,000
Total general obligation bonded debt	$34,750,000

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

	Bonds		
Year Ending June 30,	Principal	Interest	Total
2027	$ 2,500,000	$ 956,213	$ 3,456,213
2028	1,550,000	896,213	2,446,213
2029	1,700,000	845,263	2,545,263
2030	1,650,000	793,413	2,443,413
2031	1,690,000	743,913	2,433,913
2032-2036	5,515,000	3,253,726	8,768,726
2037-2041	6,315,000	2,502,640	8,817,640
2042-2046	7,160,000	1,588,005	8,748,005
2047-2050	6,670,000	476,069	7,146,069
Total	$34,750,000	$12,055,455	$46,805,455

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of $665,545 to pay this debt. Future debt and interest will be payable from future tax levies.

School Loan Revolving Fund

The School Loan Revolving Fund (SLRF) consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's bond issues. In prior years, the School District issued bonds to renovate and construct School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage, but instead the election permitted the School District to extend this levy. Since the monies generated by the mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow from the SLRF to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the SLRF. During the year, the School

District borrowed $1,665,231 and accrued interest of $992,245. The School District had an outstanding balance at year-end of $26,861,224 from the School Loan Revolving Fund and related accrued interest. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

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

Compensated Absences
Accrued compensated absences at year end consist of $505,568 of accrued sick and vacation time benefits. Compensated absences additions and deductions are reported at their net value.

Note 8 - Risk Management

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

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

Note 9 - Pension Plan

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

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

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

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

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

and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The pension unfunded (overfunded) actuarial accrued liability as of the September 30, 2024 valuation will be amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2025.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	30.11%
Member Investment Plan	3.0 - 7.0%	30.11%
Pension Plus	3.0 - 6.4%	26.27%
Pension Plus 2	6.2%	27.16%
Defined Contribution	0.0%	20.96%

Required contributions to the pension plan from the School District were $6,094,359 for the year ending September 30, 2025.

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

At June 30, 2026, the School District reported a liability of $29,312,703 for its proportionate share of the MPSERS net pension liability. 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 rolled forward from September 2024. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2025, the School District's proportion was .1464 percent, which was a decrease of .0001 percent from its proportion measured as of September 30, 2024.

For the plan year ending September 30, 2025, the School District recognized pension expense of $1,679,006 for the measurement period. For the reporting period ending June 30, 2026, the School District recognized total pension contribution expense of $6,372,843.

At June 30, 2026, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ 1,135,365	$ (261,086)	$ 874,279
Changes of assumptions	1,052,117	(1,549,247)	(497,130)
Net difference between projected and actual earnings on pension plan investments	-	(7,005,108)	(7,005,108)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	350,022	(109,472)	240,550
Total to be recognized in future	2,537,504	(8,924,913)	(6,387,409)
School District contributions subsequent to the measurement date	5,776,661	(2,386,213)	3,390,448
Total	$ 8,314,165	$ (11,311,126)	$ (2,996,961)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. The District will offset the contribution expense in the year ended June 30, 2027 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources.

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2026	$ (245,918)
2027	(3,057,449)
2028	(2,362,468)
2029	(721,574)
	$ (6,387,409)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2024
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.00% net of investment expenses
  - Pension Plus Plan: 6.00% net of investment expenses
  - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%

- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
    - Retirees: PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
    - Active: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2025, is based on the results of an actuarial valuation date of September 30, 2024, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4524 years.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2025 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2025, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	21.0%	5.8%
Private Equity Pools	16.0	9.3
International Equity Pools	14.0	5.6
Fixed Income Pools	15.0	2.5
Real Estate and Infrastructure Pools	8.0	7.0
Absolute Return Pools	13.0	4.4
Real Return/Opportunistic Pools	9.0	7.0
Short Term Investment Pools	4.0	1.3
	100.0%	

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

Rate of Return
For the plan year ended September 30, 2025 the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 9.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.00%	6.00%	7.00%
$ 46,257,062	$ 29,312,703	$ 15,200,221

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

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

Note 10 - Postemployment Benefits Other Than Pensions (OPEB)

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Benefits Provided
Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning with fiscal year 2013,

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The OPEB unfunded (overfunded) actuarial accrued liability as of the September 30, 2024 valuation will be amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2025.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	1.25%
Personal Healthcare Fund (PHF)	0.0%	0.00%

Required contributions to the OPEB plan from the School District were $136,420 for the year ended September 30, 2025.

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

At June 30, 2026, the School District reported an asset of $8,817,972 its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2024. The School District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2025, the School District's proportion was .1451 percent, which was a decrease of .0041 percent from its proportion measured as of September 30, 2024.

For the plan year ending September 30, 2025, the School District recognized OPEB expense of $(2,738,925) for the measurement period. For the reporting period ending June 30, 2026, the School District recognized total OPEB contribution expense of $328,508.

At June 30, 2026, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ -	$(6,037,202)	$(6,037,202)
Changes of assumptions	1,176,853	(93,522)	1,083,331
Net difference between projected and actual earnings on OPEB plan investments	-	(1,239,117)	(1,239,117)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	141,417	(34,304)	107,113
Total to be recognized in future	1,318,270	(7,404,145)	(6,085,875)
School District contributions subsequent to the measurement date	318,715	-	318,715
Total	$ 1,636,985	$(7,404,145)	$(5,767,160)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as an addition to the net OPEB asset in the year ended June 30, 2027.

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2026	$(1,599,878)
2027	(1,593,514)
2028	(1,482,064)
2029	(962,512)
2030	(341,283)
Thereafter	(106,624)
	$(6,085,875)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2024
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; Post-65: 6.50% Year 1 graded to 3.5% Year 15
- Mortality:
  - Retirees: PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
  - Active: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

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

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2025 is based on the results of an actuarial valuation date of September 30, 2024, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 6.4654.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2025 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2025, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	16.0 %	5.8%
Private Equity Pools	16.0	9.3
International Equity Pools	11.0	5.6
Fixed Income Pools	26.0	2.5
Real Estate and Infrastructure Pools	5.0	7.0
Absolute Return Pools	15.0	4.4
Real Return/Opportunistic Pools	7.0	7.0
Short Term Investment Pools	4.0	1.3
	100.0%	

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

Rate of Return
For the plan year ended September 30, 2025, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 9.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
$ (7,597,241)	$ (8,817,972)	$ (9,886,376)

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ (9,876,627)	$ (8,817,972)	$ (7,706,419)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2025 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

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

Note 11 - Contingencies and Commitments

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

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

Note 12 - Tax Abatements

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

For the fiscal year ended June 30, 2026, the School District's property tax revenues were not reduced by a material amount under these programs.

There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Otsego Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance - Final Budget Over (Under)		Variance - Actual Over (Under)
	Original	Final	Original Budget	Actual	Final Budget
Revenues					
Local sources	$ 3,567,862	$ 4,158,882	$ 591,020	$ 3,873,179	$ (285,703)
State sources	28,194,647	28,380,477	185,830	28,412,715	32,238
Federal sources	441,054	463,000	21,946	619,381	156,381
Interdistrict sources	1,275,400	1,402,300	126,900	1,399,033	(3,267)
Total revenues	33,478,963	34,404,659	925,696	34,304,308	(100,351)
Expenditures					
Instruction					
Basic programs	16,820,401	17,173,038	352,637	16,848,900	(324,138)
Added needs	2,650,972	3,176,556	525,584	3,215,339	38,783
Supporting services					
Pupil	1,804,214	1,771,645	(32,569)	1,748,824	(22,821)
Instructional staff	797,973	943,481	145,508	1,024,014	80,533
General administration	1,141,348	1,183,094	41,746	1,214,485	31,391
School administration	1,733,025	1,748,452	15,427	1,793,018	44,566
Business	548,532	494,313	(54,219)	484,345	(9,968)
Operations and maintenance	3,717,152	3,866,868	149,716	3,967,559	100,691
Pupil transportation services	1,095,546	1,118,628	23,082	1,108,216	(10,412)
Central	939,773	748,125	(191,648)	725,413	(22,712)
Athletic activities	766,443	891,517	125,074	917,596	26,079
Community services	757,660	828,504	70,844	843,284	14,780
Intergovernmental payments	42,000	55,000	13,000	54,983	(17)
Capital outlay	618,425	76,592	(541,833)	75,294	(1,298)
Debt service					
Principal	40,000	326,042	286,042	314,241	(11,801)
Interest and fiscal charges	5,500	2,804	(2,696)	15,041	12,237
Total expenditures	33,478,964	34,404,659	925,695	34,350,552	(54,107)
Excess (deficiency) of revenues over expenditures	(1)	-	1	(46,244)	(46,244)
Other Financing Sources					
Transfers in	-	-	-	122,488	122,488
Net change in fund balances	(1)	-	1	76,244	76,244
Fund balance - beginning	8,543,042	8,543,042	-	8,543,042	-
Fund balance - ending	$ 8,543,041	$ 8,543,042	$ 1	$ 8,619,286	$ 76,244

See Accompanying Notes to the Required Supplementary Information

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

	June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. School District's proportion of the net pension liability (%)	0.1463%	0.1464%	0.1446%	0.1447%	0.1424%	0.1411%	0.1380%	0.1333%	0.1303%	0.1271%
B. School District's proportionate share of the net pension liability	$ 29,312,703	$ 35,836,186	$ 46,814,236	$ 54,419,298	$ 33,719,157	$ 48,466,012	$ 45,689,287	$ 40,065,818	$ 33,773,738	$ 31,713,117
C. School District's covered payroll	$ 16,168,872	$ 15,785,542	$ 14,515,343	$ 14,079,018	$ 13,028,757	$ 12,649,348	$ 12,274,679	$ 12,062,986	$ 11,391,833	$ 10,899,835
D. School District's proportionate share of the net pension liability as a percentage of its covered payroll	181.29%	227.02%	322.52%	386.53%	258.81%	383.15%	372.22%	332.14%	296.47%	290.95%
E. 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%

See Accompanying Notes to the Required Supplementary Information

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

	For the Years Ended June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. Statutorily required contributions	$ 6,372,843	$ 5,853,773	$ 6,065,660	$ 5,275,666	$ 4,931,639	$ 4,205,780	$ 3,871,552	$ 3,637,630	$ 3,056,903	$ 2,140,902
B. Contributions in relation to statutorily required contributions	6,372,843	5,853,773	6,065,660	5,275,666	4,931,639	4,205,780	3,871,552	3,637,630	3,056,903	2,140,902
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
D. School District's covered payroll	$ 16,681,509	$ 16,002,225	$ 15,515,394	$ 14,884,156	$ 13,938,904	$ 12,645,078	$ 12,724,320	$ 11,536,031	$ 11,391,833	$ 11,443,384
E. Contributions as a percentage of covered payroll	38.20%	36.58%	39.09%	35.44%	35.38%	33.26%	30.43%	31.53%	26.83%	18.71%

See Accompanying Notes to the Required Supplementary Information

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

	June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. School District's proportion of the net OPEB liability (asset) (%)	0.1451%	0.1492%	0.1452%	0.1449%	0.1442%	0.1428%	0.1405%	0.1355%	0.1306%	
B. School District's proportionate share of the net OPEB liability (asset)	$ (8,817,972)	$ (6,421,110)	$ (821,141)	$ 3,069,180	$ 2,201,393	$ 7,648,770	$ 10,085,379	$ 10,769,677	$ 11,567,881	
C. School District's covered payroll	$ 16,168,872	$ 15,785,542	$ 14,515,343	$ 14,079,018	$ 13,028,757	$ 12,649,348	$ 12,274,679	$ 12,062,986	$ 11,391,833	
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-54.54%	-40.68%	-5.66%	21.80%	16.90%	60.47%	82.16%	89.28%	101.55%	
E. Plan fiduciary net position as a percentage of total OPEB liability (asset)	164.94%	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%	

See Accompanying Notes to the Required Supplementary Information

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

	For the Years Ended June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. Statutorily required contributions	$ 328,508	$ 254,187	$ 1,227,082	$ 1,157,396	$ 1,120,871	$ 1,033,980	$ 1,008,099	$ 947,957	$ 1,017,008	
B. Contributions in relation to statutorily required contributions	328,508	254,187	1,227,082	1,157,396	1,120,871	1,033,980	1,008,099	947,957	1,017,008	
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
D. School District's covered payroll	$ 16,681,509	$ 16,002,225	$ 15,515,394	$ 14,884,156	$ 13,938,904	$ 12,645,078	$ 12,724,320	$ 11,536,031	$ 11,391,833	
E. Contributions as a percentage of covered payroll	1.97%	1.59%	7.91%	7.78%	8.04%	8.18%	7.92%	8.22%	8.93%	

See Accompanying Notes to the Required Supplementary Information

Note 1 - Budgetary Information

Budgetary Basis of Accounting

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

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

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

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

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Added needs	$ 3,176,556	$ 3,215,339	$ 38,783
Instructional staff	943,481	1,024,014	80,533
General administration	1,183,094	1,214,485	31,391
School administration	1,748,452	1,793,018	44,566
Operations and maintenance	3,866,868	3,967,559	100,691
Athletic activities	891,517	917,596	26,079
Community services	828,504	843,284	14,780
Debt service	328,846	329,282	436
Student/School Activity Fund	600,000	965,402	365,402

Budgetary Highlights

The following provides an explanation of significant variances for the General Fund when comparing the original budget to final budget and final budget to actual results:

Variances – Final Budget Over (Under) Original Budget

The School District passed its original budget for fiscal year 2025-2026 in June of 2025. At this time, there were many unknown variables for the next fiscal year, which include the 2025-2026 student count day figures. Additionally, the State of Michigan had not yet passed its budget. As a result, the School District made many material assumptions based on the best information available at the time. State aid accounted for more than 82% of actual revenue during the year. Nearly all variances from the original budgeted amounts to the final budgeted amounts were as a result of budgetary amendments made which reflected actual revenue to be received from state aid, as well as actual student count data which were both unavailable at the time the original budget was passed.

Variances – Actual Over (Under) Final Budget

There were no significant variances noted.

Note 2 - Pension Information

Notes to the Schedule of the School District's Proportionate Share of the Net Pension Liability

Changes of benefit terms:

- There were no changes of benefit terms in the plan fiscal year 2025.

Changes of benefit assumptions:

- There were no changes of benefit assumptions in plan fiscal year 2025.

Note 3 - OPEB Information

Notes to the Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)

Changes of benefit terms:

- There were no changes of benefit terms in the plan fiscal year 2025.

Changes of benefit assumptions:

- There were no changes of benefit assumptions in plan fiscal year 2025.

OTHER SUPPLEMENTARY INFORMATION

Otsego Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2026

	Special Revenue Funds		Debt Service Funds							Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student/School Activity Fund	2022 Debt Fund	2016 Refunding Debt Fund	2017 Refunding Debt Fund	2018 Debt Fund	2019 Refunding Debt Fund	2020 Refunding Debt Fund	2020 Debt Fund	2018 Building & Site Fund	2022 Building & Site Fund	
Assets												
Cash	$ 165,987	$ 943,451	$ -	$ -	$ -	$ -	$ 261,647	$ -	$ -	$ 35,650	$ 9,748	$ 1,416,483
Due from other funds	343,709	-	-	414,372	-	-	-	-	-	60,000	2,274	820,355
Due from other governmental units	63,976	-	-	-	-	-	-	-	-	-	-	63,976
Inventory	41,546	-	-	-	-	-	-	-	-	-	-	41,546
Investments	-	-	-	-	-	-	-	-	-	293,653	450,722	744,375
Prepaid items	-	-	-	-	-	-	-	-	-	-	23,100	23,100
Total assets	$ 615,218	$ 943,451	$ -	$ 414,372	$ -	$ -	$ 261,647	$ -	$ -	$ 389,303	$ 485,844	$ 3,109,835
Liabilities												
Accounts payable	$ 141,724	$ 10,443	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 23,742	$ 175,909
Due to other funds	-	36,312	-	2,274	-	-	8,200	-	-	-	60,000	106,786
Unearned revenue	8,871	-	-	-	-	-	-	-	-	-	-	8,871
Total liabilities	150,595	46,755	-	2,274	-	-	8,200	-	-	-	83,742	291,566
Fund Balances												
Non-spendable												
Inventory	41,546	-	-	-	-	-	-	-	-	-	-	41,546
Prepaid items	-	-	-	-	-	-	-	-	-	-	23,100	23,100
Restricted for												
Food service	423,077	-	-	-	-	-	-	-	-	-	-	423,077
Debt service	-	-	-	412,098	-	-	253,447	-	-	-	-	665,545
Capital projects	-	-	-	-	-	-	-	-	-	389,303	379,002	768,305
Committed	-	896,696	-	-	-	-	-	-	-	-	-	896,696
Total fund balances	464,623	896,696	-	412,098	-	-	253,447	-	-	389,303	402,102	2,818,269
Total liabilities and fund balances	$ 615,218	$ 943,451	$ -	$ 414,372	$ -	$ -	$ 261,647	$ -	$ -	$ 389,303	$ 485,844	$ 3,109,835

Otsego Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2026

	Special Revenue Funds		Debt Service Funds							Capital Projects Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student/School Activity Fund	2022 Debt Fund	2016 Refunding Debt Fund	2017 Refunding Debt Fund	2018 Debt Fund	2019 Refunding Debt Fund	2020 Refunding Debt Fund	2020 Debt Fund	2018 Building & Site Fund	2022 Building & Site Fund	
Revenues												
Local sources	$ 115,140	$ 997,928	$ -	$ 1,830,554	$ -	$ -	$ 3,626,341	$ -	$ -	$ 1,812	$ 35,681	$ 6,607,456
State sources	530,408	-	-	202,624	-	-	-	-	-	-	-	733,032
Federal sources	1,146,312	-	-	-	-	-	-	-	-	-	-	1,146,312
Total revenues	1,791,860	997,928	-	2,033,178	-	-	3,626,341	-	-	1,812	35,681	8,486,800
Expenditures												
Current												
Education												
Supporting services	-	965,402	-	-	-	-	-	-	-	-	-	965,402
Food services	1,898,460	-	-	-	-	-	-	-	-	-	-	1,898,460
Facilities acquisition	-	-	-	-	-	-	-	-	-	-	491,224	491,224
Debt service												
Principal	-	-	-	2,025,000	-	-	3,795,000	-	-	-	-	5,820,000
Interest and other expenditures	-	-	274,181	82,291	21,375	186,668	80,197	75,000	358,988	-	-	1,078,700
Total expenditures	1,898,460	965,402	274,181	2,107,291	21,375	186,668	3,875,197	75,000	358,988	-	491,224	10,253,786
Excess (deficiency) of revenues over expenditures	(106,600)	32,526	(274,181)	(74,113)	(21,375)	(186,668)	(248,856)	(75,000)	(358,988)	1,812	(455,543)	(1,766,986)
Other Financing Sources (Uses)												
Proceeds from school bond loan fund	-	-	-	1,665,231	-	-	-	-	-	-	-	1,665,231
Transfers in	-	-	274,181	3,577,589	21,375	186,668	3,874,761	75,000	358,988	-	-	8,368,562
Transfers out	(122,488)	-	-	(4,790,908)	-	(65)	(3,577,589)	-	-	-	-	(8,491,050)
Total other financing sources (uses)	(122,488)	-	274,181	451,912	21,375	186,603	297,172	75,000	358,988	-	-	1,542,743
Net change in fund balances	(229,088)	32,526	-	377,799	-	(65)	48,316	-	-	1,812	(455,543)	(224,243)
Fund balances - beginning	693,711	864,170	-	34,299	-	65	205,131	-	-	387,491	857,645	3,042,512
Fund balances - ending	$ 464,623	$ 896,696	$ -	$ 412,098	$ -	$ -	$ 253,447	$ -	$ -	$ 389,303	$ 402,102	$ 2,818,269

Otsego Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2026

Year Ending June 30,	2016 Debt Principal	2017 Debt Principal	2018 Building & Site Bonds	2019 Refunding Bonds	2020 Building & Site Bonds	2020 Refunding Bonds	2022 Building & Site Bonds	Total
2027	$ 2,000,000	$ -	$ -	$ -	$ -	$ -	$ 500,000	$ 2,500,000
2028	-	100,000	120,000	-	445,000	905,000	100,000	1,670,000
2029	-	100,000	125,000	-	450,000	930,000	100,000	1,705,000
2030	-	100,000	130,000	-	470,000	955,000	-	1,655,000
2031	-	100,000	140,000	-	500,000	960,000	-	1,700,000
2032	-	100,000	145,000	-	590,000	-	245,000	1,080,000
2033	-	100,000	150,000	-	605,000	-	250,000	1,105,000
2034	-	100,000	160,000	-	615,000	-	255,000	1,130,000
2035	-	-	265,000	-	630,000	-	260,000	1,155,000
2036	-	-	275,000	-	640,000	-	265,000	1,180,000
2037	-	-	285,000	-	645,000	-	280,000	1,210,000
2038	-	-	295,000	-	660,000	-	285,000	1,240,000
2039	-	-	305,000	-	675,000	-	290,000	1,270,000
2040	-	-	315,000	-	680,000	-	305,000	1,300,000
2041	-	-	315,000	-	710,000	-	310,000	1,335,000
2042	-	-	325,000	-	725,000	-	320,000	1,370,000
2043	-	-	340,000	-	730,000	-	335,000	1,405,000
2044	-	-	350,000	-	750,000	-	340,000	1,440,000
2045	-	-	365,000	-	765,000	-	350,000	1,480,000
2046	-	-	370,000	-	790,000	-	360,000	1,520,000
2047	-	-	385,000	-	750,000	-	425,000	1,560,000
2048	-	-	400,000	-	700,000	-	500,000	1,600,000
2049	-	-	-	-	800,000	-	845,000	1,645,000
2050	-	-	-	-	700,000	-	795,000	1,495,000
Total	$ 2,000,000	$ 700,000	$ 5,560,000	$ -	$ 15,025,000	$ 3,750,000	$ 7,715,000	$ 34,750,000
Principal payments due the first day of	May	May	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	May and November	
Interest rate	2.00% - 3.00%	3.00% - 3.25%	3.00% – 5.00%	2.00% – 2.10%	4.00% – 4.25%	2.00%	3.49% – 3.75%	
Original issue	$ 9,465,000	$ 29,295,000	$ 6,960,000	$ 7,105,000	$ 15,125,000	$ 3,850,000	$ 7,715,000	

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Members of the Board of Education
Otsego Public Schools
Otsego, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Public Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Otsego Public Schools' basic financial statements, and have issued our report thereon dated October 23, 2026.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Otsego Public Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Otsego Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Otsego Public Schools' internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Kalamazoo, Michigan
October 23, 2026