

CALEDONIA COMMUNITY SCHOOLS
KENT COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Caledonia Community Schools
Caledonia, 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 Caledonia Community Schools (the "School") as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School'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 School, as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Implementation of New Accounting Standard

As discussed in Note 15 to the financial statements, the School implemented Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*, during the year ended June 30, 2026. Our opinion is not modified with respect to this matter.

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 School 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 School'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 School'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 School'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, budgetary comparison information, and the schedules of proportionate share of net pension and OPEB liabilities and contributions, as listed 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 School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements 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 23, 2026, on our consideration of the School'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 School'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 School's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, MI
October 23, 2026

Management's Discussion and Analysis

Caledonia Community Schools
Management's Discussion and Analysis
June 30, 2026

This management's discussion and analysis (MD&A) presents Caledonia Community Schools' (the "School") financial position and results of operations for the year ended June 30, 2026, and explains changes from the prior year. It should be read with the basic financial statements and notes. Questions about this report may be directed to the Business Department, Caledonia Community Schools, 8948 Kraft Avenue, Caledonia, Michigan 49316.

Overview of the Financial Statements

The basic financial statements present the School's finances from two perspectives. The government-wide statements report overall financial position and the cost of services. The governmental fund statements focus on resources available for near-term spending. All activities presented in these statements are governmental activities.

- The statement of net position and statement of activities use the economic resources measurement focus and accrual basis of accounting. They include capital assets, long-term obligations, and pension and other postemployment benefit (OPEB) amounts, together with related deferred outflows and inflows. Revenues and expenses are recognized when the underlying events occur, regardless of when cash is received or paid.

- The governmental fund statements use the current financial resources measurement focus and modified accrual basis of accounting. The School reports six major funds: the General Fund, Debt Service Fund, and four capital projects funds. Nonmajor funds account for community services, child care, food service, student activities, and other capital projects.

- Reconciliations explain differences between the fund and government-wide statements. The notes provide supporting detail. Required supplementary information includes the General Fund budgetary comparison and related notes, and pension and OPEB schedules. Combining schedules provide additional detail for nonmajor funds.

Financial Summary

The School's net position increased $26,779,572, reducing its deficit from $28,980,954 to $2,201,382. Revenues of $102,936,278 exceeded expenses of $76,156,706. Governmental fund balances decreased $13,379,385 to $60,569,075 as previously accumulated capital-project resources were spent. The General Fund ended the year with fund balance of $14,140,367, a decrease of $90,188.

The following summaries compare governmental activities for fiscal years 2026 and 2025.

Caledonia Community School's Net Position

ASSETS	2026	2025
Current Assets		
Cash and investments	$ 58,071,087	$ 80,347,410
Receivables	9,772,798	9,347,209
Prepaid items	1,706,049	1,031,779
Total Current Assets	69,549,934	90,726,398
Noncurrent Assets		
Capital assets, net	202,064,562	192,376,085
Net OPEB asset	18,519,930	13,052,049
Total Assets	290,134,426	296,154,532
DEFERRED OUTFLOWS OF RESOURCES		
Charges from bond refundings	200,846	399,899
Pension related	12,327,291	16,951,476
OPEB related	3,545,567	3,579,418
Total Deferred Outflows of Resources	16,073,704	20,930,793
LIABILIITES		
Current Liabilities		
Accounts payable	4,024,810	11,677,449
Accrued payroll and related benefits	4,176,712	3,541,507
Accrued interest	1,242,861	1,289,539
Unearned revenue	779,337	1,558,982
Current portion of compensated absences	30,103	47,298
Current portion of long-term debt	6,215,000	13,640,000
Total Current Liabilities	16,468,823	31,754,775
Noncurrent Liabilities		
Net pension liability	61,653,924	75,467,670
Compensated absences	571,960	898,660
Long-term debt	195,059,734	199,126,178
Total Liabilities	273,754,441	307,247,283
DEFERRED INFLOWS OF RESOURCES		
Pension related	18,820,839	21,428,899
OPEB related	15,834,232	17,390,097
Total Deferred Inflows of Resources	34,655,071	38,818,996
NET POSITION		
Net investment in capital assets	55,612,592	48,862,981
Restricted	57,854,392	67,838,485
Unrestricted	(115,668,366)	(145,682,420)
Total Net Position	$ (2,201,382)	$ (28,980,954)

Caledonia Community School's Changes in Net Position

Revenues	2026	2025
Program Revenues		
Charges for services	$ 3,254,304	$ 2,890,428
Operating grants and contributions	26,447,238	25,698,164
Total Program Revenues	29,701,542	28,588,592
General Revenues		
Property taxes	35,622,956	31,521,845
Unrestricted state sources	33,649,587	33,160,073
Interest and investment earnings	1,946,413	4,448,822
Sale of capital assets	2,015,780	887,072
Total General Revenues	73,234,736	70,017,812
Total Revenues	102,936,278	98,606,404
Expenses		
Instruction	28,466,738	30,719,144
Supporting services	23,741,541	23,827,573
Food services	3,511,567	3,009,772
Athletics	1,681,560	1,629,391
Community services and related programs	3,128,372	2,856,486
Interest and issuance costs on long-term debt	7,557,061	7,752,893
Unallocated depreciation	8,069,867	5,850,349
Total Expenses	76,156,706	75,645,608
Change in Net Position	26,779,572	22,960,796
Net Position at Beginning of Period	(28,980,954)	(51,941,750)
Net Position at End of Period	$ (2,201,382)	$ (28,980,954)

The statements report no separate government-wide transfers, endowment or permanent fund principal contributions, or unusual or infrequent items for either year. Accordingly, the excess of revenues over expenses equals the change in net position.

Detailed Analyses

Government-wide Financial Position

Total assets decreased $6,020,106, or 2.0 percent, to $290,134,426. Cash and investments declined $22,276,323 as capital-project resources were spent and construction payables were reduced. This decline was partly offset by a $9,688,477 increase in net capital assets and a $5,467,881 increase in the net OPEB asset. Capital activity is discussed below.

Total liabilities decreased $33,492,842, or 10.9 percent, to $273,754,441. The largest reductions were $13,813,746 in the net pension liability, $11,491,444 in debt, and $7,652,639 in accounts payable. Lower payables in the 2020 and 2023 capital projects funds accounted for most of the accounts payable reduction. Compensated absences decreased $343,895 to $602,063.

Michigan Public School Employees' Retirement System (MPSERS) pension plan funding improved from 74.44 percent to 79.44 percent, while OPEB plan funding increased from 143.08 percent to 164.94 percent. Improved plan funding reduced the School's pension liability and increased its OPEB asset despite a modest increase in its allocated pension share. Its allocated OPEB share also increased. Deferred outflows decreased $4,857,089 and deferred inflows decreased $4,163,925, principally reflecting pension and OPEB amounts recognized over multiple periods.

Net investment in capital assets increased $6,749,611 to $55,612,592. Restricted net position of $57,854,392 includes $36,384,638 for capital projects, $1,078,816 for debt service, $1,871,008 for food service, and $18,519,930 for OPEB. The unrestricted deficit improved $30,014,054 to $115,668,366. Long-term obligations and related deferrals affect this deficit; it is not a measure of a current cash shortfall.

Government-wide Results of Operations

Revenue increased $4,329,874, or 4.4 percent. Property taxes increased $4,101,111, including $2,677,208 for debt service and $1,423,903 for operations. Operating grants increased $749,074, charges for services increased $363,876, and unrestricted state sources increased $489,514. Investment earnings declined $2,502,409 as the cash and investment base contracted. Reported capital-asset sale revenue increased $1,128,708.

Expenses increased $511,098, or 0.7 percent. Higher depreciation of $2,219,518 and food service expense of $501,795 were partly offset by reductions of $2,252,406 in instruction and $195,832 in interest and issuance costs. Pension and OPEB adjustments reduced government-wide expenses relative to fund expenditures by $18,787,516 in 2026. Thus, reported instructional expense declined even as instructional spending in the General Fund rose. Revenue growth exceeded expense growth, increasing the annual change in net position by $3,818,776.

Major Governmental Funds

Governmental fund balances decreased $13,379,385 to $60,569,075, compared with a $4,730,433 decrease in 2025. Revenue increased $3,201,166 and expenditures decreased $8,441,350, but net financing sources declined $20,291,468. The prior year included $20,250,000 of new bond proceeds; no comparable bond issuance was reported in 2026. Capital projects continued to use previously accumulated resources.

General Fund. Revenues of $74,853,575 exceeded expenditures of $74,588,743 by $264,832. Transfers in of $25,000 and transfers out of $380,020 produced a $90,188 decrease in fund balance. Transfers out principally supported the Public Improvement Fund. The prior year's fund balance increase was $2,164,631.

Revenue increased $2,008,104, or 2.8 percent, led by local sources ($958,538) and interdistrict and other sources ($701,183). Expenditures increased $5,002,924, or 7.2 percent, principally in instruction ($3,076,639), supporting services ($1,322,747), and community services ($532,171).

Spending grew faster than revenue, reducing the operating surplus by $2,994,820. A $740,001 reduction in net transfers out partly offset that decline.

Ending General Fund balance includes $1,689,929 of nonspendable prepaid items and $12,450,438 of unassigned resources. Unassigned fund balance equaled 16.6 percent of expenditures and transfers out, compared with 18.7 percent in 2025. Unassigned resources decreased $760,020, reflecting both the $90,188 overall fund balance decrease and $669,832 more invested in prepaid items.

Debt Service Fund. Fund balance increased $294,331 to $1,078,816, all restricted for debt service. Revenue of $19,190,493 and expenditures of $19,518,221 produced a $327,728 shortfall. Revolving-loan proceeds of $619,227 and a reported premium of $2,832 covered the shortfall. Compared with 2025, revenue increased $1,732,557 and expenditures increased $252,311, substantially narrowing the operating deficit. This improvement more than offset lower financing sources, reversing the prior year's $842,842 fund balance decrease.

The four major capital projects funds hold resources restricted to authorized building and site projects. Their balances are unavailable for general operations. Together, these funds ended the year with $36,384,638, a decrease of $15,536,567. Capital outlay of $17,472,871 exceeded current-year revenue, drawing down resources obtained in earlier years.

2020 Capital Projects Fund. Revenue of $300,818 and capital outlay of $8,062,875 reduced fund balance $7,762,057 to $244,899. Spending continued on building and site improvements financed in prior years. Total expenditures were $3,562,848 below the prior year's $11,625,723, while revenue declined $546,829. The lower spending reduced the drawdown from $10,778,076 in 2025 to $7,762,057 in 2026. Most of the fund's previously accumulated resources have now been used.

2023 Building and Site Series I Fund. Revenue of $682,838 and capital outlay of $6,103,629 reduced fund balance $5,420,791 to $14,348,538. Capital outlay decreased $9,636,532 from $15,740,161 in 2025, while revenue decreased $756,655. Lower project spending substantially reduced the annual drawdown from $14,300,668 in the prior year. The remaining restricted balance will support eligible project expenditures.

2023 Building and Site Series III Fund. Revenue of $137,811 and capital outlay of $3,306,367 reduced fund balance $3,168,556 to $25,862. Capital outlay decreased $826,689 and revenue decreased $227,532 from 2025. These changes reduced the drawdown by $599,157 from the prior year's $3,767,713. The ending balance indicates that nearly all accumulated resources in this fund have been spent.

2025 Series II Building and Site Bonds Fund. Fund balance increased $814,837 to $21,765,339. The fund reported $814,837 of local-source revenue and no expenditures during 2026. Unlike the prior year, when bond proceeds and premium established the fund's resources, the current-year increase resulted entirely from revenue retained for future projects. The balance remains restricted for authorized capital purposes.

Nonmajor funds increased $1,953,039 to $8,965,254, partly offsetting the major capital funds' drawdowns. The Public Improvement Fund increased $1,959,081, primarily reflecting $2,015,780 of capital-asset sale proceeds and a $380,000 General Fund transfer, less project and other spending. Nonmajor balances include $1,871,008 restricted for food service, $16,120 that is nonspendable, and $7,078,126 committed for the purposes of the respective funds.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

Net capital assets increased $9,688,477, or 5.0 percent, to $202,064,562. The reconciliation of fund results to governmental activities reports additions of $21,600,512, depreciation of $8,069,867, and a $3,842,168 reduction associated with asset disposals. These amounts reconcile the increase in net capital assets.

Capital Assets, Net

	2026	2025
Capital assets not being depreciated	$ 6,273,284	$ 83,353,068
Capital assets being depreciated, net	195,791,278	109,023,017
Capital assets, net	$ 202,064,562	$ 192,376,085

Assets not being depreciated declined $77,079,784, while depreciable assets, net, increased $86,768,261. The shift toward depreciable assets is consistent with major construction being placed in service and helps explain the $2,219,518 increase in annual depreciation. The four major capital projects funds accounted for $17,472,871 of the governmental funds' $17,759,809 of capital outlay.

Long-Term Financing

Debt, including the current portion, decreased $11,491,444 to $201,274,734. The governmental funds reported $11,960,000 of principal expenditures and $619,227 of new revolving-loan proceeds. No new building and site bond proceeds were reported in 2026, compared with $20,250,000 in 2025. Interest and issuance costs reported in governmental activities decreased $195,832 to $7,557,061. The current portion of debt is $6,215,000.

Currently Known Facts Decisions or Conditions

Remaining capital-project resources will affect future cash requirements as authorized work proceeds. Of the $36,384,638 held in the four major capital projects funds, $21,765,339 is in the 2025 Series II fund, which reported no current-year spending, and $14,348,538 is in the 2023 Series I fund. The 2020 and 2023 Series III funds have substantially used their accumulated resources. These restrictions limit the availability of capital funds to support operating needs.

Basic Financial Statements

Caledonia Community Schools
Statement of Net Position
June 30, 2026

ASSETS		
Current Assets		
Cash and investments	$	58,071,087
Receivables		9,772,798
Prepaid items		1,706,049
Total Current Assets		69,549,934
Noncurrent Assets		
Capital assets not being depreciated		6,273,284
Capitals assets being depreciated, net		195,791,278
Net OPEB asset		18,519,930
Total Assets		290,134,426
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding		200,846
Pension		12,327,291
OPEB		3,545,567
Total Deferred Outflows of Resources		16,073,704
LIABILITIES		
Current Liabilities		
Accounts payable		4,024,810
Accrued payroll		2,730,231
Accrued benefits		1,446,481
Accrued interest		1,242,861
Unearned revenue		779,337
Current portion of compensated absences		30,103
Current portion of long-term debt		6,215,000
Total Current Liabilities		16,468,823
Noncurrent Liabilities		
Net pension liability		61,653,924
Compensated absences		571,960
Long-term debt		195,059,734
Total Liabilities		273,754,441
DEFERRED INFLOWS OF RESOURCES		
Pension		18,820,839
OPEB		15,834,232
Total Deferred Inflows of Resources		34,655,071
NET POSITION		
Net investment in capital assets		55,612,592
Restricted for:		
Capital projects		36,384,638
Debt service		1,078,816
Food service		1,871,008
OPEB		18,519,930
Unrestricted		(115,668,366)
Total Net Position	$	**(2,201,382)**

The Notes to the Financial Statements are an Integral part of these Financial Statements

Caledonia Community Schools
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Instruction	28,466,738	86,794	1,054,149	--	(27,325,795)
Supporting services	$ 23,741,541	$ 1,720,790	$ 22,410,496	$ --	$ 389,745
Community services	2,913,464	815,944	--	--	(2,097,520)
Non-public schools services	48,000	--	--	--	(48,000)
Athletics	1,681,560	300,456	6,167	--	(1,374,937)
Food services	3,511,567	330,320	2,976,426	--	(204,821)
Child care	166,908	--	--	--	(166,908)
Depreciation (unallocated)	8,069,867	--	--	--	(8,069,867)
Interest on long-term debt	7,557,061	--	--	--	(7,557,061)
Total	$ 76,156,706	$ 3,254,304	$ 26,447,238	$ --	$ (46,455,164)

General Purpose Revenues:	
Property taxes, levied for general operations	16,970,252
Property taxes, levied for debt service	18,652,704
Unrestricted state sources	33,649,587
Interest and investment earnings	1,946,413
Sale of capital assets	2,015,780
Total General Revenues	73,234,736
Change in Net Position	**26,779,572**
Net Position at Beginning of Period	(28,980,954)
Net Position at End of Period	$ **(2,201,382)**

The Notes to the Financial Statements are an Integral part of these Financial Statements

Caledonia Community Schools
Balance Sheet
Governmental Funds
June 30, 2026

	General	Debt Service	Capital Projects				Nonmajor Governmental Funds	Total Governmental Funds
		Debt Service	2020 Capital Projects	2023 Building & Site Series I	2023 Building & Site Series III	2025 Series II Building & Site Fund		
ASSETS								
Cash and investments	$ 9,478,935	$ 1,066,768	$ 742,064	$ 12,949,898	$ 3,273,240	$ 21,765,339	$ 8,794,843	$ 58,071,087
Receivables	9,501,678	12,048	--	--	--	--	259,072	9,772,798
Prepaid items	1,689,929	--	--	--	--	--	16,120	1,706,049
Due from other funds	13,461	--	--	3,395,821	--	--	255,004	3,664,286
Total Assets	**$ 20,684,003**	**$ 1,078,816**	**$ 742,064**	**$ 16,345,719**	**$ 3,273,240**	**$ 21,765,339**	**$ 9,325,039**	**$ 73,214,220**
LIABILITIES								
Accounts payable	$ 1,468,339	$ --	$ 348,722	$ 1,997,181	$ --	$ --	$ 210,568	$ 4,024,810
Accrued payroll	2,716,644	--	--	--	--	--	13,587	2,730,231
Accrued benefits	1,446,481	--	--	--	--	--	--	1,446,481
Unearned revenue	657,168	--	--	--	--	--	122,169	779,337
Due to other funds	255,004	--	148,443	--	3,247,378	--	13,461	3,664,286
Total Liabilities	6,543,636	--	497,165	1,997,181	3,247,378	--	359,785	12,645,145
FUND BALANCE								
Nonspendable	1,689,929	--	--	--	--	--	16,120	1,706,049
Restricted	--	1,078,816	244,899	14,348,538	25,862	21,765,339	1,871,008	39,334,462
Committed	--	--	--	--	--	--	7,078,126	7,078,126
Unassigned	12,450,438	--	--	--	--	--	--	12,450,438
Total Fund Balance	14,140,367	1,078,816	244,899	14,348,538	25,862	21,765,339	8,965,254	60,569,075
Total Liabilities and Fund Balance	**$ 20,684,003**	**$ 1,078,816**	**$ 742,064**	**$ 16,345,719**	**$ 3,273,240**	**$ 21,765,339**	**$ 9,325,039**	**$ 73,214,220**

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

Total Fund Balance - Governmental Funds	$	60,569,075
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement. This amount represents capital assets of $324,275,521 less accumulated depreciation of $122,210,959.		202,064,562
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.		(1,242,861)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		(68,147,472)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		6,231,265
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.		200,846
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This amount represents the sum of bonds and loans payable (including bond premiums and discounts) of $201,274,734 and compensated absences of $602,063.		(201,876,797)
Total Net Position-Governmental Funds	$	**(2,201,382)**

Caledonia Community Schools
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2026

		Debt Service	Capital Projects					
	General	Debt Service	2020 Capital Projects	2023 Building & Site Series I	2023 Building & Site Series III	2025 Series II Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues								
Local sources	$ 17,462,840	$ 18,957,049	$ 300,818	$ 682,838	$ 137,811	$ 814,837	$ 1,963,700	$ 40,319,893
State sources	48,469,739	233,444	--	--	--	--	1,982,883	50,686,066
Federal sources	1,826,466	--	--	--	--	--	993,543	2,820,009
Interdistrict	7,094,530	--	--	--	--	--	--	7,094,530
Total Revenues	74,853,575	19,190,493	300,818	682,838	137,811	814,837	4,940,126	100,920,498
Expenditures								
Instruction	41,808,534	--	--	--	--	--	--	41,808,534
Supporting services	27,584,535	32	--	--	--	--	880,575	28,465,142
Community services	3,466,114	--	--	--	--	--	448,122	3,914,236
Non-public schools services	48,000	--	--	--	--	--	--	48,000
Food services	--	--	--	--	--	--	3,511,567	3,511,567
Athletics	1,681,560	--	--	--	--	--	--	1,681,560
Child care	--	--	--	--	--	--	230,685	230,685
Capital outlay	--	--	8,062,875	6,103,629	3,306,367	--	286,938	17,759,809
Debt service - principal	--	11,960,000	--	--	--	--	--	11,960,000
Debt service - interest and charges	--	7,558,189	--	--	--	--	--	7,558,189
Total Expenditures	74,588,743	19,518,221	8,062,875	6,103,629	3,306,367	--	5,357,887	116,937,722
Excess of Revenues Over (Under) Expenditures	264,832	(327,728)	(7,762,057)	(5,420,791)	(3,168,556)	814,837	(417,761)	(16,017,224)
Other Financing Sources (Uses)								
Revolving loan	--	619,227	--	--	--	--	--	619,227
Premium on bonds issued	--	2,832	--	--	--	--	--	2,832
Sale of capital assets	--	--	--	--	--	--	2,015,780	2,015,780
Transfers in	25,000	--	--	--	--	--	380,020	405,020
Transfers out	(380,020)	--	--	--	--	--	(25,000)	(405,020)
Net Other Financing Sources (Uses)	(355,020)	622,059	--	--	--	--	2,370,800	2,637,839
Net Change in Fund Balance	**(90,188)**	**294,331**	**(7,762,057)**	**(5,420,791)**	**(3,168,556)**	**814,837**	**1,953,039**	**(13,379,385)**
Fund Balance at Beginning of Period	14,230,555	784,485	8,006,956	19,769,329	3,194,418	20,950,502	7,012,215	73,948,460
Fund Balance at End of Period	$ **14,140,367**	$ **1,078,816**	$ **244,899**	$ **14,348,538**	$ **25,862**	$ **21,765,339**	$ **8,965,254**	$ **60,569,075**

The Notes to the Financial Statements are an Integral part of these Financial Statements

Caledonia Community Schools
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2026

Total Net Change in Fund Balances - Governmental Funds	$	(13,379,385)
The statement of net position reports the net pension liability and pension related deferrals related to the net pension liability as pension expense. However, the expenditures recorded on the governmental funds equals actual pension contributions.		11,797,621
Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		343,895
In the statement of activities, interest and bond discounts and premiums are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest, bond premiums and discounts, and deferred charges from bond refundings.		(152,375)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount represents capital outlay of $21,600,512 less depreciation expense of $8,069,867 and loss on capital assets of $3,842,168.		9,688,477
The statement of net position reports the net OPEB liability and OPEB related deferrals related to the net OPEB liability as OPEB expense. However, the expenditures recorded on the governmental funds equals actual OPEB contributions.		6,989,895
Repayments of principal on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.		12,110,671
Issuance of long-term debt are other financing sources in the governmental funds, but the issuance increases long-term liabilities in the statement of net position.		(619,227)
Changes in Net Position-Governmental Funds	$	**26,779,572**

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Caledonia Community Schools (the "School" or "government") conform to generally accepted accounting principles as applicable to School. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School's significant accounting policies are described below:

Reporting Entity

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

Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. The government-wide statements report *governmental activities*, which normally are supported by taxes and intergovernmental revenues.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 are 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 grantor or provider have been met.

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

Revenues susceptible to accrual are property taxes, state aid, federal, and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School reports the following major funds:

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

The ***debt service fund*** is used to record tax, interest income, other revenue for the payment of principal, debt service interest, and other expenditures related to bond issues.

The ***2020 capital projects fund*** is used to account for bond proceeds specifically designed for the remodeling and improvements of facilities.

The ***2023 building and site series I fund*** is used to account for bond proceeds specifically designed for the remodeling and improvements of facilities.

The ***2023 building and site series III fund*** is used to account for bond proceeds specifically designed for the remodeling and improvements of facilities.

The ***2025 series II building and site fund*** is used to account for bond proceeds specifically designed for the remodeling and improvements of facilities.

Additionally, the School reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, and leases) principal, interest, and related costs.

Capital projects funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level for special revenue funds and the department level for the general fund. State law requires the School to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits the School to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be reappropriated and honored during the subsequent year.

Property Taxes

Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. Assessed values are established annually by the various governmental units within the School and are equalized by the State of Michigan.

Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Fund Equity

Cash and Cash Equivalents

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and School policy authorize the School to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

- Bankers' acceptances of United States banks.

- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

- External investment pools as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, outside site improvements, buildings and additions, furniture and other equipment, and vehicles are reported in the government-wide financial statements. Assets having a useful life in excess of five years and whose costs exceed $5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, furniture and equipment and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Buildings and additions	20 - 50 years
Buses and other vehicles	5 - 10 years
Furniture and other equipment	5 - 10 years
Outside site improvements	10 - 20 years

Pension

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of*

resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School has two items that qualify for reporting in this category. They are the: 1) pension and other postemployment benefits related items reporting in the government-wide statement of net position and 2) deferred charges associated with bond refundings. These amounts are expensed in the year in which they apply.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School 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 and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for the employee health insurance premiums for the months of July and August. The School pays these insurances for this period as part of the compensation for services rendered in the preceding school year.

Compensated Absences

School employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave accumulate from year to year at varying rates, depending on the employees' applicable rate of pay and/or employment category. The liability for compensated absences includes salary-related payments.

The School accrues compensated absences for employees based on leave earned that is attributable to services already rendered and is more likely than not to result in a cash payment or other

settlement. Accruals include vacation, sick leave, and paid time off in accordance with the provisions of GASB Statement No. 101.

In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the government-wide financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Net Position Flow Assumption

Sometimes the School will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the School 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 School's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for 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* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The School itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the School for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

Use of Estimates

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

Note 2 - Stewardship, Compliance, and Accountability

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated. The School's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the department level. The approved budgets of the School for these budgeted funds were also adopted at the department level.

Excess of expenditures over appropriations in budgeted funds – The School the following expenditures in excess of the amount appropriated as of June 30, 2026:

	Final Budget	Actual	Variance
General Fund			
Supporting Services	$ 6,008,313	$ 6,029,503	$ (21,190)

Governmental Activities Deficit

The School has a total net position and unrestricted net position deficit for district-wide activities in the amount of $(2,201,382) and $(115,668,366) as of June 30, 2026, respectively. The primary cause for the unrestricted net position deficit is the School's net pension liability.

Capital Projects Fund Compliance

The 2020 capital projects fund, 2021 building and site bonds fund, 2023 building and site series I fund, 2023 building and site series III fund, and 2025 series II building and site fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School has complied with the applicable provisions of 1351a of the State of Michigan's Revised School Code.

Note 3 - Cash and Investments

The School maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts. Following is a reconciliation of deposit and investment balances as of June 30, 2026:

Statement of Net Position	
Cash and investments	$ 58,071,087
Deposits and Investments	
Checking and savings accounts	$ 19,220,136
Pooled investments (MILAF)	38,850,951
Total Deposits and Investments	$ 58,071,087

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits might not be returned. State law does not require, and the School does not have a policy for deposit custodial credit risk. As of year-end, $19,456,363 of the School's bank balance of $19,956,363 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School believes it is impractical to insure all bank deposits. As a result, the School evaluates each

financial institution with which it deposits School funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, School policy limits the types of investments and pre-qualifies financial institutions. As of June 30, 2026, none of the School's investments were exposed to custodial credit risk since the securities are held in the School's name by the counterparty. The School's investments consisted of the Michigan Liquid Asset Fund in the amount of $38,850,951, as of June 30, 2026.

Credit Risk. State law limits investments to specific government securities, certificates of deposits, and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The School's investment policy does not have specific limits in excess of state law on investment credit risk. The School's only investment, the Michigan Liquid Asset Fund, is rated AAAm by the S&P with a fair market value of $38,850,951.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The School's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The School has no investments with maturities.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the School's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The School's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a percentage of the total investment portfolio. All investments held at year-end are reported above.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

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 quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

As of June 30, 2026, the fair value measurements of investments were limited to the Michigan Liquid Asset Fund assets with a fair market value of $38,850,951 and were all classified as Level 2.

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances as of June 30, 2026 consisted of fund receivables and payables listed below:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental funds	General Fund	$ 255,004
2023 Building & Site Series I	2020 Capital Projects	148,443
2023 Building & Site Series I	2023 Building & Site Series III	3,247,378
General Fund	Nonmajor governmental funds	13,461
Total		$ 3,664,286

Interfund balances resulted primarily from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.
The following schedule summarizes the operating transfers during the year:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental funds	$ 25,000
Nonmajor governmental funds	General Fund	380,020
Total		$ 405,020

The $25,000 interfund transfer was an eligible reimbursement from the food service fund to the general fund for indirect costs incurred by the general fund on behalf of the food service fund. The $380,020 interfund transfer was an eligible reimbursement from the general fund to the food service fund and the public improvement fund for indirect costs incurred by the other funds on behalf of the general fund.

Note 5 - Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue include charges for services payments received prior to meeting all eligibility requirements in the amount of $779,337.

Note 6 - State of Michigan School Aid

The School reports State of Michigan school aid in the fiscal year in which the School is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided approximately 50.2% of the total revenues to the School during the 2026 fiscal year.

Note 7 - Capital Assets

Capital asset activity of the School's governmental activities was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not Being Depreciated/Amortized:					
Land	$ 3,837,340	$ 1,971,216	$ 3,837,340	$ -	$ 1,971,216
Construction in progress	79,515,728	4,302,068	-	(79,515,728)	4,302,068
Subtotal	83,353,068	6,273,284	3,837,340	(79,515,728)	6,273,284
Capital Assets Being Depreciated/Amortized:					
Buildings and additions	183,614,196	13,205,220	4,828	79,515,728	276,330,316
Buses and other vehicles	3,466,187	836,538	-	-	4,302,725
Furniture and equipment	30,100,599	443,552	-	-	30,544,151
Outside site improvements	5,983,127	110,416	-	-	6,093,543
SBITA	-	731,502	-	-	731,502
Subtotal	223,164,109	15,327,228	4,828	79,515,728	318,002,237
Less Accumulated Depreciation/Amotrization:					
Buildings and additions	80,802,852	6,632,990	-	-	87,435,842
Buses and other vehicles	1,601,587	395,389	-	-	1,996,976
Furniture and equipment	27,045,632	530,236	-	-	27,575,868
Outside site improvements	4,691,021	364,952	-	-	5,055,973
SBITA	-	146,300	-	-	146,300
Subtotal	114,141,092	8,069,867	-	-	122,210,959
Capital Assets Being Depreciated/Amoritzed, Net	109,023,017	7,257,361	4,828	79,515,728	195,791,278
Capital Assets, Net	$ 192,376,085	$ 13,530,645	$ 3,842,168	$ -	$ 202,064,562

Depreciation expense for the fiscal year amounted to $8,069,867. The School determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

Note 8 - Long-term Debt

The school issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school. Other long-term obligations include accumulated severance pay and accrued compensated absences.

General obligation direct placement bonds consist of:

2014 Bonds due in amounts ranging from $625,000 through $2,075,000 plus interest at 2.5% - 5.0% through 2044	$ 9,900,000
2016 Refunding Bonds, Series A, due in amounts ranging from $5,795,000 through $1,900,000 plus interest at 5.0% through 2032	11,100,000
2020 School Building and Site Bonds, Series I, due in amounts ranging from $910,000 through $2,350,000 plus interest at 4.0% through 2050	39,250,000
2021 School Building and Site Bonds, Series II, due in amounts ranging from $500,000 through $1,440,000 plus interest at 1.50 - 4.0% through 2050	23,040,000
2023 School Building and Site Bonds, Series III, due in amounts ranging from $1,380,000 through $1,855,000 plus interest at 4.90 - 5.25% through 2033	37,145,000
2023 School Building and Site Bonds, Series I, due in amounts ranging from $300,000 through $2,790,000 plus interest at 5.0%	11,265,000
2024 Refunding Bonds - Unlimited Tax Qualified, due in amounts ranging from $630,000 through $1,770,000 plus interest at 5.0% through 2039	16,745,000
2025 School Building and Site Bonds, Series II, due in amounts ranging from $300,000 through $2,790,000 plus interest at 5.0% through 2053	20,250,000
Total general obligation bonded debt	$168,695,000

School Loan Revolving Fund (SLRF) – Direct Placement

The school's direct placement debt with the SLRF allows for flexible repayment options with a mandatory final repayment date May 1, 2038. Total loan balance at June 30, 2026 $18,237,280. Interest accrues at 4.22%
Long-term obligation activity can be summarized as follows:

Bonds Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2014 Bonds	$ 9,900,000	$ -	$ -	$ 9,900,000	$ -
2020 Refunding Bonds	4,470,000	-	(4,470,000)	-	-
2015 Refunding Bonds	3,365,000	-	(3,365,000)	-	-
2016 Refunding Bonds, Series A	12,875,000	-	(1,775,000)	11,100,000	1,800,000
2020 School Building and Site Bonds, Series I	40,250,000	-	(1,000,000)	39,250,000	1,000,000
2021 School Building and Site Bonds, Series II	23,540,000	-	(500,000)	23,040,000	825,000
2023 School Building and Site Bonds, Series I	37,145,000	-	-	37,145,000	300,000
2023 School Building and Site Bonds, Series III	11,265,000	-	-	11,265,000	1,380,000
2024 Refunding Bonds - UTQ	17,595,000	-	(850,000)	16,745,000	910,000
2025 School Building and Site Bonds, Series II	20,250,000	-	-	20,250,000	-
Total Bonds	180,655,000	-	(11,960,000)	168,695,000	6,215,000
School Loan Revolving Fund (SLRF), including interest - Direct Placement	16,931,970	1,305,310	-	18,237,280	-
Total Bonds and SLRF	$197,586,970	$ 1,305,310	$ (11,960,000)	$186,932,280	$ 6,215,000
Bond Premiums and Discounts					
Premiums	$ 15,771,592	$ -	$ (872,958)	$ 14,898,634	$ 872,958
Discounts	(592,384)	-	36,204	(556,180)	(36,204)
Total Premiums, Discounts, and Deferred Charges	$ 15,179,208	$ -	$ (836,754)	$ 14,342,454	$ 836,755
Compensated Absences	$ 945,958	$ -	$ (343,895)	$ 602,063	$ 30,103

The change in compensated absences is a net change.

Annual debt service requirements, exclusive of compensated absences, SLRF direct placement loan, and bond premiums and discounts, for long-term debt outstanding as of June 30, 2026 follows:

Year Ending June 30,	Principal	Interest	Total
2027	6,285,000	7,369,716	13,654,716
2028	6,215,000	7,080,148	13,295,148
2029	6,820,000	6,799,058	13,619,058
2030	7,035,000	6,486,802	13,521,802
2031	7,305,000	6,164,836	13,469,836
2032-2036	29,685,000	26,483,180	56,168,180
2037-2041	33,625,000	19,976,782	53,601,782
2042-2046	36,300,000	12,413,000	48,713,000
2047-2051	26,055,000	5,473,750	31,528,750
2052-2056	7,690,000	766,250	8,456,250
Totals:	$ 167,015,000	$ 99,013,522	$ 266,028,522

Accumulated unpaid compensation for termination leave pay as of June 30, 2025 has been computed and recorded in the financial statements as a long-term liability as the liability is expected to be liquidated from future financial resources. At present, eligible School employees are entitled to a termination leave payment based on their unused absence days at current pay rate and eligible teachers and certain administrators are entitled to supplemental retirement stipends according to guidelines set forth by the School. As of June 30, 2025, the accumulated liability (expected to be financed by general fund resources) amounted to $945,958.

Note 9 - Pension Plan

Plan Description

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

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

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

The System's financial statements are available on the ORS website at ***Michigan.gov/ORSSchools***.

Benefits Provided

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. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

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

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

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

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

Required contributions to the pension plan from the School were $12,818,373 for the year ended September 30, 2025.

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

At June 30, 2026, the School reported a liability of $61,653,924 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2024. The School's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2025,

the School's proportion was 0.30776 percent, which was an increase of 0.00050 percent from its proportion measured as of September 30, 2024.

For the year ending June 30, 2026, the School recognized pension expense of $2,936,068. At June 30, 2026, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 2,388,033	$ 549,146
Changes of assumptions	2,212,936	3,258,558
Net difference between projected and actual earnings on pension plan investments	-	14,733,968
Changes in proportion and differences between Employer contributions and proportionate share of contributions	970,697	279,167
Employer contributions subsequent to the measurement date	6,755,625	-
Total	**$ 12,327,291**	**$ 18,820,839**

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended September 30	Amount:
2026	$ (456,054)
2027	(6,314,934)
2028	(4,966,490)
2029	(1,511,695)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2024
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- Basic and MIP plans:	6.00%, net of investment expenses
- Pension Plus plan:	6.00%, net of investment expenses
- Pension Plus 2 plan:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active:	PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes:

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4524 for non-university employers.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2025 MPSERS Annual Comprehensive Financial Report found on the ORS website at *Michigan.gov/ORSSchools*.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a buildingblock method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of Sept. 30, 2025, are summarized in the following table:

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

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

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the

member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School'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:

	Pension	
1% Decrease (5.0%)	**Current Discount Rate (6.0%)**	**1% Increase (7.0%)**
$97,293,292	$61,653,924	$31,970,892

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS ACFR, available on the ORS website at ***Michigan.gov/ORSSchools***.

Note 10 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

The System's financial statements are available on the ORS website at *Michigan.gov/ORSSchools*.

Benefits Provided

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

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending Sept 3, 2012 or were on an approved professional services or military leave of absence on Sept. 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 Feb. 1, 2013.

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the Sept. 30, 2024, valuation will be amortized over a 15-year period beginning Oct. 1, 2024 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended Sept. 30, 2025:

Benefit Structure	Member	Non-Universities
Premium Subsidy	3.00%	1.25%
Personal Healthcare Fund (PHF)	0.00%	0.00%

Required contributions to the OPEB plan from the School were $286,515 for the year ended September 30, 2025.

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

At June 30, 2026, the School reported a liability (asset) of $(18,519,930) for its proportionate share of the MPSERS net OPEB liability. 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 rolled forward from September 2024. The School's proportion of the net OPEB liability (asset) was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2025, the School's proportion was 0.30465%, which was a decrease of 0.00142% from its proportion measured as of October 1, 2024.

For the year ending June 30, 2026, the School recognized OPEB expense of negative $6,203,715.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 12,679,622
Changes of assumptions	2,471,683	196,420
Net difference between projected and actual earnings on OPEB plan investments	-	2,602,454
Changes in proportion and differences between Employer contributions and proportionate share of contributions	437,713	355,736
Employer contributions subsequent to the measurement date	636,171	-
Total	**$ 3,545,567**	**$ 15,834,232**

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan Year Ended September 30	Amount:
2026	$ (3,434,468)
2027	(3,405,042)
2028	(3,098,040)
2029	(2,035,812)
2030	(730,638)
Thereafter	(220,836)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2024
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; Post-65: 6.50% Year 1 graded to 3.5% Year 15
Mortality:	
Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Notes:

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.4654 for non-university employers.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2025 MPSERS Annual Comprehensive Financial Report found on the ORS website at **Michigan.gov/ORSSchools**.

Long-term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be

made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School's proportionate share of the net OPEB liability (asset) to changes in the discount rate

The following presents the School's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.00%, as well as what the School'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 higher:

Other Postemployment Benefits		
1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
$ (15,956,092)	$ (18,519,930)	$ (20,763,844)

Sensitivity of the School's proportionate share of the net OPEB liability (asset) to Healthcare Cost Trend Rate

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

Other Postemployment Benefits		
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ (20,743,369)	$ (18,519,930)	$ (16,185,393)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2025 MPSERS ACFR, available on the ORS website at **Michigan.gov/ORSSchools**.

Note 11 - Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Note 12 - Contingent Liabilities

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

Note 13 - Tax Abatements

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

For the fiscal year ended June 30, 2026, the School's operating property tax revenues were reduced by $692,971 and the debt service property tax revenues were reduced by $270,588 under these programs. Operating revenues not paid to the School because of tax abatement agreements are reimbursed to the School by the State of Michigan through the per-pupil foundation allowance.

Note 14 - Subsequent Events and Commitments

The School has committed $39,334,462 for projects using the 2020, 2023, and 2025 bond issuances through year-end. As of June 30, 2026, the balance of the construction commitments was $39,334,462 (net of approved project changes and construction payments).

Management has evaluated subsequent events through October 20, 2026, the date on which the financial statements were available to be issued. Nothing of significance was noted.

Note 15 - New Accounting Pronouncement

The School implemented Governmental Accounting Standards Board ("GASB") Statement No. 103, *Financial Reporting Model Improvements*, during the fiscal year ended June 30, 2026. The implementation of this standard resulted in changes to the presentation of certain financial statements and required supplementary information but did not have a material impact on the School's financial position or results of operations, and no restatement of prior year balances was required.

Required Supplementary Information

Caledonia Community Schools
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance Favorable (Unfavorable)		Variance Favorable (Unfavorable)
	Original	Final	Original to Final	Actual	Final to Actual
Revenues					
Local sources	$ 16,567,928	$ 18,103,969	$ 1,536,041	$ 17,462,840	$ (641,129)
State sources	46,991,551	48,266,100	1,274,549	48,469,739	203,639
Federal sources	1,632,382	1,982,670	350,288	1,826,466	(156,204)
Interdistrict and other	6,349,245	6,731,026	381,781	7,094,530	363,504
Total Revenues	71,541,106	75,083,765	3,542,659	74,853,575	(230,190)
Other Financing Sources					
Transfers in	25,000	25,000	--	25,000	--
Total Revenues and Other Financing Sources	71,566,106	75,108,765	3,542,659	74,878,575	(230,190)
Expenditures					
Instruction					
Basic programs	32,232,525	33,991,789	(1,759,264)	33,553,771	438,018
Added needs	7,546,351	8,294,197	(747,846)	8,254,763	39,434
Total instruction	39,778,876	42,285,986	(2,507,110)	41,808,534	477,452
Supporting services					
Pupil	5,664,700	6,008,313	(343,613)	6,029,503	(21,190)
Instructional staff	1,957,800	1,609,863	347,937	1,594,220	15,643
General administration	794,738	881,581	(86,843)	815,562	66,019
School administration	4,160,000	4,160,000	--	4,158,549	1,451
Business	1,121,000	1,121,000	--	1,120,456	544
Operations and maintenance	7,114,338	7,955,194	(840,856)	7,481,358	473,836
Pupil transportation services	4,340,126	4,359,977	(19,851)	4,254,911	105,066
Central	2,166,564	2,224,171	(57,607)	2,129,976	94,195
Total supporting services	27,319,266	28,320,099	(1,000,833)	27,584,535	735,564
Athletics	1,636,158	1,755,439	(119,281)	1,681,560	73,879
Community services	2,880,597	3,482,012	(601,415)	3,466,114	15,898
Non-public school services	--	48,000	(48,000)	48,000	--
Total Expenditures	71,614,897	75,891,536	(4,276,639)	74,588,743	1,302,793
Other Financing Uses					
Transfers out	380,000	380,020	(20)	380,020	--
Total Expenditures and Other Financing Uses	71,994,897	76,271,556	(4,276,659)	74,968,763	1,302,793
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(428,791)	(1,162,791)	(734,000)	(90,188)	1,072,603
Net Change in Fund Balance	**(428,791)**	**(1,162,791)**	**(734,000)**	**(90,188)**	**1,072,603**
Fund Balance at Beginning of Period	14,230,555	14,230,555	--	14,230,555	--
Fund Balance at End of Period	$ **13,801,764**	$ **13,067,764**	$ **(734,000)**	$ **14,140,367**	$ **1,072,603**

Notes to Required Supplementary Information

Budgetary Variances

Original budget compared to final budget

During the year, Caledonia Community Schools amended its General Fund budget to reflect changes in anticipated revenues and expenditures. Budgeted local source revenue increased by $1,536,041, primarily due to the increase in taxes that were not known during the initial budget period.

Budgeted expenditures for instructional basic programs increaesd by $1,759,264 as the contract with the teacher group was not settled until September 2025. On top of this there was an increase onf MPSERS 147c after the intial budget period.

Final budget compared to actual results

Operations and maintenance expenditures were $473,836 under budget due to not needing to spend on anticipated supplies and equipment as well as having unfilled positions near the end of the year.

Caledonia Community Schools
Schedule of School District's Proportionate Share of Net Pension Liability
Michigan Public School Employee Retirement Plan
Last Ten Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
School District's Portion of Net Pension Liability (%)	0.30776%	0.30323%	0.30499%	0.30118%	0.30424%	0.31211%	0.31531%	0.29956%	0.29807%	0.29569%
School District's Proportionate Share of Net Pension Liability	$ 61,653,924	$ 75,467,670	$ 98,713,201	$ 113,269,711	$ 72,031,190	$ 107,212,548	$ 104,420,571	$ 90,054,205	$ 77,243,119	$ 73,774,301
School District's Covered Payroll	$ 34,226,522	$ 32,171,790	$ 31,361,269	$ 29,099,636	$ 27,706,107	$ 26,935,296	$ 28,501,784	$ 25,731,211	$ 24,927,686	$ 25,366,089
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	180.13%	234.58%	314.76%	389.25%	259.98%	398.04%	366.37%	349.98%	309.87%	290.84%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.44%	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

Caledonia Community Schools
Schedule of School District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last Ten School District Fiscal Years (Amounts determined as of June 30 of each year)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily Required Contributions	$ 12,818,373	$ 12,887,795	$ 10,992,172	$ 10,250,901	$ 9,135,319	$ 8,577,139	$ 8,376,373	$ 8,157,179	$ 4,523,200	$ 4,616,300
Contributions in Relation to Statutorily Required Contributions	12,818,373	12,887,795	10,992,172	10,250,901	9,135,319	8,577,139	8,376,373	8,157,179	4,523,200	4,616,300
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's Covered Payroll	$ 36,613,307	$ 33,604,023	$ 32,356,646	$ 32,156,066	$ 28,243,044	$ 27,144,925	$ 27,281,897	$ 28,061,597	$ 25,353,000	$ 25,917,500
Contributions as a Percentage of Covered Payroll	35.01%	38.35%	33.97%	31.88%	32.35%	31.60%	30.70%	29.07%	17.84%	17.81%

Caledonia Community Schools
Schedule of School District's Proportionate Share of Net OPEB Liability (Asset)
Michigan Public School Employee Retirement Plan
Last Nine Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	2024	2024	2023	2022	2021	2020	2019	2018	2017
School District's Portion of Net OPEB Liability (Asset) (%)	0.30465%	0.30323%	0.31235%	0.29817%	0.30553%	0.30343%	0.32580%	0.30202%	0.29849%
School District's Proportionate Share of Net OPEB Liability (Asset)	$ (18,519,930)	$ (13,052,049)	$ (1,766,975)	$ 6,315,479	$ 4,663,514	$ 16,255,435	$ 23,384,993	$ 24,007,601	$ 26,433,528
School District's Covered Payroll	$ 34,226,522	$ 31,171,790	$ 31,361,269	$ 29,099,636	$ 27,706,107	$ 26,935,296	$ 28,501,784	$ 25,731,211	$ 24,927,686
School District's Proportionate Share of Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-54.11%	-41.87%	-5.63%	21.70%	16.83%	60.35%	82.05%	93.30%	106.04%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	164.94%	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

Caledonia Community Schools
Schedule of School District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last Nine School District Fiscal Years (Amounts determined as of June 30 of each year)

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily Required Contributions	$ 286,515	$ 2,520,433	$ 2,433,214	$ 2,271,279	$ 2,268,072	$ 2,143,792	$ 2,236,957	$ 1,960,415	$ 1,938,600
Contributions in Relation to Statutorily Required Contributions	286,515	2,520,433	2,433,214	2,271,279	2,268,072	2,143,792	2,236,957	1,960,415	1,938,600
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's Covered Payroll	$ 36,613,307	$ 33,604,023	$ 32,356,646	$ 32,156,066	$ 28,243,044	$ 27,144,925	$ 27,281,897	$ 28,061,597	$ 25,353,000
Contributions as a Percentage of Covered Payroll	0.78%	7.50%	7.52%	7.06%	8.03%	7.90%	8.20%	6.99%	7.65%

Combining and Individual Fund Statements and Schedules

Caledonia Community Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2026

	Special Revenue				Capital Projects		
	Community Services	Child Care	Food Services	Student Activity Fund	Public Improvement	Capital Improvement Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and investments	$ 440,359	$ 274,336	$ 1,530,493	$ 618,437	$ 5,922,409	$ 8,809	$ 8,794,843
Receivables	--	--	259,072	--	--	--	259,072
Prepaid items	--	--	--	16,120	--	--	16,120
Due from other funds	--	--	230,437	--	24,567	--	255,004
Total Assets	**$ 440,359**	**$ 274,336**	**$ 2,020,002**	**$ 634,557**	**$ 5,946,976**	**$ 8,809**	**$ 9,325,039**
LIABILITIES							
Accounts payable	$ 32,550	$ 220	$ 58,413	$ 456	$ 118,929	$ --	$ 210,568
Accrued payroll	13,587	--	--	--	--	--	13,587
Unearned revenue	33,280	--	88,889	--	--	--	122,169
Due to other funds	1,642	1,880	1,692	8,247	--	--	13,461
Total Liabilities	81,059	2,100	148,994	8,703	118,929	--	359,785
FUND BALANCE							
Nonspendable	--	--	--	16,120	--	--	16,120
Restricted	--	--	1,871,008	--	--	--	1,871,008
Committed	359,300	272,236	--	609,734	5,828,047	8,809	7,078,126
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	359,300	272,236	1,871,008	625,854	5,828,047	8,809	8,965,254
Total Liabilities and Fund Balance	**$ 440,359**	**$ 274,336**	**$ 2,020,002**	**$ 634,557**	**$ 5,946,976**	**$ 8,809**	**$ 9,325,039**

Caledonia Community Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2026

	Special Revenue				Capital Projects		
	Community Services	Child Care	Food Services	Student Activity Fund	Public Improvement	Capital Improvement Fund	Total Nonmajor Governmental Funds
Revenues							
Local sources	$ 538,988	$ 284,716	$ 350,383	$ 651,215	$ 138,300	$ 98	$ 1,963,700
State sources	--	--	1,982,883	--	--	--	1,982,883
Federal sources	--	--	993,543	--	--	--	993,543
Total Revenues	538,988	284,716	3,326,809	651,215	138,300	98	4,940,126
Expenditures							
Supporting services	--	--	--	565,566	315,009	--	880,575
Community services	448,122	--	--	--	--	--	448,122
Food services	--	--	3,511,567	--	--	--	3,511,567
Child care	--	230,685	--	--	--	--	230,685
Capital outlay	--	--	--	--	259,990	26,948	286,938
Total Expenditures	448,122	230,685	3,511,567	565,566	574,999	26,948	5,357,887
Excess of Revenues Over (Under) Expenditures	90,866	54,031	(184,758)	85,649	(436,699)	(26,850)	(417,761)
Other Financing Sources (Uses)							
Sale of capital assets	--	--	--	--	2,015,780	--	2,015,780
Transfers in	--	--	20	--	380,000	--	380,020
Transfers out	--	--	(25,000)	--	--	--	(25,000)
Net Other Financing Sources (Uses)	--	--	(24,980)	--	2,395,780	--	2,370,800
Net Change in Fund Balance	**90,866**	**54,031**	**(209,738)**	**85,649**	**1,959,081**	**(26,850)**	**1,953,039**
Fund Balance at Beginning of Period	268,434	218,205	2,080,746	540,205	3,868,966	35,659	7,012,215
Fund Balance at End of Period	$ **359,300**	$ **272,236**	$ **1,871,008**	$ **625,854**	$ **5,828,047**	$ **8,809**	$ **8,965,254**

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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
Caledonia Community Schools
Caledonia, 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 Caledonia Community Schools (the "School"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 23, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School'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.



Gabridge & Company, PLC
Grand Rapids, MI
October 23, 2026

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October 23, 2026

To the Board of Education
Caledonia Community Schools
Caledonia, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caledonia Community Schools (the "School 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, *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 June 30, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 1 to the financial statements. During the year ended June 30, 2026, the School adopted GASB Statement No. 103, *Financial Reporting Model Improvements*, which resulted in various changes to the management discussion and analysis as well as the required supplementary information. No other accounting policies were changed during the fiscal year ended June 30, 2026. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- The assumptions used in the actuarial valuations of the pension and other post-employment benefits are based on historical trends and industry standards.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 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 School 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 School 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 management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the individual and combining fund statements 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 Board of Education and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI