BERRIEN SPRINGS PUBLIC SCHOOLS

FINANCIAL REPORT

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2026

KRUGGEL LAWTON CPA

St. Joseph, MI

Berrien Springs Public Schools
Berrien Springs, Michigan
June 30, 2026

BOARD OF EDUCATION

		Term Expires
Erica Molden	President	December 31, 2028
Mike Shembarger	Vice President	December 31, 2028
Steve Shunkwiler	Treasurer	December 31, 2026
Stephanie James	Secretary	December 31, 2030
Dr. Lee Davidson	Trustee	December 31, 2026
Paul Toliver	Trustee	December 31, 2026
Justin Turner	Trustee	December 31, 2030

Dr. Thomas Bruce	Superintendent
Kari Bennett, CPA	Chief Financial Officer

Berrien Springs Public Schools
Berrien Springs, Michigan
June 30, 2026

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KRUGGEL LAWTON CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

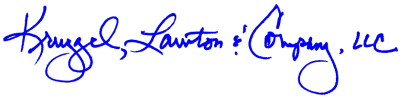
Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan

October 27, 2026

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial position and results of operations of Berrien Springs Public Schools (the "District") for the fiscal year ended June 30, 2026. This narrative is intended to help readers understand the District's financial performance, key changes from the prior year, and factors expected to affect future operations.

If you have any questions about this report or need any additional information, please contact Central Office, Berrien Springs Public Schools, Berrien Springs, Michigan 49103, phone 269-471-2891.

Government-wide Statements

The Government-wide financial statements are full accrual basis statements. They report all of the District's assets, deferred outflows, liabilities and deferred inflows, short-term and long-term, regardless of whether they are "currently available" or not. For example, assets that are restricted for use in the debt service funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the Government-wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: 2012 QZAB Debt Fund, 2019 Athletic Debt Fund, 2019 UTGO AAC Debt Fund, 2021 Energy Conservation Debt Fund, and 2023 Energy Conservation Debt Fund (debt service funds), Student Activity Fund and Food Services Fund (special revenue funds), Building and Site Fund, Public Improvement Fund, and 2023 Energy Conservation Capital Project Fund (capital projects funds).

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No capital asset are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

Governmental Activities - Detailed Analysis

The district-wide net position of the District as of June 30 is summarized in the table below:

	2026	2025	Dollar Change	Total % Change
Assets	$ 152,075,530	$ 144,175,702	$ 7,899,828	5%
Deferred Outflows of Resources	20,027,741	25,823,064	(5,795,323)	-22%
Liabilities	92,035,736	102,567,306	(10,531,570)	-10%
Deferred Inflows of Resources	30,668,351	33,582,630	(2,914,279)	-9%
Net Position				
Net investment in capital assets	$ 52,772,767	$ 45,021,533	$ 7,751,234	17%
Restricted	13,435,632	11,184,647	2,250,985	20%
Unrestricted	(16,809,215)	(22,357,350)	5,548,135	-25%
Total Net Position	$ 49,399,184	$ 33,848,830	$ 15,550,354	46%

As of June 30, 2026, the District's net position was $49,399,184 which was a $15,550,354 or 46% increase from June 30, 2025. The following sections of the MD&A discuss the financial performance and conditions that contributed to that increase.

	For the Year Ended June 30th			
	2026	2025	Dollar Change	Total % Change
Revenues				
Program Revenue				
Charges for services	$ 287,583	$ 392,528	$ (104,945)	-27%
Operating grants and contributions	21,006,710	20,424,509	582,201	3%
General Revenues				
Property taxes	4,192,841	4,048,598	144,243	4%
State school aid, unrestricted	53,301,955	49,233,329	4,068,626	8%
Interest and investment earnings	1,557,964	1,492,408	65,556	4%
Other	17,846,612	19,481,506	(1,634,894)	-8%
Gain/(loss) on disposal of capital assets	(49,040)	27,398	(76,438)	-279%
Total Revenues	$ 98,144,625	$ 95,100,276	$ 3,044,349	3%
Expenses				
Instruction and instructional support	$ 30,660,680	$ 31,408,943	$ (748,263)	-2%
Support services	40,269,939	42,786,775	(2,516,836)	-6%
Community services	3,183,000	3,077,884	105,116	3%
Food Services	1,293,454	1,468,217	(174,763)	-12%
Interest on long-term debt (unallocated)	955,404	1,198,217	(242,813)	-20%
Depreciation/amortization (unallocated)	6,231,794	6,047,932	183,862	3%
Total Expenses	$ 82,594,271	$ 85,987,968	$ (3,393,697)	-4%
Change in Net Position	$ 15,550,354	$ 9,112,308	$ 6,438,046	71%

The increase in net position was due to:

- Revenue increased by $3,044,349 or 3% from prior year, driven by an increase in state funding of $4,068,626 or 8%.

- Expenses decreased by $3,393,697 or 4% from prior year, driven by actuarial measurements and the recognition of deferred pension amounts.

Detail Analysis of Governmental Funds:

General Fund

The General Fund had a decrease in fund balance of $3,217,571 or 7%. This decrease was mainly due to increases in transfers to public improvement fund and debt service funds.

The overall ending fund balance represents 48.1% of operating expenditures.

Significant Capital Asset and Long-Term Obligations

Capital Assets

At year end, the District had $9,570,782 of additions in the current year, mainly related to building improvements at various buildings, Shawnee Road ballpark improvements and leasehold improvements related to the Belding location.

Net capital assets of the District as of June 30 are detailed as follows:

	2026	2025
Land	$ 4,409,311	$ 3,088,032
Construction-in-progress	2,394,300	3,315,664
Buildings and site improvements	87,842,643	83,490,235
Buses and other vehicles	3,321,103	3,075,805
Furniture and equipment	4,155,752	3,779,414
Leasehold improvements	6,835,550	6,894,756
Right-to-use - leased buildings	11,396,525	8,041,578
Total Assets	$ 120,355,184	$ 111,685,484
Less: accumulated depreciation/amortization	(43,762,427)	(38,376,275)
Net Capital Assets	$ 76,592,757	$ 73,309,209

Long-term Financing Obligations

At year end, the District had $16,412,236 in general obligation bonds (including premiums) and other long-term debt outstanding.

The District continued to pay down its debt, $7,192,672 in general obligation bonds (including premium amortization) and $1,074,133 in lease liabilities.

Currently Known Facts, Decisions, and Conditions

For the 2026-2027 fiscal year, the State of Michigan increased the foundation allowance to $10,300 per pupil, an increase of $250 per pupil from 2025-2026. Cyber schools received the full foundation allowance in 2026-2027. This follows the restoration of full foundation allowance funding for cyber schools in 2025-2026, after they did not receive foundation allowance increases in 2023-2024 and 2024-2025.

The District's enrollment projections continue to reflect growth at its virtual learning centers. Because foundation allowance revenue is based on pupil membership, enrollment growth is expected to have a positive effect on state funding. Actual funding will depend on certified pupil counts and other applicable state funding requirements.

STATEMENT OF NET POSITION
AS OF JUNE 30, 2026

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,031,990
Investments	37,328,822
Receivables	6,302,895
Due from other governmental units	14,093,825
Inventory	6,655
Prepaid expenditures	711,888
Capital assets, not being depreciated/amortized	6,803,611
Capital assets, net of accumulated depreciation/amortization	69,789,146
Net OPEB asset	13,006,698
Total Assets	$ 152,075,530
Deferred Outflows of Resources	
Related to pensions	$ 17,122,429
Related to OPEB	2,905,312
Total Deferred Outflows of Resources	$ 20,027,741
Liabilities	
Accounts payable	$ 1,790,067
Salaries and benefits payable	3,740,298
Due to other governmental units	2,060,074
Unearned revenue	4,902,448
Accrued interest payable	292,633
Noncurrent Liabilities:	
Leases payable - due within one year	1,088,361
Bonds payable - due within one year	1,747,672
Compensated absences - due within one year	249,536
Leases payable - due in more than one year	6,344,784
Bonds payable - due in more than one year	14,664,564
Compensated absences - due in more than one year	2,245,826
Net pension liability	52,909,473
Total Liabilities	$ 92,035,736
Deferred Inflows of Resources	
Related to pensions	$ 16,016,686
Related to state funding for pension benefits	3,688,591
Related to OPEB	10,963,074
Total Deferred Inflows of Resources	$ 30,668,351
Net Position	
Net investment in capital assets	$ 52,772,767
Restricted:	
Capital projects	168,871
Debt retirement	260,063
Net OPEB Asset	13,006,698
Unrestricted	(16,809,215)
Total Net Position	$ 49,399,184

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

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants/ Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction and instructional support	$ 30,660,680	$ -	$ 18,233,079	$ (12,427,601)
Support services	40,269,939	223,002	1,251,661	(38,795,276)
Community services	3,183,000	-	-	(3,183,000)
Food services	1,293,454	64,581	1,501,424	272,551
Other	-	-	11,235	11,235
Interest on long-term debt (unallocated)	955,404	-	9,311	(946,093)
Depreciation/amortization (unallocated)	6,231,794	-	-	(6,231,794)
	$ 82,594,271	$ 287,583	$ 21,006,710	$ (61,299,978)

General Revenues:	
Taxes:	
Property taxes, levied for general purposes	$ 2,794,834
Property taxes, levied for debt service	1,398,007
State school aid, unrestricted	53,301,955
Interest and investment earnings	1,557,964
Other	17,846,612
Loss on disposal of capital assets	(49,040)
Total general revenues	$ 76,850,332
Change in Net Position	$ 15,550,354
Net Position - Beginning of year	33,848,830
Net Position - End of year	$ 49,399,184

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

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2026

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and cash equivalents	$ 2,536,478	$ 1,495,512	$ 4,031,990
Investments	32,842,019	4,486,803	37,328,822
Receivables	6,301,572	1,323	6,302,895
Due from other funds	86,692	4,450	91,142
Due from other governmental units	14,045,921	47,904	14,093,825
Inventory	-	6,655	6,655
Prepaid expenditures	711,888	-	711,888
Total Assets	$ 56,524,570	$ 6,042,647	$ 62,567,217
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	$ 1,778,303	$ 11,764	$ 1,790,067
Salaries and benefits payable	3,734,010	6,288	3,740,298
Due to other funds	4,352	86,790	91,142
Due to other governmental units	2,055,161	4,913	2,060,074
Unearned revenue	4,888,084	14,364	4,902,448
Total Liabilities	$ 12,459,910	$ 124,119	$ 12,584,029
Fund Balances:			
Nonspendable - inventory	$ -	$ 6,655	$ 6,655
Nonspendable - prepaid expenditures	711,888	-	711,888
Restricted for debt retirement	-	260,063	260,063
Restricted for food service	-	586,317	586,317
Restricted for capital projects	-	194,262	194,262
Committed for student activities	-	389,408	389,408
Committed for capital projects	-	4,481,823	4,481,823
Assigned for 2026/2027 budgeted deficit	2,511,149	-	2,511,149
Unassigned	40,841,623	-	40,841,623
Total Fund Balances	$ 44,064,660	$ 5,918,528	$ 49,983,188
Total Liabilities and Fund Balance	$ 56,524,570	$ 6,042,647	$ 62,567,217

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

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2026

Total Governmental Fund Balances	$	49,983,188
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because:		
Deferred outflows of resources related to		
Pensions		17,122,429
OPEB		2,905,312
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.		
The cost of the capital assets		120,355,184
Accumulated depreciation/amortization		(43,762,427)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Leases payable		(7,433,145)
Bonds payable		(14,461,200)
Bond premium		(1,951,036)
Compensated absences		(2,495,362)
Net pension liability		(52,909,473)
Net OPEB asset		13,006,698
Deferred inflows of resources related to		
Pensions		(16,016,686)
State aid funding for pension		(3,688,591)
OPEB		(10,963,074)
Interest payable is not included as a liability in governmental funds.		(292,633)
Net Position of Governmental Activities	$	49,399,184

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

BERRIEN SPRINGS PUBLIC SCHOOLS

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

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Local sources	$ 22,060,229	$ 1,763,052	$ 23,823,281
State sources	69,050,065	218,537	69,268,602
Federal sources	1,564,509	1,303,433	2,867,942
Interdistrict sources	2,172,121	-	2,172,121
Total Revenues	$ 94,846,924	$ 3,285,022	$ 98,131,946
Expenditures:			
Instruction	$ 34,466,167	$ -	$ 34,466,167
Supporting services	43,546,871	222,627	43,769,498
Community services	3,275,765	-	3,275,765
Food services	-	1,389,145	1,389,145
Facilities acquisition, construction, and improvements	9,159,114	51,553	9,210,667
Debt service:			
Principal on long-term debt	1,074,133	7,025,600	8,099,733
Interest on long-term debt	183,327	960,749	1,144,076
Total Expenditures	$ 91,705,377	$ 9,649,674	$ 101,355,051
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 3,141,547	$ (6,364,652)	$ (3,223,105)
Other Financing Sources (Uses):			
Operating transfers in	$ 79,000	$ 10,305,248	$ 10,384,248
Operating transfers out	(10,305,248)	(79,000)	(10,384,248)
Proceeds from sale of capital assets	6,400	-	6,400
Other transactions	61,719	-	61,719
Proceeds from leases	3,799,011	-	3,799,011
Total Other Financing Sources (Uses)	$ (6,359,118)	$ 10,226,248	$ 3,867,130
Net Change in Fund Balances	$ (3,217,571)	$ 3,861,596	$ 644,025
Fund Balances - Beginning of year	47,282,231	2,056,932	49,339,163
Fund Balances - End of year	$ 44,064,660	$ 5,918,528	$ 49,983,188

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

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

Net Change in Fund Balances - Total Governmental Funds		$ 644,025
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; in the Government-wide Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation/amortization expense	$ (6,231,794)	
Loss on disposal of capital assets	(55,440)	
Capital outlay	9,570,782	
Total		3,283,548
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bond payments		7,025,600
Amortization of bond premium		167,072
Lease payments		1,074,133
Lease proceeds		(3,799,011)
Increase in the liability for the interest payable is not reported in the governmental funds.		21,600
Change in benefit expense related to pension (including state aid funding for pension)		3,645,236
Change in benefit expense related to OPEB.		3,819,470
Increase in the liability for compensated absences is not reported in the governmental funds.		(331,319)
Change in Net Position of Governmental Activities		$ 15,550,354

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

BASIC FINANCIAL STATEMENTS

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

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

The District first utilizes restricted resources to finance qualifying activities.

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major Governmental Fund:

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

The District reports the following nonmajor Governmental Funds:

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

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

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

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

The 2023 Energy Conservation Capital Project Fund activities are funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. Beginning with the year of bond issuance, the District has reported the annual construction activity in the fund. The project for the 2023 energy conservation improvement bonds were issued was considered complete on June 30, 2026.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following is a summary of the cumulative revenues, other financing sources (uses), and expenditures for the 2023 energy conservation capital project fund:

Revenues and other financing sources	$ 1,774,859
Expenditures and other financing uses	$ 1,749,468

The above revenue and other financing sources does include the total 2023 bond proceeds and premium of $1,768,802.

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

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

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

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

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

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

- Prior to June 30, the Superintendent of the District submits to the Board a proposed operating budget for the fiscal year commencing July 1 of that year. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.

- Prior to July 1, the budget is legally enacted on an activity level basis through passage of a resolution, and in accordance with Public Act 621 of the State.

- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The District is required under Public Act 621 of 1978 and by accounting principles generally accepted in the United States of America to adopt a budget for the General Fund and major Special Revenue Funds.

- Budget amounts are reported in the financial statements as originally adopted and as amended by the Board of Education.

- The budget was amended during the fiscal year.

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Defined Benefit Plans - For purposes of measuring the net pension liability and net other postemployment benefit asset, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System ("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 Outflows - In addition to assets, the Government-wide Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are pension and other postemployment benefits related items reported in the Government-wide Statement of Net Position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenditures/Expenses –

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

Property Taxes **-** Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1, are due upon receipt of the billing by the taxpayer, and become a lien on the first day of the levy year. The actual due dates are 75 days after the levy dates, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. For the year ended June 30, 2026, the District levied the following mills: General Fund 18.000 mills, Debt Funds 2.700 mills.

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITAs.

- The lease/SBITA term includes the noncancelable period of the lease. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

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

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

The following are the District's fund balance classifications:

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

NOTE 2. DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2026, $4,216,116 of the District's bank balance of $4,572,651 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $4,031,990.

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

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

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

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF Investment pool - MAX	$ 27,949,239	N/A
Michigan CLASS Investment pool	4,280,914	0.1050
Mutual funds	5,098,669	0.1000
Total	$ 37,328,822	
Portfolio weighted average maturity		0.1023

One day maturity equals 0.0027, one year equals 1.00.

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

Investment Type	Fair Value	Rating	Rating Agency
MILAF Investment pool - MAX	$ 27,949,239	AAAm	Standard & Poor's
Michigan CLASS Investment Pool	4,280,914	AAAm	Standard & Poor's
Mutual funds	5,098,669	AAAm	Standard & Poor's
Total	$ 37,328,822		

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

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

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

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

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

	Amortized Cost
MILAF External Investment Pool - MAX	$ 27,949,239

Investments in Entities that Calculate Net Asset Value per Share - The District holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

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

The District holds shares or interests in the Michigan Liquid Asset Fund ("MILAF") Term Series, where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The MILAF Term Series includes investments that the District does not control. The investment pool invests primarily in high-quality money market instruments, including certificates of deposit, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

NOTE 2. DEPOSITS AND INVESTMENTS (CONCLUDED)

At the year ended June 30, 2026, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MILAF External Investment Pool - MAX	$ 27,949,239	-	No restrictions	14 days
Michigan CLASS Investment Pool	4,280,914	-	No restrictions	None
Mutual funds	5,098,669		No restrictions	None
	$ 37,328,822	$ -		

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

The following summarizes cash, cash equivalents, and investments as of June 30, 2026:

	Primary Government
Cash and cash equivalents	$ 4,031,990
Investments	37,328,822
Total	$ 41,360,812

NOTE 3. CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated:				
Land	$ 3,088,032	$ -	$ 1,321,279	$ 4,409,311
Construction-in-progress	3,315,664	4,786,123	(5,707,487)	2,394,300
Subtotal	$ 6,403,696	$ 4,786,123	$ (4,386,208)	$ 6,803,611
Assets being depreciated/amortized:				
Building and site improvements	$ 83,490,235	$ 117,304	$ 4,235,104	$ 87,842,643
Buses and other vehicles	3,075,805	245,298	-	3,321,103
Furniture and equipment	3,779,414	436,581	(60,243)	4,155,752
Leasehold improvements	6,894,756	186,465	(245,671)	6,835,550
Right-to-use - buildings	8,041,578	3,799,011	(444,064)	11,396,525
Subtotal	$ 105,281,788	$ 4,784,659	$ 3,485,126	$ 113,551,573
Accumulated depreciation/amortization:				
Building and site improvements	$ 26,470,448	$ 3,302,694	$ (109,345)	$ 29,663,797
Buses and other vehicles	1,648,032	230,841	-	1,878,873
Furniture and equipment	2,331,255	424,910	(47,166)	2,708,999
Leasehold improvements	3,969,877	1,159,055	(245,067)	4,883,865
Right-to-use - buildings	3,956,663	1,114,294	(444,064)	4,626,893
Subtotal	$ 38,376,275	$ 6,231,794	$ (845,642)	$ 43,762,427
Net capital assets being depreciated/amortized	$ 66,905,513			$ 69,789,146
Net capital assets	$ 73,309,209			$ 76,592,757

Depreciation and amortization for the fiscal year ended June 30, 2026 amounted to $6,231,794. The District determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 4. LONG-TERM DEBT

The District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith of the District. Long-term obligation activity can be summarized as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds					
Bonds	$ 21,486,800	$ -	$ (7,025,600)	$ 14,461,200	$ 1,580,600
Premium	2,118,108	-	(167,072)	1,951,036	167,072
Total general obligation bonds	$ 23,604,908	$ -	$ (7,192,672)	$ 16,412,236	$ 1,747,672
Direct Borrowing and Direct Placement					
Leases	$ 4,708,267	$ 3,799,011	$ (1,074,133)	$ 7,433,145	$ 1,088,361
Compensated absences*	2,164,043	331,319	-	2,495,362	249,536
Total direct borrowing and direct placement	$ 6,872,310	$ 4,130,330	$ (1,074,133)	$ 9,928,507	$ 1,337,897
Total long-term debt	$ 30,477,218	$ 4,130,330	$ (8,266,805)	$ 26,340,743	$ 3,085,569

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

Governmental Activities
General Obligation Bonds

2012 QZAB Bond; payable in annual installments of $115,600 beginning 8/1/2013 through 8/1/2027; interest at 4.25%.	$ 231,200
2019 School Building and Site Bond; payable in annual installments ranging from $455,000 to $1,230,000 beginning 5/1/2020 through 5/1/2028; interest at 4.00% - 5.00%.	12,260,000
2021 Energy Conservation Improvement Bond; payable in annual installments ranging from $125,000 to $150,000 beginning 5/1/2022 to 5/1/2023; interest at 1.00% - 1.25%.	715,000
2023 Energy Conservation Improvement Bond; payable in annual installments ranging from $145,000 to $200,000 beginning 5/1/2024 to 5/1/2033; interest at 4.00%.	1,255,000
Premium	1,951,036
Total General Obligation Bonds	$ 16,412,236

NOTE 4. LONG-TERM DEBT (CONTINUED)

Direct Borrowing and Direct Placement

2022 Link Learning - Alger Heights Lease; payable in annual installments ranging from $28,654 to $51,007 through the year ended June 30, 2033; interest at 4.75%.	$	301,384
2023 Link Learning - Escanaba Lease; payable in annual installments ranging from $9,764 to $18,848 through the year ended June 30, 2028; interest at 4.75%.		28,612
2022 Link Learning - Harrison Lease; payable in annual installments ranging from $5,529 to $16,073 through the year ended June 30, 2028; interest at 4.75%.		21,602
2021 Link Learning - Kenowa Hills (Alpine) Lease; payable in annual installments ranging from $81,482 to $110,649 through the year ended June 30, 2031; interest at 3.29%.		512,665
2022 Link Learning - Menominee Lease; payable in annual installments ranging from $20,877 to $22,612 through the year ended June 30, 2027; interest at 4.75%.		22,351
2023 Link Learning - Schoolcraft Lease; payable in annual installments ranging from $29,475 to $67,551 through the year ended June 30, 2028; interest at 4.75%.		97,026
2023 Link Learning - St. Louis Lease; payable in annual installments ranging from $5,352 to $12,420 through the year ended June 30, 2028; interest at 4.75%.		17,772
2022 Link Learning - Vassar Lease; payable in annual installments ranging from $2,783 to $16,247 through the year ended June 30, 2028; interest at 4.75%.		19,030
2023 Success VLC - Flint Leases; payable in annual installments ranging from $50,964 to $133,057 through the year ended June 30, 2028; interest at 4.75%.		203,124
2022 Success VLC - Grand Rapids SE Lease; payable in annual installments ranging from $18,518 to $71,380 through the year ended June 30, 2033; interest at 4.75%.		371,515
2022 Success VLC - Hazel Park Lease; payable in annual installments ranging from $40,687 to $59,452 through the year ended June 30, 2032; interest at 4.75%.		317,883
2021 Success VLC - Lansing South (Cedar) Lease; payable in annual installments ranging from $58,867 to $90,083 due through the year ended June 30, 2032; interest at 3.29%.		502,031
2021 Success VLC - Lansing West (Sag) Lease; payable in annual installments ranging from $13,259 to $51,678 due through the year ended June 30, 2028; interest at 3.29%.		64,937

NOTE 4. LONG-TERM DEBT (CONCLUDED)

Direct Borrowing and Direct Placement (continued)	
2021 Success VLC - Monroe Lease; payable in annual installments ranging from $51,468 to $88,084 due through the year ended June 30, 2032; interest at 3.29%.	479,586
2022 Success VLC - Muskegon North Lease; payable in annual installments ranging from $12,770 to $33,391 due through the year ended June 30, 2027; interest at 3.29%.	26,007
2021 Success VLC - Muskegon Lease; payable in annual installments ranging from $13,042 to $38,024 due through the year ended June 30, 2032; interest at 3.29%.	184,108
2022 Success VLC - Port Huron Lease; payable in annual installments ranging from $23,630 to $67,456 through the year ended June 30, 2028; interest at 4.75%.	91,086
2022 Success VLC - Taylor Lease; payable in annual installments ranging from $51,212 to $87,285 through the year ended June 30, 2033; interest at 3.29%.	528,308
2026 Belding - 1328 W. State Road Lease; payable in annual installments ranging from $15,726 to $275,081 through the year ended June 30, 2046; interest at 4%.	3,644,118
Total Leases	$ 7,433,145
Compensated absences	$ 2,495,362
Total Direct Borrowing and Direct Placement	$ 9,928,507
Total Long-term Debt	$ 26,340,743

Annual debt service requirements to maturity are as follows:

	General Obligation Bonds		Direct Borrowing and Direct Placement		
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**	**Total**
2027	$ 1,210,600	$ 877,901	$ 1,088,361	$ 272,517	$ 3,449,379
2028	1,255,600	810,100	862,592	229,330	3,157,622
2029	1,190,000	744,600	742,419	199,961	2,876,980
2030	1,240,000	676,238	776,595	171,235	2,864,068
2031	1,295,000	604,875	809,381	141,028	2,850,284
2032-2036	5,810,000	1,980,400	1,748,297	404,201	9,942,898
2037-2041	2,460,000	250,500	693,288	212,822	3,616,610
2042-2046	-	-	712,212	58,362	770,574
Premium	1,951,036	-	-	-	1,951,036
	$ 16,412,236	**$ 5,944,614**	**$ 7,433,145**	**$ 1,689,456**	**$ 31,479,451**

Interest expense of $955,404, net of amortization, was not charged to activities as the District considers its debt and related assets to impact multiple activities and allocation was not practical.

NOTE 5. INTERFUND ACTIVITY

The composition of interfund balances as of June 30, 2026 is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	$ 86,109
General Fund	Student Activity	583
Food Service Fund	General Fund	4,352
Food Service Fund	Student Activity	98
	Total	$ 91,142

The Food Service Fund owes the General Fund $86,109 for indirect costs.

The Student Activity Fund owes the General Fund $583 for miscellaneous expenditures.

The General Fund owes the Food Service Fund $4,352 for miscellaneous expenditures.

The Student Activity Fund owes the Food Service Fund $98 for miscellaneous expenditures.

The composition of interfund transfers as of June 30, 2026 is as follows:

Interfund Transfers:

Transfer In	Transfer Out	Amount
General Fund	Food Service Fund	$ 79,000
2021 Debt Service Fund	General Fund	147,000
2023 Debt Service Fund	General Fund	207,000
2019 Athletic Debt Fund	General Fund	6,135,248
2012 QZAB Debt Fund	General Fund	116,000
Public Improvement Fund	General Fund	3,700,000
	Total	$ 10,384,248

$79,000 was transferred to the General Fund from the Food Service Fund for indirect costs.

$6,605,248 was transferred to Debt Service Funds from the General Fund to pay down current year debt.

$3,700,000 was transferred to the Public Improvement Fund from the General Fund for capital expenditures.

NOTE 6. CONTINGENT LIABILITIES

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

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employees who first work on or after September 4, 2012, and before February 1, 2018, choose between two retirement plans: The Pension Plus Plan and a Defined Contribution Plan that provides a 50% employer match (up to 3% of salary) on employee contributions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2025 were determined as of the September 30, 2022 actuarial valuations. The pension and OPEB unfunded (overfunded) actuarial accrued liabilities ("UAAL") as of September 30, 2022 are amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2025 - September 30, 2026	15.21% - 26.08%	0.00% - 3.83%
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%

The District's pension contributions for the year ended June 30, 2026 were equal to the required contribution total. Total pension contributions were approximately $8,380,000. Of the total pension contributions, approximately $7,950,000 was contributed to fund the Defined Benefit Plan and approximately $430,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2026 were equal to the required contribution total. Total OPEB contributions were approximately $521,000. Of the total OPEB contributions, approximately $267,000 was contributed to fund the Defined Benefit Plan and approximately $254,000 was contributed to fund the Defined Contribution Plan.

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

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

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

The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2024 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2025	September 30, 2024
Total Pension Liability	$ 97,436,103,863	$ 95,765,499,515
Plan Fiduciary Net Position	77,403,114,236	71,283,482,728
Net Pension Liability	20,032,989,627	24,482,016,787
Proportionate Share	0.26411%	0.24939%
Net Pension Liability for the District	52,909,473	61,054,784

For the year ended June 30, 2026, the District recognized pension expense of $3,469,165.

At June 30, 2026, the 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
Changes of assumptions	$ 1,899,073	$ 2,796,393
Net difference between projected and actual pension plan investment earnings	-	12,644,231
Differences between expected and actual experience	2,049,336	471,260
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,454,692	104,802
District contributions subsequent to the measurement date*	5,719,328	-
	$ 17,122,429	$ 16,016,686

*$5,719,328, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

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

Year Ending June 30,	Amount
2026	$ 2,664,686
2027	(3,378,884)
2028	(3,032,346)
2029	(867,041)
	$ (4,613,585)

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

The net OPEB liability (asset) was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2024 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2025	September 30, 2024
Total other postemployment benefits liability	$ 9,360,649,860	$ 9,991,545,923
Plan fiduciary net position	15,439,767,833	14,295,943,589
Net other postemployment benefits liability (asset)	(6,079,117,973)	(4,304,397,666)
Proportionate share	0.21396%	0.25105%
Net other postemployment benefits liability (asset) for the District	(13,006,698)	(10,806,259)

For the year ended June 30, 2026, the District recognized OPEB benefit of 3,552,827.

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

At June 30, 2026, the 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
Changes of assumptions	$ 1,735,883	$ 137,947
Net difference between projected and actual other postemployment benefits plan investment earnings	-	1,827,725
Differences between expected and actual experience	-	8,905,002
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,040,818	92,400
District contributions subsequent to the measurement date*	128,611	-
	$ 2,905,312	$ 10,963,074

*$128,611 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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

Year Ending June 30,	Amount
2026	$ (2,063,232)
2027	(2,060,676)
2028	(2,018,956)
2029	(1,365,267)
2030	(516,957)
2031	(161,285)
	$ (8,186,373)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

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

Mortality Assumptions -

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

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

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

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

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.50% in year fifteen. Post 65, 6.50% for year one and graded to 3.50% in year fifteen.

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

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

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

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

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

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

Rate of Return - For fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	$ 83,494,067	$ 52,909,473	$ 27,436,422

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net other postemployment benefits liability (asset)	$ (11,206,093)	$ (13,006,698)	$ (14,582,617)

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

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
District's proportionate share of the net other postemployment benefits liability (asset)	$ (14,568,237)	$ (13,006,698)	$ (11,367,133)

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

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

NOTE 8. UNEARNED REVENUE

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

Description of Unearned Revenue	General Fund	Food Service Fund	Student Activity Fund	Total
31a - At Risk	$ 3,992,139	$ -	$ -	$ 3,992,139
31aa - Mental Health	360,923	-	-	360,923
41 - Bilingual	250,863	-	-	250,863
97d - Critical Incidence	15,750	-	-	15,750
23g - MI Kids Back on Track	229,630	-	-	229,630
67f - FAFSA	652	-	-	652
35a(5) - Early Literacy	2,991	-	-	2,991
31o - Wraparound services	34,153	-		34,153
99h First Robotics	983	-	-	983
Other	-	4,364	10,000	14,364
Total	$ 4,888,084	$ 4,364	$ 10,000	$ 4,902,448

NOTE 9. TAX ABATEMENTS

The District has evaluated the tax abatements and determined they have not received reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. There are no significant abatements made by the District for the year ended June 30, 2026.

NOTE 10. RISK MANAGEMENT

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

NOTE 11. CALCULATION OF NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2026, the calculation of the District's net investment in capital assets in the Government-wide Statement of Net Position consists of:

Capital Assets - nondepreciable	$ 6,803,611
Capital Assets - depreciable, net	69,789,146
Less: Long-term debt related to capital assets	(23,845,381)
Add back: bond proceeds not spent on capital assets	25,391
Net investment in capital assets	$ 52,772,767

NOTE 12. JOINT VENTURE

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

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

NOTE 13. UPCOMING PRONOUNCEMENTS

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

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

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

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

a. Management's discussion and analysis (MD&A)
b. Unusual or infrequent items
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

GASB Statement No. 104, *Disclosure of Certain Capital Assets.* This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. This Statement also requires additional disclosures for capital assets held for sale.

NOTE 15. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 27, 2026, the date the financial statements were available to be issued. No events or transactions occurred during the period which requires recognition or disclosures in the financial statements.

REQUIRED SUPPLEMENTARY

INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
YEAR ENDED JUNE 30, 2026

	Budgeted Amounts				
	Original Budget	Final Amended Budget	Variance with Original and Final Budget	Actual Amounts	Variance with Final Budget and Actual
Revenues:					
Local sources	$ 18,055,003	$ 21,547,269	$ 3,492,266	$ 22,060,229	$ 512,960
State sources	65,691,865	68,911,009	3,219,144	69,050,065	139,056
Federal sources	1,248,881	1,091,178	(157,703)	1,564,509	473,331
Interdistrict sources	1,810,724	2,307,860	497,136	2,172,121	(135,739)
Total Revenues	$ 86,806,473	$ 93,857,316	$ 7,050,843	$ 94,846,924	$ 989,608
Expenditures:					
Current					
Instruction:					
Basic programs	$ 24,358,145	$ 25,900,189	$ 1,542,044	$ 25,185,498	$ 714,691
Added needs	9,182,082	9,616,504	434,422	9,213,629	402,875
Adult Education	117,382	53,158	(64,224)	67,040	(13,882)
Supporting services:					
Pupil Services	7,721,057	7,288,970	(432,087)	6,631,260	657,710
Instructional staff services	14,513,855	14,759,912	246,057	14,109,058	650,854
General administration services	1,733,371	1,737,543	4,172	1,707,594	29,949
School administration services	3,380,319	3,057,868	(322,451)	2,761,996	295,872
Business services	1,899,160	1,755,373	(143,787)	1,598,856	156,517
Operation and maintenance services	7,462,469	6,280,409	(1,182,060)	5,937,332	343,077
Pupil transportation services	2,302,150	2,260,154	(41,996)	2,273,374	(13,220)
Central services	5,247,268	5,052,574	(194,694)	4,484,849	567,725
Other supporting services	4,000,425	4,005,265	4,840	4,042,552	(37,287)
Community services	3,286,455	3,451,666	165,211	3,275,765	175,901
Facilities acquisition, construction, and improvements	6,786,000	10,843,139	4,057,139	9,159,114	1,684,025
Debt service:					
Principal on long-term debt	1,014,004	1,249,224	235,220	1,074,133	175,091
Interest on long-term debt	183,327	183,327	-	183,327	-
Total Expenditures	$ 93,187,469	$ 97,495,275	$ 4,307,806	$ 91,705,377	$ 5,789,898
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (6,380,996)	$ (3,637,959)	$ 2,743,037	$ 3,141,547	$ 6,779,506
Other Financing Sources (Uses):					
Transfers in	$ 100,000	$ 100,000	$ -	$ 79,000	$ (21,000)
Transfers out	(1,060,500)	(10,337,186)	(9,276,686)	(10,305,248)	31,938
Proceeds from sale of capital assets	-	-	-	6,400	6,400
Other transactions	-	-	-	61,719	61,719
Proceeds from leases	-	3,799,911	3,799,911	3,799,011	(900)
Total Other Financing Sources (Uses)	$ (960,500)	$ (6,437,275)	$ (5,476,775)	$ (6,359,118)	$ 78,157
Net Change in Fund Balances	$ (7,341,496)	$ (10,075,234)	$ (2,733,738)	$ (3,217,571)	$ 6,857,663
Fund Balances - Beginning of year	47,282,231	47,282,231	-	47,282,231	-
Fund Balances - End of year	$ 39,940,735	$ 37,206,997	$ (2,733,738)	$ 44,064,660	$ 6,857,663

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of net pension liability	0.26411%	0.24939%	0.23765%	0.21818%	0.20586%	0.19662%	0.18249%	0.16599%	0.15398%	0.13883%
District's proportionate share of net pension liability	$ 52,909,473	$ 61,054,784	$ 76,916,898	$ 82,054,042	$ 48,738,178	$ 67,541,909	$ 60,434,897	$ 49,898,842	$ 39,902,196	$ 34,637,069
District's covered-employee payroll	$ 30,556,440	$ 27,313,475	$ 26,893,540	$ 25,843,958	$ 19,189,798	$ 19,093,660	$ 17,429,878	$ 15,802,298	$ 14,051,544	$ 13,054,515
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	173.15%	223.53%	286.01%	317.50%	253.98%	353.74%	346.73%	315.77%	283.97%	265.33%
Plan fiduciary net position as a percentage of total pension liability	79.44%	74.44%	65.91%	60.77%	72.60%	59.72%	60.08%	62.12%	63.96%	63.27%

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 11,000,328	$ 10,426,472	$ 10,476,601	$ 8,592,897	$ 7,363,261	$ 6,001,204	$ 5,420,560	$ 4,862,821	$ 3,865,920	$ 3,117,510
Contributions in relation to statutorily required contributions	11,000,328	10,426,472	10,476,601	8,592,897	7,363,261	6,001,204	5,420,560	4,862,821	3,865,920	3,117,510
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 30,556,440	$ 30,027,307	$ 27,091,840	$ 26,458,830	$ 22,696,693	$ 18,885,515	$ 19,002,562	$ 17,247,046	$ 15,794,293	$ 13,054,515
Contributions as a percentage of covered-employee payroll	36.00%	34.72%	38.67%	32.48%	32.44%	31.78%	28.53%	28.20%	24.48%	23.88%

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (asset)	0.21396%	0.25105%	0.24965%	0.22598%	0.20848%	0.20559%	0.19024%	0.17555%	0.15443%
District's proportionate share of net OPEB liability (asset)	$ (13,006,698)	$ (10,806,259)	$ (1,412,271)	$ 4,786,422	$ 3,182,150	$ 11,014,105	$ 13,654,926	$ 13,954,690	$ 13,675,899
District's covered-employee payroll	$ 30,556,440	$ 27,313,475	$ 26,893,540	$ 25,843,958	$ 19,189,798	$ 19,093,660	$ 17,429,878	$ 15,802,298	$ 14,051,544
District's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll	-42.57%	-39.56%	-5.25%	18.52%	16.58%	57.68%	78.34%	88.31%	97.33%
Plan fiduciary net position as a percentage of total OPEB liability (asset)	164.94%	143.08%	105.04%	83.09%	87.33%	59.44%	48.67%	43.10%	36.53%

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

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 201,222	$ 2,086,757	$ 2,211,048	$ 2,172,294	$ 1,851,355	$ 1,594,415	$ 1,518,969	$ 1,328,922	$ 1,143,581
Contributions in relation to statutorily required contributions	201,222	2,086,757	2,211,048	2,172,294	1,851,355	1,594,415	1,518,969	1,328,922	1,143,581
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 30,556,440	$ 30,027,307	$ 27,091,840	$ 26,458,830	$ 22,696,693	$ 18,885,515	$ 19,002,562	$ 17,247,046	$ 15,794,293
Contributions as a percentage of covered-employee payroll	0.66%	6.95%	8.16%	8.21%	8.16%	8.44%	7.99%	7.71%	7.24%

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

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

NOTE 1. PENSION INFORMATION

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

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

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

NOTE 2. OPEB INFORMATION

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

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

- 2025 - The health care cost trend rate used in the September 30, 2024, actuarial valuation increased by 0.50 percentage points for members under 65. This increased the plan's total OPEB liability by $267 million in 2025.
- 2024 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.1 billion in 2022.

NOTE 2. OPEB INFORMATION (CONCLUDED)

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020.

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

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

NOTE 3. BUDGETARY COMPARISON

Excess of expenditures over appropriations in budgeted funds – Funds sufficient to finance the excess expenditures were available from other functions, revenues, and other financing sources within the fund; therefore, the excess expenditures had no impact on the District's overall financial position or results of operations.

Significant variances between original and final budget:

	Variance	Explanation
Revenues		
Local sources	$ 3,492,266	Increase in cyber charter foundation allowance.
State sources	3,219,144	Increase in enrollment.
Expenditures		
Facilities acquisition, construction, and improvements	4,057,139	Increase due to new lease related to building addition.
Other Financing Sources (Uses)		
Transfers out	(9,276,686)	Increase due to bond payoff $5.5 million and transfer to public improvement fund $3.7 million.
Proceeds from leases	3,799,911	Increase due to new lease related to building addition.

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2026

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental
Assets:				
Cash and cash equivalents	$ 1,040,929	$ 260,321	$ 194,262	$ 1,495,512
Investments	-	-	4,486,803	4,486,803
Accounts receivable	1,323	-	-	1,323
Due from other funds	4,450	-	-	4,450
Due from other governmental units	43,249	4,655	-	47,904
Inventory	6,655	-	-	6,655
Total Assets	$ 1,096,606	$ 264,976	$ 4,681,065	$ 6,042,647
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 6,784	$ -	$ 4,980	$ 11,764
Salaries and benefits payable	6,288	-	-	6,288
Due to other funds	86,790	-	-	86,790
Due to other governmental units	-	4,913	-	4,913
Unearned revenue	14,364	-	-	14,364
Total Liabilities	$ 114,226	$ 4,913	$ 4,980	$ 124,119
Fund Balances:				
Nonspendable - inventory	$ 6,655	$ -	$ -	$ 6,655
Restricted for debt retirement	-	260,063	-	260,063
Restricted for food service	586,317	-	-	586,317
Restricted for capital projects	-	-	194,262	194,262
Committed for student activities	389,408	-	-	389,408
Committed for capital projects	-	-	4,481,823	4,481,823
Total Fund Balances	$ 982,380	$ 260,063	$ 4,676,085	$ 5,918,528
Total Liabilities and Fund Balance	$ 1,096,606	$ 264,976	$ 4,681,065	$ 6,042,647

BERRIEN SPRINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Local sources	$ 295,197	$ 1,426,718	$ 41,137	$ 1,763,052
State sources	207,302	11,235	-	218,537
Federal sources	1,294,122	9,311	-	1,303,433
Total Revenues	$ 1,796,621	$ 1,447,264	$ 41,137	$ 3,285,022
Expenditures:				
Supporting services	$ 202,770	$ 19,857	$ -	$ 222,627
Food services	1,389,145	-	-	1,389,145
Facilities acquisition, construction, and improvements	-	-	51,553	51,553
Debt services:				
Principal on long-term debt	-	7,025,600	-	7,025,600
Interest on long-term debt	-	960,749	-	960,749
Total Expenditures	$ 1,591,915	$ 8,006,206	$ 51,553	$ 9,649,674
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 204,706	$ (6,558,942)	$ (10,416)	$ (6,364,652)
Other Financing Sources (Uses):				
Operating transfers in	$ -	$ 6,605,248	$ 3,700,000	$ 10,305,248
Operating transfers out	(79,000)	-	-	(79,000)
Total Other Financing Sources (Uses)	$ (79,000)	$ 6,605,248	$ 3,700,000	$ 10,226,248
Net Change in Fund Balances	$ 125,706	$ 46,306	$ 3,689,584	$ 3,861,596
Fund Balances - Beginning of Year	856,674	213,757	986,501	2,056,932
Fund Balances - End of Year	$ 982,380	$ 260,063	$ 4,676,085	$ 5,918,528

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2026

	Food Service Fund	Student/School Activity Fund	Total Nonmajor Special Revenue Funds
Assets:			
Cash and cash equivalents	$ 637,838	$ 403,091	$ 1,040,929
Accounts receivable	-	1,323	1,323
Due from other funds	4,450	-	4,450
Due from other governmental units	43,249	-	43,249
Inventory	6,655	-	6,655
Total Assets	$ 692,192	$ 404,414	$ 1,096,606
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	$ 2,459	$ 4,325	$ 6,784
Salaries and benefits payable	6,288	-	6,288
Due to other funds	86,109	681	86,790
Unearned revenue	4,364	10,000	14,364
Total Liabilities	$ 99,220	$ 15,006	$ 114,226
Fund Balances:			
Nonspendable - inventory	$ 6,655	$ -	$ 6,655
Restricted for food service	586,317	-	586,317
Committed for student activities	-	389,408	389,408
Total Fund Balances	$ 592,972	$ 389,408	$ 982,380
Total Liabilities and Fund Balance	$ 692,192	$ 404,414	$ 1,096,606

BERRIEN SPRINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2026

	Food Service Fund	Student/School Activity Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Local sources	$ 72,195	$ 223,002	$ 295,197
State sources	207,302	-	207,302
Federal sources	1,294,122	-	1,294,122
Total Revenues	$ 1,573,619	$ 223,002	$ 1,796,621
Expenditures:			
Supporting services	$ -	$ 202,770	$ 202,770
Food services	1,389,145	-	1,389,145
Total Expenditures	$ 1,389,145	$ 202,770	$ 1,591,915
Excess of Revenues Over Expenditures	$ 184,474	$ 20,232	$ 204,706
Other Financing Uses:			
Operating transfers out	$ (79,000)	$ -	$ (79,000)
Total Other Financing Uses	$ (79,000)	$ -	$ (79,000)
Net Change in Fund Balances	$ 105,474	$ 20,232	$ 125,706
Fund Balances - Beginning of Year	487,498	369,176	856,674
Fund Balances - End of Year	$ 592,972	$ 389,408	$ 982,380

COMBINING BALANCE SHEET-
NONMAJOR DEBT RETIREMENT FUNDS
AS OF JUNE 30, 2026

	2012 QZAB Debt Fund	2019 Athletic Debt Fund	2019 UTGO AAC Debt Fund	2021 Energy Conservation Debt Fund	2023 Energy Conservation Debt Fund	Total Nonmajor Debt Service Funds
Assets:						
Cash and cash equivalents	$ 12,287	$ 2,001	$ 241,259	$ 3,278	$ 1,496	$ 260,321
Due from other governmental units	4,633	-	22	-	-	4,655
Total Assets	$ 16,920	$ 2,001	$ 241,281	$ 3,278	$ 1,496	$ 264,976
Liabilities and Fund Balances:						
Liabilities:						
Due to other governmental units	$ 4,913	$ -	$ -	$ -	$ -	$ 4,913
Total Liabilities	$ 4,913	$ -	$ -	$ -	$ -	$ 4,913
Fund Balances:						
Restricted for debt retirement	$ 12,007	$ 2,001	$ 241,281	$ 3,278	$ 1,496	$ 260,063
Total Fund Balances	$ 12,007	$ 2,001	$ 241,281	$ 3,278	$ 1,496	$ 260,063
Total Liabilities and Fund Balance	$ 16,920	$ 2,001	$ 241,281	$ 3,278	$ 1,496	$ 264,976

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
NONMAJOR DEBT RETIREMENT FUNDS
YEAR ENDED JUNE 30, 2026

	2012 QZAB Debt Fund	2019 Athletic Debt Fund	2019 UTGO AAC Debt Fund	2021 Energy Conservation Debt Fund	2023 Energy Conservation Debt Fund	Total Nonmajor Debt Service Funds
Revenues:						
Local sources	$ -	$ -	$ 1,426,607	$ -	$ 111	$ 1,426,718
State sources	-	-	11,235	-	-	11,235
Federal sources	9,311	-	-	-	-	9,311
Total Revenues	$ 9,311	$ -	$ 1,437,842	$ -	$ 111	$ 1,447,264
Expenditures:						
Supporting services	$ 35	$ 17,839	$ 620	$ 615	$ 748	$ 19,857
Debt service:						
Principal on long-term debt	115,600	5,865,000	760,000	135,000	150,000	7,025,600
Interest on long-term debt	9,826	252,648	631,450	10,625	56,200	960,749
Total Expenditures	$ 125,461	$ 6,135,487	$ 1,392,070	$ 146,240	$ 206,948	$ 8,006,206
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (116,150)	$ (6,135,487)	$ 45,772	$ (146,240)	$ (206,837)	$ (6,558,942)
Other Financing Sources:						
Operating transfers in	$ 116,000	$ 6,135,248	$ -	$ 147,000	$ 207,000	$ 6,605,248
Total Other Financing Sources	$ 116,000	$ 6,135,248	$ -	$ 147,000	$ 207,000	$ 6,605,248
Net Change in Fund Balances	$ (150)	$ (239)	$ 45,772	$ 760	$ 163	$ 46,306
Fund Balances - Beginning of Year	12,157	2,240	195,509	2,518	1,333	213,757
Fund Balances - End of Year	$ 12,007	$ 2,001	$ 241,281	$ 3,278	$ 1,496	$ 260,063

COMBINING BALANCE SHEET-
NONMAJOR CAPITAL PROJECT FUNDS
AS OF JUNE 30, 2026

	Building and Site Sinking Fund	Public Improvement Fund	2023 Energy Conservation Capital Project Fund	Total Nonmajor Capital Project Funds
Assets:				
Cash and cash equivalents	$ 168,871	$ -	$ 25,391	$ 194,262
Investments	-	4,486,803	-	4,486,803
Total Assets	$ 168,871	$ 4,486,803	$ 25,391	$ 4,681,065
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ -	$ 4,980	$ -	$ 4,980
Total Liabilities	$ -	$ 4,980	$ -	$ 4,980
Fund Balances:				
Restricted for capital projects	$ 168,871	$ -	$ 25,391	$ 194,262
Committed for capital projects	-	4,481,823	-	4,481,823
Total Fund Balances	$ 168,871	$ 4,481,823	$ 25,391	$ 4,676,085
Total Liabilities and Fund Balance	$ 168,871	$ 4,486,803	$ 25,391	$ 4,681,065

BERRIEN SPRINGS PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
AS OF JUNE 30, 2026

	Building and Site Sinking Fund	Public Improvement Fund	2023 Energy Conservation Capital Project Fund	Total Nonmajor Capital Project Funds
Revenues:				
Local sources	$ 4,828	$ 35,829	$ 480	$ 41,137
Total Revenues	$ 4,828	$ 35,829	$ 480	$ 41,137
Expenditures:				
Facilities acquisition, construction, and improvements	$ 588	$ 50,377	$ 588	$ 51,553
Total Expenditures	$ 588	$ 50,377	$ 588	$ 51,553
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 4,240	$ (14,548)	$ (108)	$ (10,416)
Other Financing Uses:				
Operating transfers in	$ -	$ 3,700,000	$ -	$ 3,700,000
Total Other Financing Uses	$ -	$ 3,700,000	$ -	$ 3,700,000
Net Change in Fund Balances	$ 4,240	$ 3,685,452	$ (108)	$ 3,689,584
Fund Balances - Beginning of Year	164,631	796,371	25,499	986,501
Fund Balances - End of Year	$ 168,871	$ 4,481,823	$ 25,391	$ 4,676,085

MANAGEMENT COMPLIANCE LETTER

KRUGGEL LAWTON CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berrien Springs Public Schools ("the District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

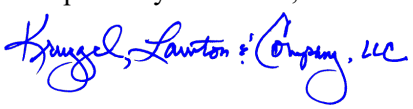
Report on Compliance and Other Matters

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

Purpose of This Report

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

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan

October 27, 2026

KRUGGEL LAWTON CPA

October 27, 2026

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berrien Springs Community Schools (the "District") for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 28, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in the notes to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 103 *Financial Reporting Model Improvements* during the year ended June 30, 2026. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

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

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

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

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Kruggel, Lawton & Company, LLC

Kruggel Lawton & Company, LLC

KRUGGEL LAWTON CPA

October 27, 2026

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

In connection with our audit of the books and records of Berrien Springs Public Schools (the "District"), for the year ended June 30, 2026, we offer the following comment(s):

1. The USDA requires that the ending fund balance of the NSFSA does not exceed three months' average of operating expenses (7 CFR Part 210.14(b)). The District's ending fund balance as of June 30, 2026 exceeded the allowable amount based on the aforementioned criteria.

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

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

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants
St. Joseph, Michigan