ELK RAPIDS SCHOOLS

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

YEAR ENDED JUNE 30, 2026

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Elk Rapids Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Rapids Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Elk Rapids Schools' 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 Elk Rapids Schools, as of June 30, 2026, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2026 on our consideration of Elk Rapids Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Elk Rapids Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elk Rapids Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

Lansing, Michigan
October 8, 2026

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

If you have any questions about this report or need any additional information, please contact Business Services Office, Elk Rapids Schools, 308 Megunzee Point Rd., Elk Rapids, Michigan 49629.

OVERVIEW OF THE FINANCIAL STATEMENTS

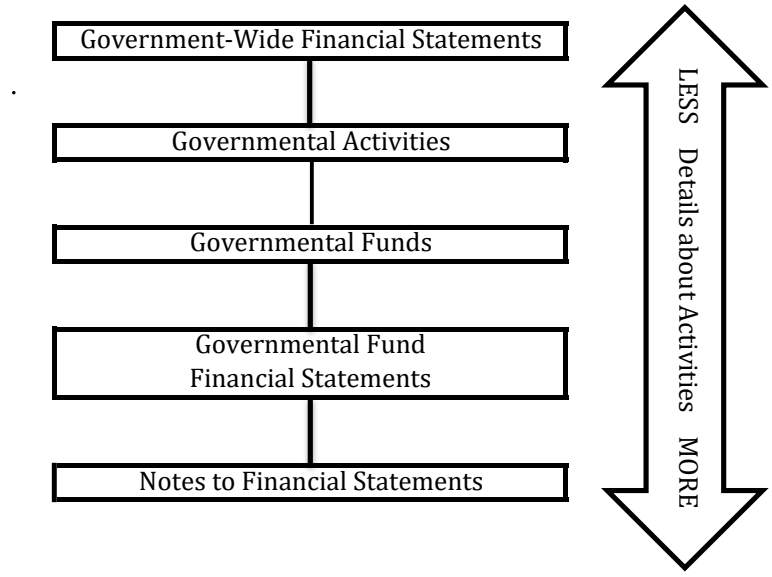
The District's financial report contains basic financial statements. Those financial statements present the District's finances at both an overall and a detailed level. The first two - the *government-wide financial statements* - cover the District's governmental activities. (See the diagram in Figure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

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

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

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

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



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

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

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

- *Assets* - resources the District controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.

- *Liabilities* - amounts the District owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.

- *Deferred Outflows of Resources and Deferred Inflows of Resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.

- *Revenues and Expenses* - inflows and outflows of economic resources, respectively, related to the current year.

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

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

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

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

ANALYSIS OF THE DISTRICT'S FINANCES

Table A-1
Elk Rapids Schools' Net Position

	June 30, 2026	June 30, 2025	Dollar Change	Total Percentage Change
ASSETS				
Current and other assets	$ 19,381,709	$ 23,157,667	$ (3,775,958)	-16.3%
Net other postemployment benefits asset	4,219,674	2,823,570	1,396,104	49.4%
Capital assets, net of depreciation/amortization	57,271,647	53,149,228	4,122,419	7.8%
TOTAL ASSETS	80,873,030	79,130,465	1,742,565	2.2%
DEFERRED OUTFLOWS OF RESOURCES	3,425,721	5,287,386	(1,861,665)	-35.2%
LIABILITIES				
Long-term obligations outstanding	47,083,884	47,926,326	(842,442)	-1.8%
Other liabilities	5,302,539	5,240,443	62,096	1.2%
Net pension liability	13,001,434	16,131,759	(3,130,325)	-19.4%
TOTAL LIABILITIES	65,387,857	69,298,528	(3,910,671)	-5.6%
DEFERRED INFLOWS OF RESOURCES	9,249,871	9,804,699	(554,828)	-5.7%
NET POSITION				
Net investment in capital assets	14,331,998	14,428,561	(96,563)	-0.7%
Restricted for food service	282,428	-	282,428	100.0%
Restricted for debt service	416,884	304,155	112,729	37.1%
Restricted for net other postemployment benefits	4,219,674	2,823,570	1,396,104	49.4%
Unrestricted	(9,589,961)	(12,241,662)	2,651,701	21.7%
TOTAL NET POSITION	$ 9,661,023	$ 5,314,624	$ 4,346,399	81.8%

Table A-1 shows that as of June 30, 2026, the District's total net position - assets and deferred outflows minus liabilities and deferred inflows - was $9,661,023, an increase of $4,346,399 or 81.8% compared with 2025. This increase is primarily due to a $2,651,701 or 21.7% increase in unrestricted net position and an increase of $1,396,104 or 49.4% in net other postemployment benefits. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position as mentioned above. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

1. Decreases in operating grants and contributions.
2. Growth in the taxable value of nonpersonal residential exempt properties.
3. Increase in expenses for certain programs and functions.

Table A-2
Changes to Elk Rapids Schools' Net Position

REVENUES	June 30, 2026	June 30, 2025	Dollar Change	Total Percentage Change
Program revenues				
Charges for services	$ 2,853,397	$ 2,528,599	$ 324,798	12.8%
Operating grants and contributions	4,002,561	6,559,455	(2,556,894)	-39.0%
Capital grants and contributions	-	108,412	(108,412)	-100.0%
General revenues				
Property taxes	14,823,576	13,911,010	912,566	6.6%
Investment earnings	876,651	1,160,290	(283,639)	-24.4%
State aid - unrestricted	721,107	1,267,541	(546,434)	-43.1%
Other	324,594	111,479	213,115	191.2%
TOTAL REVENUES	23,601,886	25,646,786	(2,044,900)	-8.0%
EXPENSES				
Instruction	7,476,922	7,552,471	(75,549)	-1.0%
Support services	6,001,477	5,587,997	413,480	7.4%
Community services	216,761	249,964	(33,203)	-13.3%
Food services	952,600	827,622	124,978	15.1%
Student/school activities	533,297	593,694	(60,397)	-10.2%
Interest on long-term debt	1,935,169	1,802,535	132,634	7.4%
Unallocated depreciation	2,139,261	712,751	1,426,510	200.1%
TOTAL EXPENSES	19,255,487	17,327,034	1,928,453	11.1%
Change in net position	4,346,399	8,319,752	$ (3,973,353)	-47.8%
Net position-beginning of year	5,314,624	(3,005,128)		276.9%
Net position-end of year	$ 9,661,023	$ 5,314,624		81.8%

Decline in Operating Grants and Contributions

There were notable decreases in operating grants and contributions compared to the prior year, which accounts for 17.0% of overall revenues. Most of the decrease is attributed to a decrease in federal revenue as grants from the prior year were not received in the current year and donations from private sources decreased as well in the current year.

Increase in Property Taxes

Property taxes increased in the current year compared to the prior year, which accounts for 62.8% of overall revenues. The increase is attributed to an increase in the taxable values of properties located in the county, the taxable value increased by 7.6%.

Increase in Expenses

Total expenses for the District increased by 11.2% overall. The significant increase was due to depreciation expense. At the end of June 30, 2025, the District placed into service projects funded by the bond. In 2026 it was the first full year of depreciation. This increased District expenses by approximately $1.4 million compared to the prior year.

GOVERNMENTAL FUNDS

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

Table A-3
Revenues, Expenditures, and Changes in Fund Balances

	General Fund		2023 Bond Construction		Capital Projects		Debt Service 2020 School Improvement Bond	
	2026	2025	2026	2025	2026	2025	2026	2025
REVENUES	$ 19,027,757	$ 19,975,193	$ 351,188	$ 608,265	$ 76,899	$ 369	$ 2,533,092	$ 2,346,211
EXPENDITURES	16,599,049	15,676,480	5,201,898	6,555,088	922,440	289,900	2,423,597	2,351,929
Excess (deficiency) of revenues over expenditures	2,428,708	4,298,713	(4,850,710)	(5,946,823)	(845,541)	(289,531)	109,495	(5,718)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	2,605	-	3,288,241	2,000,000	3,000,000	-	51,329
Transfers out	(2,000,000)	(3,022,528)	-	-	-	-	-	(1,000)
Total other financing sources (uses)	(2,000,000)	(3,019,923)	-	3,288,241	2,000,000	3,000,000	-	50,329
Net change in fund balance	428,708	1,278,790	(4,850,710)	(2,658,582)	1,154,459	2,710,469	109,495	44,611
Fund balance - beginning of year	5,119,127	3,840,337	8,417,602	11,076,184	2,710,469	-	626,889	582,278
Fund balance - end of year	$ 5,547,835	$ 5,119,127	$ 3,566,892	$ 8,417,602	$ 3,864,928	$ 2,710,469	$ 736,384	$ 626,889

General Fund

The fund balance of the District's general fund increased by 8.3%. The District experienced a decline in revenue compared to the prior year primarily due to less being received from state categorical funding. Expenses increased due to salaries and related items. The above items was offset by lowering the transfer to the capital projects in the current year. The net of these items still resulted in an increase in fund balance.

The overall fund balance at the end of June 30, 2026, represented approximately 33.4% of operating expenditures. The District aims to have a minimum fund balance of 10% of operating expenditures. Within fund balance, approximately 99% of the balance is considered unassigned. The remaining 1% is considered either restricted, committed, or assigned for other items and is not readily available for use.

2023 Bond Construction Fund

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

Capital Projects Fund

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

Debt Service 2020 School Improvement Bond Fund

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

SIGNIFICANT CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets-original cost minus accumulated depreciation- increased 7.8% compared to 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Elk Rapids Schools' Capital Assets

	2026			2025	Total
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Percentage Change
Land	$ 94,249	$ -	$ 94,249	$ 94,249	0.0%
Construction in progress	58,638	-	58,638	8,443,426	-99.3%
Buildings	5,988,574	3,649,944	2,338,630	2,446,515	-4.4%
Building improvements	67,275,954	14,766,200	52,509,754	41,060,284	27.9%
Machinery and equipment	4,291,557	3,101,737	1,189,820	404,923	193.8%
Software	17,882	17,882	-	-	0.0%
Furniture and fixtures	1,830,895	1,262,604	568,291	294,967	92.7%
Vehicles	1,241,218	728,953	512,265	404,864	26.5%
Total	$ 80,798,967	$ 23,527,320	$ 57,271,647	$ 53,149,228	7.8%

A significant reason for the increase in the net capital assets relates to the building improvements category. During 2026, the District completed and placed in service approximately $8 million for renovations to the high school, middle school, and Lakeland buildings. The building project was started in 2023 and was completed in 2026. The additions of capital assets outpaced the depreciation during the year, resulting in a net increase in capital assets.

Long-term Obligations

Overall, the carrying value of the District's long-term obligations decreased by 1.8% from the prior year. See Table A-5 for the carrying value of the District's long-term obligations.

Table A-5
Elk Rapids Schools'
Outstanding Long-Term Obligations

	2026	2025	Total Percentage Change
General obligation bonds	$ 46,506,541	$ 47,138,269	-1.3%
Compensated absences	577,343	788,057	-26.7%
Total	$ 47,083,884	$ 47,926,326	-1.8%

During 2026, the District made principal payments of $485,000 and experienced a number of tenured employees who had built up accrued leave time left the District, this caused compensated absences to decrease. These two factors are what caused the long-term obligations to decrease.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

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

The District is considered an "out-of-formula" district. Out-of-formula is caused by the District receiving more property tax revenue that it would have received from the State of Michigan under its formula for distributing funds based on the District's pupil count. Even though the District does not rely on the foundation funding, like most districts, the District does receive significant categorical, or restricted funding from the state. With the political uncertainty at the state legislative level, funding for these categorical or special initiatives could be reduced or eliminated altogether.

The District and other districts in the area are experiencing a shortage of qualified educators. This issue is expected to expand in the near future. The District is also starting negotiations with the teacher's union as their contract is set to expire in August 2026.

In 2023 the voters approved a $25,995,000 bond for the improvement of school buildings. At the end of June 30, 2026 there was approximately $3.6 million remaining. The District anticipates wrapping up the bond projects in 2027.

The District adopted an original budget for 2027 with the anticipation of adding slightly to the fund balance. The District anticipates property tax values to be stable going into the 2027 fiscal year, however if there is any impact on property tax values either due to higher interest rates or an economic recession, it could affect the funds received by the District. Expenses anticipate going higher due to inflation as well as a potential new teacher contract. The District also anticipates the continuation of investing within the District with capital improvements.

BASIC FINANCIAL STATEMENTS

ELK RAPIDS SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 17,584,002
Receivables	
Accounts	3,382
Lease	250,377
Intergovernmental receivables	1,451,115
Inventories	36,742
Prepaids	56,091
Net other postemployment benefits asset	4,219,674
Capital assets not being depreciated	152,887
Capital assets, net of accumulated depreciation	57,118,760
TOTAL ASSETS	80,873,030
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	642,714
Related to pensions	2,783,007
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,425,721
LIABILITIES	
Accounts payable	1,382,446
Accrued salaries and related items	1,174,012
Accrued retirement	190,414
Retainage payable	1,301,515
Arbitrage payable	407,030
Accrued interest	319,500
Due to other governments	44,259
Unearned revenue	483,363
Noncurrent liabilities	
Due within one year	775,937
Due in more than one year	46,307,947
Net pension liability	13,001,434
TOTAL LIABILITIES	65,387,857
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	3,636,745
Related to pensions	4,326,844
Related to state aid funding for pension	1,038,405
Related to leases	247,877
TOTAL DEFERRED INFLOWS OF RESOURCES	9,249,871
NET POSITION	
Net investment in capital assets	14,331,998
Restricted for food service	282,428
Restricted for debt service	416,884
Restricted for net other postemployment benefits	4,219,674
Unrestricted	(9,589,961)
TOTAL NET POSITION	$ 9,661,023

See notes to financial statements.

ELK RAPIDS SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 7,476,922	$ 1,752,176	$ 2,736,508	$ (2,988,238)
Support services	6,001,477	369,020	1,192,505	(4,439,952)
Community services	216,761	-	73,548	(143,213)
Food services	952,600	55,393	-	(897,207)
Student/school activities	533,297	676,808	-	143,511
Interest on long-term debt	1,935,169	-	-	(1,935,169)
Unallocated depreciation	2,139,261	-	-	(2,139,261)
Total governmental activities	$ 19,255,487	$ 2,853,397	$ 4,002,561	(12,399,529)
General revenues				
Property taxes, levied for general purposes				12,353,763
Property taxes, levied for debt service				2,469,813
Investment earnings				876,651
State sources - unrestricted				721,107
Intermediate sources and other				324,594
Total general revenues				16,745,928
CHANGE IN NET POSITION				4,346,399
NET POSITION, beginning of year				5,314,624
NET POSITION, end of year				$ 9,661,023

See notes to financial statements.

ELK RAPIDS SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	2023 Bond Construction	Capital Projects	Debt Service 2020 School Improvement Bond	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 6,179,570	$ 6,003,144	$ 3,911,097	$ 720,678	$ 769,513	$ 17,584,002
Receivables						
Accounts receivable	-	-	-	-	3,382	3,382
Lease receivable	250,377	-	-	-	-	250,377
Intergovernmental receivables	1,095,218	-	-	-	355,897	1,451,115
Due from other funds	139,650	1,282	-	15,706	-	156,638
Inventories	-	-	-	-	36,742	36,742
Prepaids	56,091	-	-	-	-	56,091
TOTAL ASSETS	$ 7,720,906	$ 6,004,426	$ 3,911,097	$ 736,384	$ 1,165,534	$ 19,538,347
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 129,153	$ 1,136,019	$ 42,095	$ -	$ 75,179	$ 1,382,446
Accrued salaries and related items	1,161,469	-	-	-	12,543	1,174,012
Accrued retirement	190,414	-	-	-	-	190,414
Retainage payable	-	1,301,515	-	-	-	1,301,515
Due to other governments	12,589	-	-	-	31,670	44,259
Due to other funds	16,988	-	4,074	-	135,576	156,638
Unearned revenue	414,581	-	-	-	68,782	483,363
TOTAL LIABILITIES	1,925,194	2,437,534	46,169	-	323,750	4,732,647
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - leases	247,877	-	-	-	-	247,877
FUND BALANCES						
Nonspendable						
Inventories	-	-	-	-	36,742	36,742
Prepaids	56,091	-	-	-	-	56,091

See notes to financial statements.

	General Fund	2023 Bond Construction	Capital Projects	Debt Service 2020 School Improvement Bond	Total Nonmajor Funds	Total Governmental Funds
FUND BALANCES (continued)						
Restricted for:						
Debt service	$ -	$ -	$ -	$ 736,384	$ -	$ 736,384
Food service	-	-	-	-	282,428	282,428
Capital projects	-	3,566,892	-	-	-	3,566,892
Committed for:						
Student/school activities	-	-	-	-	404,813	404,813
Community service	-	-	-	-	117,801	117,801
Capital projects	-	-	3,864,928	-	-	3,864,928
Unassigned	5,491,744	-	-	-	-	5,491,744
TOTAL FUND BALANCES	5,547,835	3,566,892	3,864,928	736,384	841,784	14,557,823
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 7,720,906	$ 6,004,426	$ 3,911,097	$ 736,384	$ 1,165,534	$ 19,538,347
Total governmental fund balances						$ 14,557,823
Amounts reported for governmental activities in the statement of net position are different because:						
Deferred outflows of resources - related to pensions						2,783,007
Deferred outflows of resources - related to other postemployment benefits						642,714
Deferred inflows of resources - related to pensions						(4,326,844)
Deferred inflows of resources - related to other postemployment benefits						(3,636,745)
Deferred inflows of resources - related to state funding for pension						(1,038,405)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.						
Noncurrent assets at year-end consist of:						
Net other postemployment benefits asset						4,219,674
Capital assets used in governmental activities are not financial resources and are not reported in the funds:						
The cost of the capital assets is					$ 80,798,967	
Accumulated depreciation is					(23,527,320)	
						57,271,647
Long-term obligations are not due and payable in the current period and are not reported in the funds:						
General obligation bonds						(46,506,541)
Compensated absences						(577,343)
Accrued interest						(319,500)
Arbitrage liability						(407,030)
Net pension liability						(13,001,434)
Net position of governmental activities						$ 9,661,023

See notes to financial statements.

ELK RAPIDS SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	General Fund	2023 Bond Construction	Capital Projects	Debt Service 2020 School Improvement Bond	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Local sources						
Property taxes	$ 12,353,763	$ -	$ -	$ 2,469,813	$ -	$ 14,823,576
Investment earnings	369,551	347,260	76,899	52,380	30,561	876,651
Food sales	-	-	-	-	55,393	55,393
Student/school activity income	-	-	-	-	622,744	622,744
Other	198,249	3,928	-	10,899	-	213,076
Total local sources	12,921,563	351,188	76,899	2,533,092	708,698	16,591,440
State sources	3,590,779	-	-	-	772,286	4,363,065
Federal sources	151,669	-	-	-	470,752	622,421
Intermediate districts and other	2,363,746	-	-	-	-	2,363,746
TOTAL REVENUES	19,027,757	351,188	76,899	2,533,092	1,951,736	23,940,672
EXPENDITURES						
Current						
Instruction	9,488,564	-	-	-	-	9,488,564
Supporting services	7,110,485	-	-	-	-	7,110,485
Community services	-	-	-	-	662,904	662,904
Student/school activities	-	-	-	-	525,039	525,039
Food service activities	-	-	-	-	853,891	853,891
Capital outlay	-	5,201,898	922,440	-	106,967	6,231,305
Debt service						
Principal repayment	-	-	-	485,000	-	485,000
Interest	-	-	-	1,936,400	-	1,936,400
Other	-	-	-	2,197	-	2,197
TOTAL EXPENDITURES	16,599,049	5,201,898	922,440	2,423,597	2,148,801	27,295,785
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,428,708	(4,850,710)	(845,541)	109,495	(197,065)	(3,355,113)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	2,000,000	-	-	2,000,000
Transfers out	(2,000,000)	-	-	-	-	(2,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	(2,000,000)	-	2,000,000	-	-	-
NET CHANGE IN FUND BALANCES	428,708	(4,850,710)	1,154,459	109,495	(197,065)	(3,355,113)
FUND BALANCES						
Beginning of year	5,119,127	8,417,602	2,710,469	626,889	1,038,849	17,912,936
End of year	$ 5,547,835	$ 3,566,892	$ 3,864,928	$ 736,384	$ 841,784	$ 14,557,823

See notes to financial statements.

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

Net change in fund balances total governmental funds	$ (3,355,113)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(2,139,261)
Capital outlay	6,261,680
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	322,734
Accrued interest payable, end of the year	(319,500)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on debt	485,000
Amortization of bond premium	146,728
Arbitrage liability	(407,030)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	788,057
Accrued compensated absences, end of the year	(577,343)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Other postemployment benefits related items	1,504,556
Pension related items	1,955,210
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefits contributions subsequent to the measurement period:	
Pension related items, beginning of year	719,086
Pension related items, end of year	(1,038,405)
Change in net position of governmental activities	$ 4,346,399

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Elk Rapids Schools (the "District") is governed by the Elk Rapids Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds:*

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

The *2023 Bond Construction Fund* includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete, and a subsequent year audit is expected.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Major Governmental Funds (continued):

The following is a summary of the cumulative revenue, other financing sources (uses), and expenditures for the 2023 building and site fund activity:

Revenues and other financing sources	$ 33,548,065
Expenditures and other financing uses	$ 29,981,173

The above revenue and other financing sources figure does include the total 2023 bond proceeds and premiums of $27,593,892.

The *Capital Project Fund* accounts for the acquisition of fixed assets or construction of major capital projects. Funding is primarily through transfers from the general fund.

The *Debt Service Fund 2020 School Improvement Bond* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Other Nonmajor Funds

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

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

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

Measurement Focus and Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes 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 provider have been met.

The 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 District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The District'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.

Investments

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

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

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

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

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

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Investments (continued)

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

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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, construction in progress, buildings and additions, furniture and equipment, software, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

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

Capital Asset Classes	Years
Buildings, additions, and improvements	5-50
Furniture and equipment	5-25
Vehicles	5-12

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Defined Benefit Plan

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

Deferred Outflows

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and other postemployment benefit asset and the actual results. The amounts are amortized over a period determined by the actuary. The District also reports unavailable revenues from one source: leases. These amounts are long-term leases entered into by the District in which the District is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

Net Position Flow Assumption

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any 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. The District 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 District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also 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.

The District shall ensure that adequate funds for the general fund to maintain a secure financial position whereby the fund balance shall be ten percent (10%) of the preceding year's expenditures.

Leases

Lessor: The District is a lessor for a noncancelable lease of a building. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Leases (continued)

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

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2026, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt Service Fund	
PRE, Non-PRE, Commercial Personal Property	1.6000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Compensated Absences

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

Long-term Obligations

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

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

NOTE 2 - INVESTMENTS

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2026, the District did not have any deposits in a financial institution that could be insured.

Custodial Credit Risk - Investments

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity (years)
MILAF External Investmentment Pool - CMC	$ 1,855,468	N/A
MILAF External Investmentment Pool - MAX	15,728,534	N/A
	$ 17,584,002	

Concentration of Credit Risk

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

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investmentment Pool - CMC	$ 1,855,468	AAAm	Standard & Poor's
MILAF External Investmentment Pool - MAX	15,728,534	AAAm	Standard & Poor's
	$ 17,584,002		

Foreign Currency Risk

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

Fair Value Measurement

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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

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

The District does not have any investments subject to fair value measurement.

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

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

	Amortized Cost
MILAF External Investmentment Pool - CMC	$ 1,855,468
MILAF External Investmentment Pool - MAX	15,728,534
	$ 17,584,002

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

The following summarizes the categorization of these amounts as of June 30, 2026:

	Primary Government
Cash and cash equivalents	$ 17,584,002

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2026 consist of the following:

Governmental units	
State aid	$ 677,141
Federal revenue	43,873
Intermediate districts	250,584
Other	479,517
	$ 1,451,115

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

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2025	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2026
Governmental activities				
Capital assets, not being depreciated				
Land	$ 94,249	$ -	$ -	$ 94,249
Construction in progress	8,443,426	58,638	(8,443,426)	58,638
Total capital assets, not being depreciated	8,537,675	58,638	(8,443,426)	152,887
Capital assets, being depreciated				
Buildings	5,988,574	-	-	5,988,574
Building improvements	54,036,198	13,239,756	-	67,275,954
Machinery and equipment	3,428,050	863,507	-	4,291,557
Software	17,882	-	-	17,882
Furniture and fixtures	1,513,350	317,545	-	1,830,895
Vehicles	1,015,558	225,660	-	1,241,218
Total capital assets, being depreciated	65,999,612	14,646,468	-	80,646,080
Accumulated depreciation				
Buildings	3,542,059	107,885	-	3,649,944
Building improvements	12,975,914	1,790,286	-	14,766,200
Machinery and equipment	3,023,127	78,610	-	3,101,737
Software	17,882	-	-	17,882
Furniture and fixtures	1,218,383	44,221	-	1,262,604
Vehicles	610,694	118,259	-	728,953
Total accumulated depreciation	21,388,059	2,139,261	-	23,527,320
Net capital assets being depreciated	44,611,553	12,507,207	-	57,118,760
Net governmental capital assets	$ 53,149,228	$ 12,565,845	$ (8,443,426)	$ 57,271,647

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2026:

	Compensated Absences*	General Obligation Bonds	Total
Balance, July 1, 2025	$ 788,057	$ 47,138,269	$ 47,926,326
Deletions	(210,714)	(631,728)	(842,442)
Balance, June 30, 2026	577,343	46,506,541	47,083,884
Due within one year	230,937	545,000	775,937
Due in more than one year	$ 346,406	$ 45,961,541	$ 46,307,947

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

Long-term obligations at June 30, 2026 are comprised of the following:

General Obligation Bonds	
$19,260,000 2021 School Building and Site bonds, due in annual installments ranging from $225,000 to $1,025,000 through May 1, 2050, with interest of 4.00%.	$ 16,915,000
$26,435,000 2023 Building and Site Bonds, due in annual installments ranging from $320,000 to $2,065,000 through May 1, 2052, with interest ranging from 4.00% to 5.00%.	25,995,000
Plus issuance premiums	3,596,541
Total general obligation bonds	46,506,541
Compensated absences	577,343
Total general long-term obligations	$ 47,083,884

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding, exclusive of compensated absences, as of June 30, 2026, including interest are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Compensated Absences	Total
2027	$ 545,000	$ 1,906,100	$ -	$ 2,451,100
2028	555,000	1,884,100	-	2,439,100
2029	620,000	1,860,600	-	2,480,600
2030	695,000	1,834,300	-	2,529,300
2031	775,000	1,802,975	-	2,577,975
2032 - 2036	5,270,000	8,376,125	-	13,646,125
2037 - 2041	8,095,000	6,891,475	-	14,986,475
2042 - 2046	11,535,000	4,664,825	-	16,199,825
2047 - 2051	12,755,000	1,807,491	-	14,562,491
2052	2,065,000	46,463	-	2,111,463
	42,910,000	31,074,454	-	73,984,454
Issuance premium	3,596,541	-	-	3,596,541
Compensated absences	-	-	788,057	788,057
	$ 46,506,541	$ 31,074,454	$ 788,057	$ 78,369,052

Interest expense (all funds) for the year ended June 30, 2026 was approximately $1,935,000.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2026 are as follows:

Receivable Fund		Payable Fund	
Major fund		Major fund	
General fund	$ 139,650	General fund	$ 16,988
2023 Bond construction	1,282	2023 Bond construction	-
2020 School improvement	15,706	2020 School improvement	-
Capital projects	-	Capital projects	4,074
Nonmajor funds		Nonmajor funds	
Community service	-	Community service	135,576
	$ 156,638		$ 156,638

The outstanding balances between funds result mainly 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.

NOTE 7 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2026 are as follows:

Transfer In		Transfer Out	
Major funds		Major fund	
Capital projects	$ 2,000,000	General fund	$ 2,000,000

During the year, transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2)move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

Pension Reform of 2017

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017 (continued)

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

Pension Reform of 2023

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 school fiscal years immediately preceding the retirement effective date. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

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

Employer Contributions

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

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

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2026 were equal to the required contribution total. Total pension contributions were approximately $1,996,000. Of the total pension contributions approximately $1,943,000 was contributed to fund the Defined Benefit Plan and approximately $53,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2026 were equal to the required contribution total. Total OPEB contributions were approximately $94,000. Of the total OPEB contributions approximately $64,000 was contributed to fund the Defined Benefit Plan and approximately $30,000 was contributed to fund the Defined Contribution Plan.

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

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

The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2024 and rolled-forward using generally accepted actuarial procedures.

The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2025	September 30, 2024
Total pension liability	$ 97,436,103,863	$ 95,765,499,515
Plan fiduciary net position	$ 77,403,114,236	$ 71,283,482,728
Net pension liability	$ 20,032,989,627	$ 24,482,016,787
Proportionate share	0.06490%	0.06589%
Net pension liability for the District	$ 13,001,434	$ 16,131,759

For the year ended June 30, 2026, the District recognized pension benefit of $12,134.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 6,923	$ 416,820
Differences between expected and actual experience	503,583	115,803
Changes of assumptions	466,659	687,157
Net difference between projected and actual plan investments earnings	-	3,107,064
Reporting Unit's contributions subsequent to the measurement date	1,805,842	-
	$ 2,783,007	$ 4,326,844

$1,805,842, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending June 30,	Amount
2027	$ (370,446)
2028	(1,503,428)
2029	(1,131,353)
2030	(344,452)
	$ (3,349,679)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

The net OPEB liability (asset) was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2024 and rolled-forward using generally accepted actuarial procedures.

The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2025	September 30, 2024
Total other postemployment benefit liability	$ 9,360,649,860	$ 9,991,545,923
Plan fiduciary net position	$ 15,439,767,833	$ (14,295,943,589)
Net other postemployment benefit liability (asset)	$ (6,079,117,973)	$ (4,304,397,666)
Proportionate share	0.06941%	0.06560%
Net other postemployment benefits liability (asset) for the District	$ (4,219,674)	$ (2,823,570)

For the year ended June 30, 2026, the District recognized OPEB benefit of $1,440,344.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 28,197	$ 110,047
Differences between expected and actual experience	-	2,888,989
Changes of assumptions	563,161	44,753
Net difference between projected and actual plan investments earnings	-	592,956
Reporting Unit's contributions subsequent to the measurement date	51,356	-
	$ 642,714	$ 3,636,745

$51,356, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ending June 30,	Amount
2027	$ (850,445)
2028	(793,009)
2029	(721,597)
2030	(467,524)
2031	(162,864)
2032	(49,948)
	$ (3,045,387)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

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

Survivor Coverage - 80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverage continuing after the retiree's death.

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

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 20,516,980	$ 13,001,434	$ 6,741,946

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	$ (3,635,516)	$ (4,219,674)	$ (4,730,939)

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

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	$ (4,726,273)	$ (4,219,674)	$ (3,687,761)

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments 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 expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 11 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2026. Approximately $3,566,700 is restricted and recorded as fund balance in the 2023 bond construction fund.

NOTE 12 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2026, the District did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements made by the District.

NOTE 13 - LEASE RECEIVABLE

The District is a lessor of a noncancelable lease of a building that commenced in July 2024. The lease is for five years, and the District will receive monthly payments of $7,417. As of June 30, 2026, the District's receivable for lease payments was $250,377. Also, the District has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2026, the balance of the deferred inflow of resources was $247,877.

NOTE 14 - CHANGES IN ACCOUNTING PRINCIPLES

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

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

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

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

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

ELK RAPIDS SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance with Original and Final Budget	Actual	Variance with Final Budget and Actual
	Original	Final			
REVENUES					
Local sources	$ 13,384,756	$ 12,978,655	$ (406,101)	$ 12,921,563	$ (57,092)
State sources	3,504,974	3,594,236	89,262	3,590,779	(3,457)
Federal sources	180,000	221,974	41,974	151,669	(70,305)
Intermediate districts and other	200,000	2,547,036	2,347,036	2,363,746	(183,290)
TOTAL REVENUES	17,269,730	19,341,901	2,072,171	19,027,757	(314,144)
EXPENDITURES					
Current					
Instruction					
Basic programs	7,041,990	7,899,361	(857,371)	7,695,910	203,451
Added needs	2,112,743	1,809,658	303,085	1,792,654	17,004
Total instruction	9,154,733	9,709,019	(554,286)	9,488,564	220,455
Supporting services					
Pupil	633,000	722,690	(89,690)	705,088	17,602
Instructional staff	160,000	252,274	(92,274)	228,688	23,586
General administration	530,000	473,255	56,745	491,949	(18,694)
School administration	1,100,000	1,299,519	(199,519)	1,281,345	18,174
Business	600,000	599,184	816	535,955	63,229
Operations and maintenance	1,993,317	1,649,825	343,492	1,770,390	(120,565)
Pupil transportation services	755,468	896,240	(140,772)	882,433	13,807
Central	633,567	513,555	120,012	511,178	2,377
Other	500,000	654,557	(154,557)	703,459	(48,902)
Total supporting services	6,905,352	7,061,099	(155,747)	7,110,485	(49,386)
Community services	53,000	2,133	50,867	-	2,133
Capital outlay	500,000	-	500,000	-	-
TOTAL EXPENDITURES	16,613,085	16,772,251	(159,166)	16,599,049	173,202
EXCESS OF REVENUES OVER EXPENDITURES	656,645	2,569,650	1,913,005	2,428,708	(140,942)
OTHER FINANCING USES					
Transfers out	(650,000)	(2,000,000)	(1,350,000)	(2,000,000)	-
NET CHANGE IN FUND BALANCE	6,645	569,650	563,005	428,708	(140,942)
FUND BALANCE					
Beginning of year	5,119,127	5,119,127	-	5,119,127	-
End of year	$ 5,125,772	$ 5,688,777	$ 563,005	$ 5,547,835	$ (140,942)

ELK RAPIDS SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Reporting Unit's proportion of net pension liability (%)	0.06490%	0.06589%	0.06608%	0.06709%	0.06899%	0.07236%	0.07298%	0.07337%	0.07490%	0.07557%
Reporting Unit's proportionate share of net pension liability	$ 13,001,434	$ 16,131,759	$ 21,386,992	$ 25,230,313	$ 16,335,483	$ 24,858,560	$ 24,170,109	$ 22,056,806	$ 19,410,062	$ 18,853,366
Reporting Unit's covered-employee payroll	$ 6,954,976	$ 6,896,835	$ 6,500,714	$ 6,399,733	$ 6,054,427	$ 6,319,802	$ 6,434,855	$ 6,172,141	$ 6,229,831	$ 6,407,895
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	186.94%	233.90%	328.99%	394.24%	269.81%	393.34%	375.61%	357.36%	311.57%	294.22%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	79.44%	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

ELK RAPIDS SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	$ 1,943,076	$ 2,603,127	$ 2,734,424	$ 1,306,046	$ 1,218,141	$ 1,153,462	$ 1,213,860	$ 1,149,076	$ 1,100,573	$ 1,169,000
Pension contributions in relation to statutorily required contributions	1,943,076	2,603,127	2,734,424	1,306,046	1,218,141	1,153,462	1,213,860	1,149,076	1,100,573	1,169,000
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll (pension)	$ 7,302,944	$ 7,007,315	$ 6,833,430	$ 6,661,677	$ 6,241,844	$ 5,993,431	$ 6,457,466	$ 6,377,083	$ 6,200,615	$ 6,223,732
Pension contributions as a percentage of covered-employee payroll	26.61%	37.15%	40.02%	19.61%	19.52%	19.25%	18.80%	18.02%	17.75%	18.78%

ELK RAPIDS SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST NINE FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net other postemployment benefits liability/asset (%)	0.06941%	0.06560%	0.06525%	0.06602%	0.06705%	0.07142%	0.07370%	0.07260%	0.07505%
Reporting Unit's proportionate share of net other postemployment benefits liability (asset)	$ (4,219,674)	$ (2,823,570)	$ (369,105)	$ 1,398,304	$ 1,023,369	$ 3,826,463	$ 5,289,873	$ 5,770,775	$ 6,645,606
Reporting Unit's covered-employee payroll	$ 6,954,976	$ 6,896,835	$ 6,500,714	$ 6,399,733	$ 6,054,427	$ 6,319,802	$ 6,434,855	$ 6,172,141	$ 6,229,831
Reporting Unit's proportionate share of net other post employment benefits liability (asset) as a percentage of its covered-employee payroll	60.67%	40.94%	5.68%	21.85%	16.90%	60.55%	82.21%	93.50%	106.67%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	164.94%	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

ELK RAPIDS SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST NINE FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required other postemployment benefits contributions	$ 64,212	$ 158,972	$ 514,994	$ 494,939	$ 469,513	$ 465,910	$ 495,297	$ 474,915	$ 448,756
Other postemployment benefits contributions in relation to statutorily required contributions	64,212	158,972	514,994	494,939	469,513	465,910	495,297	474,915	448,756
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll (OPEB)	$ 7,302,944	$ 7,007,315	$ 6,833,430	$ 6,661,677	$ 6,241,844	$ 5,993,431	$ 6,457,466	$ 6,377,083	$ 6,200,615
Other postemployment benefits contributions as a percentage of covered-employee payroll	0.88%	2.27%	7.54%	7.43%	7.52%	7.77%	7.67%	7.45%	7.24%

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

ELK RAPIDS SCHOOLS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

b. Public hearings are conducted to obtain taxpayer comments.

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

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

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

ELK RAPIDS SCHOOLS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between Original and Final Budget

	Variance	Explanation
REVENUES		
Local sources	$ (406,101)	When the original budget was adopted the anticipated increase in the property taxes to be collected was higher than what was actually collected. The anticipated collection of interest income was also higher than what was collected.
Intermediate districts and other	2,347,036	Payments from NWEd were higher than originally anticipated when developing the original budget. The original budget also did not include the service fee charged to Mill Creek Academy for instructional and support services the District provides to them.
EXPENDITURES		
Instruction - Basic programs	(857,371)	After the original budget was adopted, there was staffing that moved to different positions within the District.
Instruction - Added needs	303,085	After the original budget was adopted, there was staffing that moved to different positions within the District.
Supporting services - School administration	(199,519)	When the original budget was adopted the District under anticipated the cost for principal and secretarial wages. The final budget properly reflects those costs.
Supporting services - Operations and maintenance	343,492	The original budget included building repairs which were actually moved the Capital Projects fund and the final budget reflects not incurring those costs.
Capital outlay	500,000	The original budget included capital improvements the District planned for the year. The actual improvements was paid for out of the Capital Projects and not the General Fund.

Significant Variances Between Final Budget and Actual

	Variance	Explanation
REVENUES		
Intermediate districts and other	$ (183,290)	District did not receive as much as anticipated from Mill Creek Academy for services provided.
EXPENDITURES		
Instruction - Basic programs	203,451	Employee benefits came in lower than what was anticipated in the final budget.

ELK RAPIDS SCHOOLS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

NOTE 3 - PENSION INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

NOTE 4 - OPEB INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

NOTE 4 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.1 billion in 2022.

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

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

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

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

ADDITIONAL SUPPLEMENTARY INFORMATION

ELK RAPIDS SCHOOLS
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2026

	Special Revenue			
	Food Service	Community Service	Student Activities	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	$ 220,844	$ 38,615	$ 510,054	$ 769,513
Accounts receivable	-	-	3,382	3,382
Intergovernmental receivables	126,519	229,378	-	355,897
Inventories	36,742	-	-	36,742
TOTAL ASSETS	$ 384,105	$ 267,993	$ 513,436	$ 1,165,534
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 20,181	$ 2,073	$ 52,925	$ 75,179
Accrued salaries and related items	-	12,543	-	12,543
Due to other governments	31,670	-	-	31,670
Due to other funds	-	135,576	-	135,576
Unearned revenue	13,084	-	55,698	68,782
TOTAL LIABILITIES	64,935	150,192	108,623	323,750
FUND BALANCES				
Nonspendable				
Inventories	36,742	-	-	36,742
Restricted for				
Food service	282,428	-	-	282,428
Committed for				
Student/school activities	-	-	404,813	404,813
Community service	-	117,801	-	117,801
TOTAL FUND BALANCES	319,170	117,801	404,813	841,784
TOTAL LIABILITIES AND FUND BALANCES	$ 384,105	$ 267,993	$ 513,436	$ 1,165,534

ELK RAPIDS SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2026

	Special Revenue			
	Food Service	Community Services	Student Activities	Total Nonmajor Funds
REVENUES				
Local sources				
Investment earnings	$ 8,883	$ 3,394	$ 18,284	$ 30,561
Food sales	55,393	-	-	55,393
Student/school activity income	-	163,862	458,882	622,744
Total local sources	64,276	167,256	477,166	708,698
State sources	385,763	386,523	-	772,286
Federal sources	470,752	-	-	470,752
TOTAL REVENUES	920,791	553,779	477,166	1,951,736
EXPENDITURES				
Current				
Salaries and wages	9,908	301,585	-	311,493
Employee benefits	7,204	175,850	-	183,054
Purchased services	371,614	34,563	-	406,177
Materials and supplies	455,090	56,953	-	512,043
Other	10,075	85,695	533,297	629,067
Capital outlay	98,709	8,258	-	106,967
TOTAL EXPENDITURES	952,600	662,904	533,297	2,148,801
NET CHANGE IN FUND BALANCES	(31,809)	(109,125)	(56,131)	(197,065)
FUND BALANCES				
Beginning of year	350,979	226,926	460,944	1,038,849
End of year	$ 319,170	$ 117,801	$ 404,813	$ 841,784

ELK RAPIDS SCHOOLS
BONDED DEBT
JUNE 30, 2026

2021 Building and Site Bonds issued March 25, 2021:

Principal Due May 1	Interest Due May 1	Interest Due November 1	June 30,	Amount
$ 225,000	$ 338,300	$ 333,800	2027	$ 897,100
225,000	333,800	329,300	2028	888,100
265,000	329,300	324,000	2029	918,300
320,000	324,000	317,600	2030	961,600
390,000	317,600	309,800	2031	1,017,400
425,000	309,800	301,300	2032	1,036,100
455,000	301,300	292,200	2033	1,048,500
505,000	292,200	282,000	2034	1,079,200
555,000	282,000	271,000	2035	1,108,000
615,000	271,000	258,700	2036	1,144,700
745,000	258,700	243,800	2037	1,247,500
810,000	243,800	227,600	2038	1,281,400
830,000	227,600	211,000	2039	1,268,600
855,000	211,000	193,900	2040	1,259,900
880,000	193,900	176,300	2041	1,250,200
905,000	176,300	158,200	2042	1,239,500
930,000	158,200	139,600	2043	1,227,800
935,000	139,600	120,900	2044	1,195,500
930,000	120,900	102,300	2045	1,153,200
1,020,000	102,300	81,900	2046	1,204,200
1,020,000	81,900	61,500	2047	1,163,400
1,025,000	61,500	41,000	2048	1,127,500
1,025,000	41,000	20,500	2049	1,086,500
1,025,000	20,500	-	2050	1,045,500
$ 16,915,000	$ 5,136,500	$ 4,798,200		$ 26,849,700

The above bonds have an interest rate of 4.0%. The bonds were issued for school building and site purposes.

ELK RAPIDS SCHOOLS
BONDED DEBT
JUNE 30, 2026

2023 Building and Site Bonds issued March 23, 2023:

Principal Due May 1	Interest Due May 1	Interest Due November 1	June 30,	Amount
$ 320,000	$ 620,200	$ 613,800	2027	$ 1,554,000
330,000	613,800	607,200	2028	1,551,000
355,000	607,200	600,100	2029	1,562,300
375,000	600,100	592,600	2030	1,567,700
385,000	592,600	582,975	2031	1,560,575
440,000	582,975	571,975	2032	1,594,950
500,000	571,975	559,475	2033	1,631,450
545,000	559,475	545,850	2034	1,650,325
595,000	545,850	530,975	2035	1,671,825
635,000	530,975	515,100	2036	1,681,075
620,000	515,100	499,600	2037	1,634,700
675,000	499,600	482,725	2038	1,657,325
780,000	482,725	463,225	2039	1,725,950
890,000	463,225	440,975	2040	1,794,200
1,010,000	440,975	415,725	2041	1,866,700
1,115,000	415,725	387,850	2042	1,918,575
1,235,000	387,850	356,975	2043	1,979,825
1,380,000	356,975	322,475	2044	2,059,450
1,520,000	322,475	284,475	2045	2,126,950
1,565,000	284,475	245,350	2046	2,094,825
1,615,000	245,350	204,975	2047	2,065,325
1,655,000	204,975	167,738	2048	2,027,713
1,690,000	167,738	129,713	2049	1,987,451
1,700,000	129,713	91,463	2050	1,921,176
2,000,000	91,463	46,463	2051	2,137,926
2,065,000	46,463	-	2052	2,111,463
$ 25,995,000	$ 10,879,977	$ 10,259,777		$ 47,134,754

The above bonds have interest rates from 4.0% to 5.0%. The bonds were issued for school building and site purposes.

Maner Costerisan

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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 of the
Elk Rapids Schools

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 Elk Rapids Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Elk Rapids Schools' basic financial statements, and have issued our report thereon dated October 8, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Maner Costerisan PC

Lansing, Michigan
October 8, 2026

Maner Costerisan

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October 8, 2026

To the Board of Education of
Elk Rapids Schools

In planning and performing our audit of the financial statements of Elk Rapids Schools as of and for the year ended June 30, 2026, in accordance with auditing standards generally accepted in the United States of America, we considered Elk Rapids Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 8, 2026 on the financial statements of Elk Rapids Schools. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control, or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. Elk Rapids Schools has developed a plan to spend down the excess by June 30, 2027.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC

Lansing, Michigan

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October 8, 2026

To the Board of Education
Elk Rapids Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Rapids Schools for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information orally during our discussion on September 25, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Elk Rapids Schools are described in Note 1 to the financial statements. As described in Note 14 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 103, *Financial Reporting Model Improvements* and No. 104, *Disclosure of Certain Capital Assets* during the year ended June 30, 2026. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by Elk Rapids Schools 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 financial statements were:

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

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

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

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

Management's estimate of the discount rate used for the lease, the lease term, and lease receipts is based on Elk Rapids Schools incremental borrowing rate and consideration of the noncancelable period of the lease and reasonably certain lease options.

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

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

Difficulties Encountered in Performing 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 8, 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 Elk Rapids Schools' 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 Elk Rapids Schools' auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

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

Restriction on Use

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

Very truly yours,

Maner Costerisan PC

Lansing, Michigan