WEST BRANCH-ROSE CITY AREA SCHOOLS
WEST BRANCH, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2026

WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 27, 2026

Board of Education
West Branch-Rose City Area Schools
West Branch, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of West Branch-Rose City Area Schools (School District), as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of West Branch-Rose City Area Schools as of June 30, 2026 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in 2026, the School District adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 West Branch-Rose City Area 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 West Branch-Rose City Area 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.

WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

Required Supplementary Information

U.S. generally accepted accounting principles requires that the management's discussion and analysis, budgetary comparison information and pension and OPEB schedules as noted in the table of contents to 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements and schedule of bonded indebtedness are presented for the 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 GAAS. In our opinion, the combining nonmajor fund financial statements and schedule of bonded indebtedness are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Weinlander Fitzhugh

The purpose of management's discussion and analysis (MD&A) is to help the School District's residents and other readers understand what the financial statements and notes in this financial report say about the School 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 School District's finances.

If you have any questions about this report or need any additional information, please contact West-Branch-Rose City Area Schools, P.O. Box 308, West Branch, Michigan 48661-0308.

OVERVIEW OF THE FINANCIAL STATEMENTS

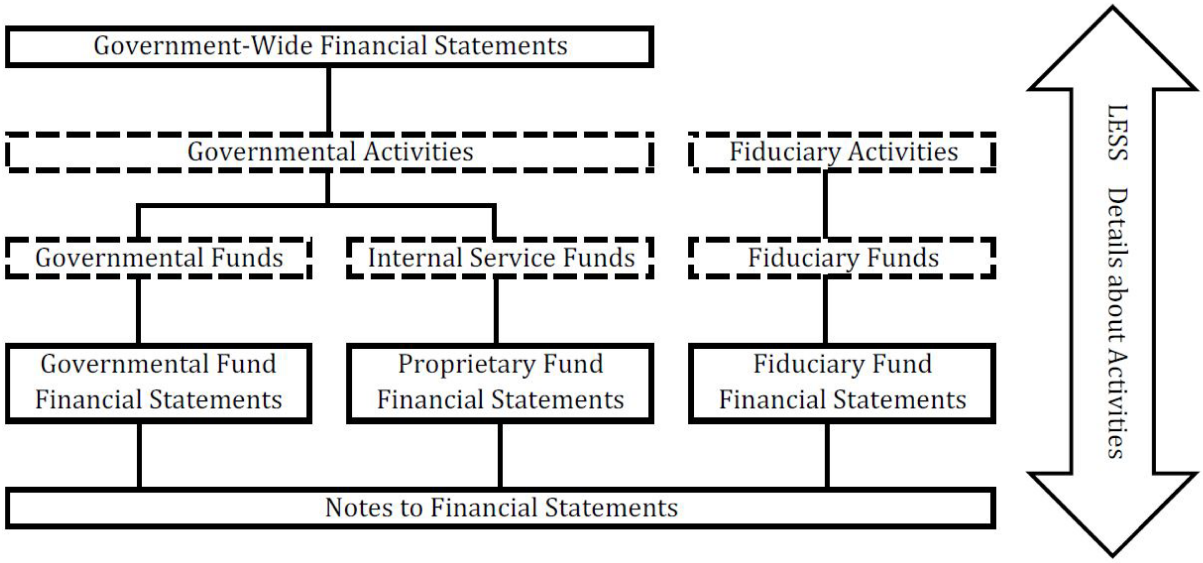
The School District's financial report contains basic financial statements. Those financial statements present the School District's finance at both an overall and a detailed level. The first two - the government-wide financial statements - cover the School District's governmental activities. (See the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

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

- Governmental fund financial statements report all of the governmental activities except those that involve providing services to School District's departments. In addition to the School 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 School District's Basic Financial Statements



The next section of this financial report contains notes to financial statements, which delve deeper into the School District's finances as reported in the financial statements. The information in the notes is as important to understanding the School District's finances as the information in the financial statements. The School 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 School 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 School District's controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.
- Liabilities - amounts the School 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 School 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 revenue/additions	*All types of revenues/additions that flow into the School 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 School 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 School 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.

District-wide Financial Analysis

Table A-1

	Governmental Activities			
	2026	2025	Dollar Change	Percentage Change
Assets				
Current and other assets	$ 25,862,733	$ 33,641,853	$ (7,779,120)	(23.12)%
Net OPEB asset	6,042,727	4,365,610	1,677,117	38.42 %
Capital assets - net of accumulated depreciation	50,015,585	44,087,364	5,928,221	13.45 %
Total assets	81,921,045	82,094,827	(173,782)	(0.21)%
Deferred Outflows of Resources				
Related to pensions and OPEB	7,708,610	9,189,382	(1,480,772)	(16.11)%
Liabilities				
Current liabilities	6,133,392	8,024,401	(1,891,009)	(23.57)%
Long-term liabilities	45,197,669	49,979,864	(4,782,195)	(9.57)%
Total liabilities	51,331,061	58,004,265	(6,673,204)	(11.50)%
Deferred Inflows of Resources				
Related to pensions and OPEB	13,280,822	14,515,494	(1,234,672)	(8.51)%
Net Position				
Net investment in capital assets	27,445,178	25,520,360	1,924,818	7.54 %
Restricted	5,445,745	11,170,215	(5,724,470)	(51.25)%
Restricted for net OPEB asset	6,042,727	4,365,610	1,677,117	38.42 %
Unrestricted	(13,915,878)	(22,291,735)	8,375,857	(37.57)%
Total net position	$ 25,017,772	$ 18,764,450	$ 6,253,322	33.33 %

Table A-1 shows that as of June 30, 2026, the School District's net position - assets and deferred outflows minus liabilities and deferred inflows - was $25,017,772 a change of $6,253,242 or 33.33% compared with 2025. This increase is primarily due to a $8,375,857 or 37.57% change in unrestricted net position. All of the increase in net position was the result of financial performance of the government activities. The following sections of the 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 a change of $6,253,322 or (3.80)% compared with 2025. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

- Decreases in grant and categorical revenues resulting from adjustments to deferred inflows related to the pension liability
- Decrease in other revenue due to a decrease in interest and local grant revenues
- Decrease in expenses due to a large loss on disposal of assets recorded in 2025

Table A-2	Governmental Activities			
	2026	2025	Dollar Change	Percentage Change
Revenues				
Program revenue:				
Charges for services	$ 792,910	$ 770,423	$ 22,487	2.92 %
Grants and categoricals	10,707,383	11,281,123	(573,740)	(5.09)%
General revenue:				
Property taxes	10,698,437	10,439,216	259,221	2.48 %
State aid	10,394,852	9,994,386	400,466	4.01 %
Other	1,662,843	2,477,854	(815,011)	(32.89)%
Total revenues	34,256,425	34,963,002	(706,577)	(2.02)%
Function/Program Expenses				
Instruction	12,544,504	12,101,778	442,726	3.66 %
Support services	8,719,798	8,468,239	251,559	2.97 %
Community services	74,362	83,807	(9,445)	(11.27)%
Food services	2,094,908	1,909,831	185,077	9.69 %
Athletics	750,314	644,414	105,900	16.43 %
Student activities	401,047	349,597	51,450	14.72 %
Interest on long-term debt	934,865	919,655	15,210	1.65 %
Capital outlay	752,328	307,327	445,001	144.80 %
Depreciation (unallocated)	1,696,048	1,580,941	115,107	7.28 %
Loss on disposal of assets	34,929	2,097,308	(2,062,379)	(98.33)%
Total expenses	28,003,103	28,462,897	(459,794)	(1.62)%
Change in Net Position	$ 6,253,322	$ 6,500,105	$ (246,783)	(3.80)%

Decrease in Grants and Categoricals

There was notable decreases in grants and categoricals compared to the prior year, which account for 31.3% of overall revenues. The decrease is primarily attributable to an adjustment to record the deferred inflow related to the pension portion of Section 147c revenue.

Decline in Other Revenue

Other revenue declined in the current year compared to the prior year, which accounts for 4.9% of overall revenues. The most significant reason for the decrease is a decrease in interest revenue from the 2024 Capital Projects Fund. As the bond projects associated with the fund have continued the available cash balance earning interest has been significantly reduced. Additionally, other revenue was higher in 2025 due to a grant from Sterling Area Health Center for the construction of the student health clinic.

Decline in Expenses

Total expenses for the District dropped by 1.62% overall. The most significant reduction was in loss on disposal of assets. This loss resulted from the sale of the Rose City Middle School building and property to the City of Rose City for conversion into a community center.

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

Table A-3	General Fund Balance		Other Major Funds	
	2026	Not Restated 2025	2026	Not Restated 2025
Revenues	$ 29,262,028	$ 28,211,596	$ 2,681,480	$ 3,237,015
Expenditures	28,672,987	27,659,347	7,932,103	18,658,942
Excess (deficiency) of revenues over expenditures	589,041	552,249	(5,250,623)	(15,421,927)
Other Financing Sources (Uses)	(13,779)	37,314	14,002	(8,592)
Net change in fund balance	575,262	589,563	(5,236,621)	(15,430,519)
Fund balance begining of year, restated	14,184,175	14,102,878	8,876,283	23,798,536
Fund balance end of year*	$ 14,759,437	$ 14,692,441	$ 3,639,662	$ 8,368,017

General Fund

The fund balance of the District’s general fund changed by 3.9%. The increase in fund balance is attributable to (1) an increase in state revenues due to an increase 31a At Risk and the receipt of 27b and 27l(2) state aid categoricals (2) increase in federal revenues resulting from increased Title I and Title II funding as well as the recognition of prior year unavailable revenue, and (3) conservative budgeting and the monitoring of District costs.

The overall fund balance at the end of June 30, 2026, represented approximately 51.4% of operating expenditures. The District aims to have a minimum fund balance of 10% of operating expenditures. Within fund balance, approximately 96% of the balance is considered unassigned. The remaining 4% is considered either restricted, committed, or assigned for other items and is not readily available for use.

Other Major Funds

The fund balances of the other major funds are considered to be 100% restricted. This means that the fund balances can only be used for the restricted purposes of those fund and are not readily available for use.

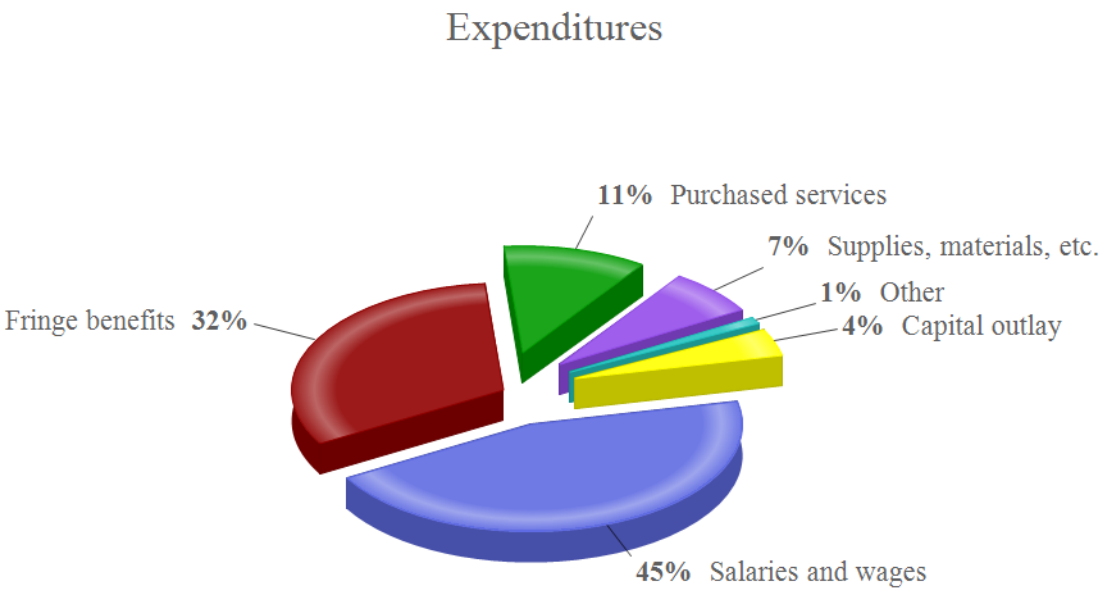
*The Food Service Fund became a major fund in 2026. Refer to the financial statements to see the fund move from nonmajor to major.

Restatement of Fund Balance Beginning of Year

The 2025 presentation was not restated for the prior period adjustment related to food service renovation expenditures that were not properly approved by MDE in the food service spend-down plan. The adjustment is reflected in the 2026 beginning fund balance.

General Fund Expenditures

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	2026	2025
Expenditures by Object:		
Salaries and wages	$ 12,804,565	$ 11,637,609
Fringe benefits	9,106,505	8,525,926
Purchased services	3,170,534	3,290,702
Supplies, materials, etc.	2,006,686	1,813,743
Capital outlay	1,201,012	1,880,154
Other	383,685	511,213
Total	$ 28,672,987	$ 27,659,347

Expenditures increased by $1,013,640 or 4% over the prior year. The primary reasons for the increase in expenditures is the increase in salaries and wages and the increase in fringe benefits. Salaries and wages increase each year as wages are adjusted in accordance with the District's various bargaining agreements. Related fringe benefits increase as wages increase and as a result of changes in health insurance costs.

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 $5,928,221 over 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Capital Assets

	2026			2025	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Percentage Change
Land	$ 422,424	$ 0	$ 422,424	$ 422,424	0.00 %
Construction in progress	0	0	0	21,310,679	(100.00)%
Buildings and improvements	62,944,817	19,368,633	43,576,184	16,170,922	169.47 %
Buses and other vehicles	3,096,667	2,053,771	1,042,896	1,177,452	(11.43)%
Furniture and equipment	14,642,852	9,668,771	4,974,081	5,005,887	(0.64)%
Net capital assets	$ 81,106,760	$ 31,091,175	$ 50,015,585	$ 44,087,364	13.45 %

A significant reason for the increase in the net capital assets relates to the buildings and additions category. During 2026, the District completed and placed into service a livestock building, a greenhouse, and major renovations and upgrades to existing buildings. The addition of these capital assets outpaced the depreciation during the year, resulting in a net increase in capital assets.

Long-term Obligation

At the end of this year, the School District had $23,405,000 in bonds outstanding versus $24,035,000 in the previous year - decreased of 3%.

Table A-5

	2026	2025	Percentage Change
2024 School Building & Site Bonds	$ 23,405,000	$ 24,035,000	(2.62)%
Compensated Absences	836,581	865,348	(3.32)%
	$ 24,241,581	$ 24,900,348	(2.65)%

During 2026, the School District paid off more of its bond. This is the primary reason for the decrease in the 2024 School Building & Site Bonds. The total amount of principal paid in the current year was approximately $630,000. Compensated absences also decreased.

Current Known Facts, Decisions, or Conditions

Curriculum and Instruction

The School District has been able to maintain and increase programs, including all Career and Technical Education (CTE) programs at the high school, Advanced Placement courses, and academic support programs.

The Mathematics and English Language Arts curricula for grades K–12 are fully aligned with the Common Core State Standards. Both areas have been updated with new instructional materials, including Benchmark Advance for grades K–5 and Pearson/Savvas Realize for English Language Arts in grades 6–12. HMH Into Math and Into AGA have also been implemented for grades K–12. The Science curriculum is aligned with the Next Generation Science Standards (NGSS). Standards are organized by discipline and taught using Mystery Science at Surline Elementary (grades K–4) and Project Lead the Way (PLTW) at Rose City Elementary (grades K–5). In grades 5–12, the district has adopted OpenSciEd. Social Studies instruction follows the newly adopted Michigan Standards, utilizing McGraw Hill materials for grades 5–12 and teacher-created resources for grades K–4.

The School District has been able to maintain programs, including all Fine Arts courses, Career and Technical Education (CTE) programs and Advanced Placement courses. Students continue to take advantage of additional opportunities including online courses through MI Virtual University, participation in dual enrollment, and attending Early Middle College.

Professional learning within West Branch–Rose City Area Schools has expanded significantly through the Blueprint process, which has strengthened systems for continuous improvement, collaboration, and instructional coherence across the district. District Wide implementation of Capturing Kids Heart has been the focus as part of the strategic plan. Staff have engaged in a variety of high-quality professional development opportunities focused on improving instructional practices, implementing new curriculum resources, and supporting the whole child. The dedication and hard work of WBRC staff are evident in classrooms every day. The district remains committed to providing a high-quality education for all students, upholding rigorous academic standards, and ensuring equitable access to learning opportunities. Through the Blueprint's focus on building capacity and strengthening Tier I instruction, teachers regularly use data to differentiate instruction, adjust pacing, and increase rigor. These efforts are supported through consistent progress monitoring, targeted interventions, and extended learning opportunities—both during and beyond the school day. Collectively, these actions are accelerating academic growth and fostering a culture of continuous improvement district-wide.

The School District has made significant investments in technology upgrades, including the purchase of Chromebooks, computers, BenQ boards, webcams, and enhancements to wireless connectivity. During the COVID-19 pandemic, the district maximized opportunities provided through state and federal funding to expand and strengthen technology resources across all schools.

Financially, the district continues to face challenges but has experienced an ease in declining enrollment, however, facility needs are continuing to require attention and need to be addressed.

The biggest challenges to the financial future of the School District are the continuation of declining enrollment, the increase in retirement and other benefit costs and the rapidly increasing inflation. Inflation and staff retention/recruitment are challenging for the School District. As the pool of candidates for school position gets tighter, the district must find ways to be more creative in hiring. Typically this comes in the form of competitive wages and benefits which in return stresses the financial future of the district. Another challenge that the district faces is expenses are increasing at a higher rate than revenue increases.

The good economic news for the short term of the School District are the sound fiscal management practices. With a little easing up of the finances, a frugal approach is still employed with each decision. This practice is engaged to benefit the long term fiscal stability of the district. As part of the long term fiscal stability is an investment into upgrading the financial system to continue to maintain good fiscal management practices.

West Branch-Rose City Area School District is proud of the fact that the district is fiscally viable, provides excellent instruction for students, exhibits the organizational commitment to improve, and attract school of choice students, due to quality programs and quality instructors. These goals will continue to be our district's mission.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash and investments	$ 21,535,990
Accounts receivable	60,772
Due from other governmental units	3,691,915
Inventory	267,162
Prepaid expenses	306,894
Capital assets less accumulated depreciation $31,091,175	50,015,585
Net OPEB Asset	6,042,727
Total assets	81,921,045
Deferred Outflows of Resources	
Related to pensions	6,503,256
Related to OPEB	1,205,354
Total deferred outflows of resources	7,708,610
Liabilities	
Accounts payable	1,691,526
Accrued interest payable	160,033
Accrued payroll and other liabilities	2,431,324
Unearned revenue	1,185,509
Long-term liabilities:	
Due within one year	665,000
Due in more than one year	24,641,019
Net pension liability	20,556,650
Total liabilities	51,331,061
Deferred Inflows of Resources	
Related to pensions	8,074,764
Related to OPEB	5,206,058
Total deferred inflows of resources	13,280,822
Net Position	
Net investment in capital assets	27,445,178
Restricted for debt service	690,044
Restricted for capital projects	1,956,152
Restricted for food service	2,664,549
Restricted for building trades	135,000
Restricted for net OPEB asset	6,042,727
Unrestricted	(13,915,878)
Total net position	$ 25,017,772

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants/ Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Primary government -				
Governmental activities:				
Instruction	$ 12,544,504	$ 0	$ 8,434,296	$ (4,110,208)
Support services	8,719,798	195,698	0	(8,524,100)
Community services	74,362	0	0	(74,362)
Food services	2,094,908	159,045	2,273,087	337,224
Athletics	750,314	70,195	0	(680,119)
Student activities	401,047	367,972	0	(33,075)
Interest on long-term debt	934,865	0	0	(934,865)
Capital outlay	752,328	0	0	(752,328)
Depreciation (unallocated)	1,696,048	0	0	(1,696,048)
Loss on disposal of assets	34,929	0	0	(34,929)
Total governmental activities	$ 28,003,103	$ 792,910	$ 10,707,383	(16,502,810)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				8,398,333
Property taxes, levied for capital projects				652,074
Property taxes, levied for debt services				1,648,030
State aid				10,394,852
Interest and investment earnings				789,800
Other				873,043
Total general revenues				22,756,132
Change in net position				6,253,322
Net position - beginning of year				18,764,450
Net position - end of year				$ 25,017,772

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2026

	General	2024 Capital Projects	Food Service	Other Nonmajor Governmental Funds	Total
		Assets			
Cash and investments	$ 14,707,762	$ 1,899,031	$ 2,316,209	$ 2,612,988	$ 21,535,990
Receivables - net:					
Accounts receivable	56,934	0	3,838	0	60,772
Due from other funds	26,855	0	309,980	0	336,835
Due from other governmental units	3,691,915	0	0	0	3,691,915
Inventory	216,509	0	50,653	0	267,162
Prepaid expenditures	206,894	0	100,000	0	306,894
Total assets	$ 18,906,869	$ 1,899,031	$ 2,780,680	$ 2,612,988	$ 26,199,568
		Liabilities and Fund Balance			
Liabilities					
Accounts payable	$ 221,550	$ 923,918	$ 90,696	$ 455,362	$ 1,691,526
Due to other funds	309,980	0	24,504	2,351	336,835
Accrued payroll and other liabilities	2,430,393	0	931	0	2,431,324
Unearned revenue	1,185,509	0	0	0	1,185,509
Total liabilities	4,147,432	923,918	116,131	457,713	5,645,194
Fund Balance					
Nonspendable - inventory	216,509	0	50,653	0	267,162
Nonspendable - prepaid	206,894	0	100,000	0	306,894
Restricted for debt service	0	0	0	850,077	850,077
Restricted for capital projects	0	975,113	0	981,039	1,956,152
Restricted for food service	0	0	2,513,896	0	2,513,896
Restricted for building trades	135,000	0	0	0	135,000
Committed for student activities	0	0	0	324,159	324,159
Assigned for gym floor replacement	218,848	0	0	0	218,848
Unassigned	13,982,186	0	0	0	13,982,186
	14,759,437	975,113	2,664,549	2,155,275	20,554,374
Total liabilities and fund balance	$ 18,906,869	$ 1,899,031	$ 2,780,680	$ 2,612,988	$ 26,199,568

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2026

Total fund balance - governmental funds	$ 20,554,374
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	81,106,760
Accumulated depreciation	(31,091,175)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:	
Related to pensions	6,503,256
Related to OPEB	1,205,354
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 OPEB Asset	6,042,727
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(23,405,000)
Compensated absences	(836,581)
Bond premium	(1,064,438)
Net pension liability	(20,556,650)
Accrued interest payable is included as a liability in governmental activities	(160,033)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:	
Related to pensions	(8,074,764)
Related to OPEB	(5,206,058)
Total net position - governmental activities	$ 25,017,772

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2026

	General	2024 Capital Projects	Food Service	Other Nonmajor Governmental Funds	Total
Revenues					
Local sources	$ 9,960,922	$ 182,324	$ 226,069	$ 2,766,219	$ 13,135,534
State sources	17,783,416	0	186,715	18,433	17,988,564
Federal sources	1,517,690	0	2,086,372	0	3,604,062
Total revenues	29,262,028	182,324	2,499,156	2,784,652	34,728,160
Expenditures					
Current:					
Instruction	16,299,908	0	0	0	16,299,908
Support services	11,989,261	0	0	608	11,989,869
Community services	74,362	0	0	0	74,362
Food services	0	0	2,145,324	0	2,145,324
Student activities	0	0	0	401,047	401,047
Debt service:					
Principal	0	0	0	630,000	630,000
Interest and other	0	0	0	986,200	986,200
Capital projects:					
Capital outlay	309,456	5,786,779	0	1,789,230	7,885,465
Total expenditures	28,672,987	5,786,779	2,145,324	3,807,085	40,412,175
Excess (deficiency) of revenues over expenditures	589,041	(5,604,455)	353,832	(1,022,433)	(5,684,015)
Other Financing Sources (Uses)					
Transfers in	17,189	0	31,191	0	48,380
Transfers out	(31,191)	0	(17,189)	0	(48,380)
Sale of capital assets	223	0	0	0	223
Total other financing sources (uses)	(13,779)	0	14,002	0	223
Net change in fund balance	575,262	(5,604,455)	367,834	(1,022,433)	(5,683,792)
Fund balance - beginning of year	14,692,441	6,579,568	0	4,966,157	26,238,166
Adjustments to beginning fund balance	0	0	1,788,449	(1,788,449)	0
Prior period adjustment	(508,266)	0	508,266	0	0
Fund balance - beginning of year, restated	14,184,175	6,579,568	2,296,715	3,177,708	26,238,166
Fund balance - end of year	$ 14,759,437	$ 975,113	$ 2,664,549	$ 2,155,275	$ 20,554,374

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2026

Net change in fund balance - total governmental funds	$ (5,683,792)
Amounts reported for governmental activities in the statements 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	(1,696,048)
Capital outlay	7,659,198
Loss on disposal of assets	(34,929)
Repayment on bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	630,000
The issuance of long-term debt (e.g. bonds) provide 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, where as 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 as follows:	
Amortization of bond premium	47,134
Decreases in compensated absences are reported as a reduction in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6	28,767
Accrued interest is reported as a reduction in expenses on the Statement of Activities	4,201
Unavailable revenue from other governmental units at June 30, 2025 and collected after September 1, 2025	(173,520)
Some revenues and expenses reported in the statement of activities are not recognized as or require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Pension related items	3,118,425
OPEB related items	2,353,886
Change in net position of governmental activities	$ 6,253,322

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Branch-Rose City Area Schools (School District) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The West Branch-Rose City Area Schools (School District) was consolidated in 1966. The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes, intergovernmental payments and other items that are not properly included among program revenues are reported as general revenue.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Amounts reported as program revenue include; (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

2024 Capital Project Fund - The Capital Projects Fund is used to account for all financial resources, restricted, committed or assigned to expenditures for the acquisition or construction of capital assets of the School District.

Food Service Fund - The Food Service Fund is used to record the food service operations of the School District pertaining to the School Districts breakfast and lunch programs. Included are all transactions related to the approved current operating budget.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and additions	10-50 years
Furniture and fixtures	8-20 years
Technological equipment	5-10 years
Other equipment	5-20 years
Vehicles and buses	5-10 years

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 district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined Benefit Plan - For purposes of measuring the net pension and other postemployment benefit liability, 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 School Employees Retirement Systems (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.

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources

Deferred Outflows - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and other postemployment benefits contributions made after the measurement date. This amount will reduce the net pension and other postemployment benefits liability in the following year. Deferred outflows are also present for the result of an difference between what the plan expected to experience and what was actually experienced. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. There is also a deferred outflow for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. For district-wide financial statements, the School District reports deferred inflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. The amount is the result of an difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period. There is also a deferred inflow for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount will be amortized over the next six years and included in pension and other postemployment benefits expense**.**

Use of Estimates - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. 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.

Property Taxes - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Aid - For the fiscal year ended June 30, 2026, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student 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 year ended June 30, 2026, the foundation allowance was based on the average pupil membership counts taken in February 2025 and October 2025.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2025 - August 2026. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2026 relating to state aid is $2,971,626.

The School 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 categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Events Occurring After Reporting Date

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

NOTE 2 - BUDGETS (CONTINUED)

West Branch-Rose City Area Schools follow these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.

2. A public hearing is conducted to obtain taxpayer comments.

3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.

4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund and Food Service Fund is presented as required supplemental information.

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 and Food Service Fund are noted in the required supplementary information section.

NOTE 3 - CASH AND INVESTMENTS

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

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

2. 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.

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

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

5. Bankers acceptances of United States banks.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government
Cash and cash equivalents	$ 21,535,990

As of June 30, 2026 the School 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 School District's deposits may not be returned to it. As of June 30, 2026, $21,360,757 of the School District's bank balance of $21,860,757 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the School 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 School 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 School District will do business.

Interest rate risk. In accordance with its investment policy, the School 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 School District's cash requirements.

Investment type	Fair value	Weighted average maturity (years)
Huntington Bank - Goldman Sachs Funds	$ 18,369,241	N/A

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Concentration of credit risk. The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School 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 by credit quality.

Investment type	Fair value	Rating	Rating Agency
Huntington Bank - Goldman Sachs Funds	$ 18,369,241	AAAm	Standard & Poor's

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

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

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

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

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the School 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 School District does not have any investments subject to the fair value hierarchy.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The School 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 School District is Huntington Bank - Goldman Sachs funds. Huntington Bank - Goldman Sachs funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximates fair value. The Goldman Sachs funds requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
Huntington Bank - Goldman Sachs Funds	$ 18,369,241

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

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2025	Additions	Disposals and Adjustments	Balance June 30, 2026
Assets not being depreciated:				
Land	$ 422,424	$ 0	$ 0	$ 422,424
Construction in progress	21,310,679	0	(21,310,679)	0
Subtotal	21,733,103	0	(21,310,679)	422,424
Capital assets being depreciated/amortized:				
Buildings and improvements	34,528,815	28,436,337	(20,335)	62,944,817
Buses and other vehicles	2,963,269	133,398	0	3,096,667
Furniture and equipment	14,467,375	400,142	(224,665)	14,642,852
Subtotal	51,959,459	28,969,877	(245,000)	80,684,336
Accumulated depreciation/amortization:				
Buildings and improvements	18,357,893	1,019,354	(8,614)	19,368,633
Buses and other vehicles	1,785,817	267,954	0	2,053,771
Furniture and equipment	9,461,488	408,740	(201,457)	9,668,771
Subtotal	29,605,198	1,696,048	(210,071)	31,091,175
Net capital assets being depreciated/amortized	22,354,261	27,273,829	(34,929)	49,593,161
Net capital assets	$ 44,087,364	$ 27,273,829	$ (21,345,608)	$ 50,015,585

Depreciation/amortization expense for fiscal year ended June 30, 2026 was $1,696,048. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2026 are as follows:

		Payables				
		General	Food Service	Student Activity	Sinking Fund	Total
Receivables	General	$ 0	$24,504	$ 429	$ 1,922	$ 26,855
	Food Service	309,980	0	0	0	309,980
		$ 309,980	$24,504	$ 429	$ 1,922	$ 336,835

A summary of interfund transfers made during the year ended June 30, 2026 are as follows:

		Transfers Out		
		General Fund	Food Service	Total
Transfers In	General Fund	$ 0	$ 17,189	$ 17,189
	Food Service	31,191	0	31,191
		$ 31,191	$ 17,189	$ 48,380

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

The interfund transfers resulted from indirect cost reimbursement from Food Service to General Fund, transfer of capital outlay from Food Service to the General Fund, and At-Risk breakfast transfer from General Fund to Food Service.

NOTE 6 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to $1,185,509.

NOTE 7 - LONG-TERM OBLIGATIONS

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

	Balance June 30, 2025	Additions	Retirements and Payments	Balance June 30, 2026	Amount Due Within One Year
General obligation bonds	$ 25,146,572	$ 0	$ 677,134	$ 24,469,438	$ 665,000
Compensated absences*	865,348	0	28,767	836,581	0
	$ 26,011,920	$ 0	$ 705,901	$ 25,306,019	$ 665,000

*The change in compensated absences is presented as a net change from prior year.

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

General obligation bonds:

$24,665,000 2024 School Building & Site Bonds due in annual installments of $630,000 to $1,205,000 through May 1, 2049; interest at 4.00% to 5.00%	$ 23,405,000
Bond premium	1,064,438
Total bonded debt	$ 24,469,438

The annual debt service requirements on long-term debt as of June 30, 2026, including interest payments are as follows:

	General Obligation Bonds		
Year Ended June 30	Principal	Interest	Total
2027	$ 665,000	$ 960,200	$ 1,625,200
2028	735,000	933,600	1,668,600
2029	765,000	904,200	1,669,200
2030	795,000	873,600	1,668,600
2031	825,000	841,800	1,666,800
2032 - 2036	4,665,000	3,685,800	8,350,800
2037 - 2041	5,565,000	2,675,200	8,240,200
2042 - 2046	5,805,000	1,536,000	7,341,000
2047 - 2049	3,585,000	347,650	3,932,650
	$ 23,405,000	$ 12,758,050	$ 36,163,050

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation. Since the School District began participating in the SET-SEG program, settled claims have not exceeded the amount of insurance coverage.

The SET-SEG shared-risk pool program in which the School District participates, operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase workers' compensation excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND 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 Comprehensive Annual 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 pension 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 9 - DEFINED BENEFIT PENSION PLAN AND 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.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

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 worked on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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 contribution 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.

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.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

Eligibility – A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. 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.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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 benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2022, are amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

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

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

The School District's pension contributions for the year ended June 30, 2026 were equal to the required contribution total. Total pension contributions were approximately $4,761,000. Of the total pension contributions approximately $4,601,000 was contributed to fund the Defined Benefit Plan and approximately $160,000 was contributed to fund the Defined Contribution Plan.

The School District's OPEB contributions for the year ended June 30, 2026 were equal to the required contribution total. Total OPEB contributions were approximately $343,000. Of the total OPEB contributions approximately $240,000 was contributed to fund the Defined Benefit Plan and approximately $103,000 was contributed to fund the Defined Contribution Plan.

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

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Pension Liabilities

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 School 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		0.10261 %		0.10047 %
Net Pension liability for the School District	$	20,556,650	$	24,597,944

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

For the year ended June 30, 2026, the School District recognized pension expense of approximately $1,343,872.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	$ 796,218	$ (183,096)
Net difference between projected and actual earnings on pension plan investments	0	(4,912,599)
Changes in assumptions	737,837	(1,086,468)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,072,771	(216,344)
Unearned revenue related to pension portion of section 147 c	0	(1,676,257)
School District's contributions subsequent to the measurement date	3,896,430	0
Total	$ 6,503,256	$ (8,074,764)

$3,896,430, reported as deferred outflows of resources related to pensions resulting from School 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 Ended June 30	Amount
2027	$ (27,384)
2028	(1,866,534)
2029	(1,450,783)
2030	(446,980)
	$ (3,791,681)

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

OPEB (Asset) Liabilities

The net OPEB (asset) liability was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation date of September 30, 2025 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB (asset) liability 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 OPEB Liability	$ 9,360,649,860	$ 9,991,545,923
Plan Fiduciary Net Position	$ 15,439,767,833	$ 14,295,943,589
Net OPEB (Asset) Liability	$ (6,079,117,973)	$ (4,304,397,666)
Proportionate share	0.09940 %	0.10142 %
Net OPEB (Asset) Liability for the School District	$ (6,042,727)	$ (4,365,610)

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

For the year ended June 30, 2026, the School District recognized OPEB expense of approximately $(2,328,119).

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	$ 0	$ (4,137,137)
Net difference between projected and actual plan investments	0	(849,135)
Changes in assumption	806,467	(64,088)
Changes in proportion and differences between employer contributions and proportionate share of contributions	177,907	(155,698)
School District's contributions subsequent to the measurement date	220,980	0
Total	$ 1,205,354	$ (5,206,058)

$220,980, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB (asset) liability in the subsequent fiscal year.

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

Year Ended June 30	Amount
2027	$ (1,160,796)
2028	(1,113,872)
2029	(996,835)
2030	(644,033)
2031	(233,186)
Thereafter	(72,962)
	$ (4,221,684)

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 groups.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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 MP-2021 adjusted for mortality improvements using projection scale 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 - The annual actuarial valuation report of the System used for these statements is dated September 30, 2025. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan and OPEB 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 3.5% for year fifteen. Post 65, 6.50% for year one and graded to 3.5% 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.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

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

Rate of return - For fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount 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 long-term rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that 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.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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 discount rate assumed that 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 School District's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net pension liability	$32,439,527	$20,556,650	$10,659,734

Sensitivity of the net OPEB (asset) liability to changes in the discount rate - The following presents the School District's proportionate share of the net OPEB (asset) liability calculated using the discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB (asset) 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:

	Other postemployment benefit		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net OPEB (asset) liability	$(5,206,191)	$(6,042,727)	$(6,774,876)

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity to the net OPEB (asset) liability to changes in the healthcare cost trend rates - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the School District's proportionate share of the net other postemployment benefit (asset) liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Current Healthcare cost trend rates	1% Increase
School District's proportionate share of the net OPEB (asset) liability	$(6,768,195)	$(6,042,727)	$(5,281,008)

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension and OPEB plan'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 included in the financial statements as a liability titled accrued payroll and payroll liabilities. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 10 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 11 - ECONOMIC DEPENDENCY

The School District received approximately 61% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NOTE 12 - RECEIVABLES

Receivables at June 30, 2026 consist of accounts (fees), intergovernmental grants and interest. A summary of the intergovernmental receivables (due from other governmental units) follows:

Federal grants	$ 436,669
State aid and grants	2,971,626
COOR ISD	268,760
Other governments	14,860
	$ 3,691,915

NOTE 13 - BOND COMPLIANCE

The School District passed in 2018 a sinking fund levy at .67 mills for an eight year period. The activity related to the sinking fund is recorded in the Capital Projects Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2026.

For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

The School District passed a $25,000,000 bond proposal in 2022 for the purpose of erecting, remodeling, equipping and re-equipping school buildings and other facilities; furnishing and refurnishing remodeled school buildings; preparing, developing and improving sites; and acquiring, installing and equipping school buildings for instructional technology. The activity related to the bond is recorded in the 2024 Capital Projects Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2026.

For this fund, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

The fund is considered substantially complete as of June 30, 2026. The cumulative expenditures recognized for the construction period were $26,761,091.

NOTE 14 - RELATED PARTY TRANSACTION

The School District contracts physical therapy services from a business that is owned by an individual who is also a board member in the amount of $6,022 for the year ended June 30, 2026.

NOTE 15 - ADJUSTMENTS TO BEGINNING FUND BALANCE

During fiscal year 2026, changes to or within the financial reporting entity and an error correction resulted in adjustments to and restatements of beginning fund balances as follows:

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances				
	General	2024 Capital Projects	Food Service	Nonmajor Governmental Funds	Total
Fund balance, as previously reported	$ 14,692,441	$ 6,579,568	$ 0	$ 4,966,157	$ 26,238,166
Change from nonmajor to major fund	0	0	1,788,449	(1,788,449)	0
Correcting an error	(508,266)	0	508,266	0	0
Fund balance, as restated	$ 14,184,175	$ 6,579,568	$ 2,296,715	$ 3,177,708	$ 26,238,166

The School District recorded a prior period adjustment to correct errors in the Food Service Fund, a major fund, related to unallowable renovation expenditures identified through an MDE management review and the incorrect allocation of indirect costs between the General Fund and Food Service Fund.

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2026, the School 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;

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

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 17 - TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes Abated
City of West Branch	$ 156,752
Ogemaw Township	3,768
	$ 160,520

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

NOTE 18 - 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 School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2026

	Original Budget	Final Amended Budget	Variance with Original and Final Budget	Actual	Variances with Final Budget and Actual
Revenues					
Local sources	$ 9,631,323	$ 9,833,650	$ 202,327	$ 9,960,922	$ 127,272
State sources	15,267,505	18,387,045	3,119,540	17,783,416	(603,629)
Federal sources	1,661,292	1,792,408	131,116	1,517,690	(274,718)
Total revenues	26,560,120	30,013,103	3,452,983	29,262,028	(751,075)
Expenditures					
Instruction:					
Basic programs	13,159,629	13,343,976	184,347	12,803,014	540,962
Added needs	3,594,748	3,875,811	281,063	3,496,894	378,917
Support services:					
Pupil	1,362,743	1,528,326	165,583	1,355,188	173,138
Instructional staff	1,908,067	2,046,599	138,532	1,700,167	346,432
General administrative	539,819	553,473	13,654	452,313	101,160
School administrative	1,712,202	1,717,853	5,651	1,616,288	101,565
Business services	770,040	715,735	(54,305)	706,022	9,713
Operations and maintenance	2,944,535	3,239,676	295,141	2,865,046	374,630
Transportation	1,777,782	1,921,152	143,370	1,765,649	155,503
Information services	803,864	816,806	12,942	755,862	60,944
Athletics	701,492	735,545	34,053	772,726	(37,181)
Community services	67,178	78,405	11,227	74,362	4,043
Capital outlay	250,000	308,773	58,773	309,456	(683)
Total expenditures	29,592,099	30,882,130	1,290,031	28,672,987	2,209,143
Excess (deficiency) of revenues over expenditures	(3,031,979)	(869,027)	2,162,952	589,041	1,458,068
Other Financing Sources (Uses)					
Transfers in	25,000	25,000	0	17,189	(7,811)
Transfers out	(16,576)	(18,190)	(1,614)	(31,191)	(13,001)
Sale of capital assets	0	0	0	223	223
Total other financing sources (uses)	8,424	6,810	(1,614)	(13,779)	(20,589)
Net change in fund balance	(3,023,555)	(862,217)	2,161,338	575,262	1,437,479
Fund balance - beginning of year as previously stated	14,692,441	14,692,441	0	14,692,441	0
Prior period adjustment	0	(508,266)	0	(508,266)	0
Fund balance - beginning of year, restated	14,692,441	14,184,175	0	14,184,175	0
Fund balance - end of year	$ 11,668,886	$ 13,321,958	$ 2,161,338	$ 14,759,437	$ 1,437,479

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - Food Service Fund
For the Year Ended June 30, 2026

	Original Budget	Final Amended Budget	Variance with Original and Final Budget	Actual	Variances with Final Budget and Actual
Revenues					
Local sources	$ 193,000	$ 203,600	$ 10,600	$ 226,069	$ 22,469
State sources	207,505	215,600	8,095	186,715	(28,885)
Federal sources	1,849,750	1,849,750	0	2,086,372	236,622
Total revenues	2,250,255	2,268,950	18,695	2,499,156	230,206
Expenditures					
Food services	2,681,692	2,886,964	205,272	2,145,324	741,640
Excess (deficiency) of revenues over expenditures	(431,437)	(618,014)	(186,577)	353,832	971,846
Other Financing Sources (Uses)					
Operating transfers in	11,390	11,390	0	31,191	19,801
Operating transfers out	(25,000)	(25,000)	0	(17,189)	7,811
Total other financing sources (Uses)	(13,610)	(13,610)	0	14,002	27,612
Net change in fund balance	(445,047)	(631,624)	(186,577)	367,834	999,458
Fund balance - beginning of year	1,788,449	1,788,449	0	1,788,449	0
Prior period adjustment	0	508,266	0	508,266	0
Fund balance - beginning of year, restated	1,788,449	2,296,715	0	2,296,715	0
Fund balance - end of year	$ 1,343,402	$ 1,665,091	$ (186,577)	$ 2,664,549	$ 999,458

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Reporting unit's proportion of net pension liability (%)	0.10261 %	0.10047 %	0.09685 %	0.09740 %	0.10016 %	0.10348 %	0.10748 %	0.10728 %	0.10660 %	0.10546 %
Reporting unit's proportionate share of net pension liability	$20,556,650	$24,597,944	$31,345,053	$36,631,427	$23,712,798	$35,545,688	$35,592,736	$32,251,591	$27,624,745	$26,312,395
Reporting unit's covered-employee payroll*	$11,373,661	$10,788,696	$ 9,882,761	$ 9,207,962	$ 8,988,522	$ 9,059,372	$ 9,431,041	$ 9,203,060	$ 8,957,269	$ 8,298,261
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	180.73908 %	227.99738 %	317.16899 %	397.82339 %	263.81198 %	392.36371 %	377.39986 %	350.44421 %	308.40589 %	317.08324 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	79.44000 %	74.44000 %	65.91000 %	60.77000 %	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %

* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73,* as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	$ 4,600,955	$ 4,393,223	$ 4,151,079	$ 4,451,580	$ 3,292,846	$ 2,965,258	$ 2,834,660	$ 2,924,685	$ 2,719,937	$ 2,480,787
Contributions in relation to statutorily required contributions*	4,600,955	4,393,223	4,151,079	4,451,580	3,292,846	2,965,258	2,834,660	2,924,685	2,719,937	2,480,787
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Reporting unit's covered-employee payroll**	$11,795,836	$11,165,136	$10,575,175	$10,111,568	$ 9,092,964	$ 8,902,319	$ 9,213,275	$ 9,484,733	$ 9,051,832	$ 8,826,542
Contributions as a percentage of covered-employee payroll	39.00 %	39.35 %	39.25 %	44.02 %	36.21 %	33.31 %	30.77 %	30.84 %	30.05 %	28.11 %

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

** The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73,* as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pensions and OPEB represents payroll on which contributions to both plans are based.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB (Asset) Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Reporting unit's proportion of net OPEB (asset) liability (%)	0.09940 %	0.10142 %	0.09829 %	0.09425 %	0.09873 %	0.10170 %	0.10753 %	0.10795 %	0.10648 %
Reporting unit's proportionate share of net OPEB (asset) liability	$ (6,042,727)	$ (4,365,610)	$ (556,014)	$ 1,996,176	$ 1,507,024	$ 5,448,338	$ 7,718,526	$ 8,580,828	$ 9,429,582
Reporting unit's covered-employee payroll*	$ 11,373,661	$ 10,788,696	$ 9,882,761	$ 9,207,962	$ 8,988,522	$ 9,059,372	$ 9,431,041	$ 9,203,060	$ 8,957,269
Reporting unit's proportionate share of net OPEB (asset) liability as a percentage of its covered-employee payroll	(53.12913)%	(40.46467)%	(5.62610)%	21.67880 %	16.76609 %	60.14035 %	81.84172 %	93.23886 %	105.27296 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	164.94000 %	143.08000 %	105.04000 %	83.09000 %	87.33000 %	59.44000 %	48.46000 %	42.95000 %	36.39000 %

* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	$ 239,964	$ 187,651	$ 833,169	$ 769,466	$ 712,734	$ 711,897	$ 713,819	$ 767,006	$ 729,719
Contributions in relation to statutorily required contributions*	239,964	187,651	833,169	769,466	712,734	711,897	713,819	767,006	729,719
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Reporting unit's covered-employee payroll**	$11,795,836	$11,165,136	$10,575,175	$10,111,568	$ 9,092,964	$ 8,902,319	$ 9,213,275	$ 9,484,733	$ 9,051,832
Contributions as a percentage of covered-employee payroll	2.03 %	1.68 %	7.88 %	7.61 %	7.84 %	8.00 %	7.75 %	8.09 %	8.06 %

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

** The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Required Supplementary Information
For the 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 (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The does not utilize encumbrance accounting.

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

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

b. Public hearings are conducted to obtain taxpayer comments.

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

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

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

NOTE 2 - BUDGETARY COMPARISON

Significant variances between original and final budget:

	Variance	Explanation
General Fund		
Revenues		
State sources	3,119,540	The State budget was not approved prior to the adoption of the School District's budget. The final budget was adjusted once the State's budget was finalized.
Fund Balance		
Prior Period Adjustment - correction of an error	(508,266)	The projected ending fund balance was amended to reflect a prior period adjustment recorded to correct errors - See Note 15 for more details

NOTE 2 - BUDGETARY COMPARISON (CONTINUED)

Food Service		
Fund Balance		
Prior period adjustment - correction of an error	508,266	The projected ending fund balance was amended to reflect a prior period adjustment recorded to correct errors - see Note 15 for more details

Significant variances between final budget and actual:

	Variance	Explanation
General Fund		
Revenues		
State sources	(603,629)	State revenue was below budget due to lower-than-anticipated categorical funding allocations.
Expenditures		
Basic programs	540,962	Budgeted expenditures exceeded actual expenditures due to staff vacancies that remained unfilled during the year.
Food Service Fund		
Revenues		
Federal sources	236,622	Federally sourced revenue exceeded budget due to unbudgeted USDA commodities and reimbursement claims received after year-end.
Expenditures		
Food service	760,931	Budgeted expenditures exceeded actual expenditures due to conservative operating cost estimates and the inclusion of a capital project that did not commence during the year.

NOTE 3 - PENSION INFORMATION

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

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

NOTE 3 - PENSION INFORMATION (CONTINUED)

- **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 .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

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

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

- **2025** - The health care cost trend rate used in the September 30, 2024, actuarial valuation increased by 0.50 percentage points for members under 65. This increased the plan's total OPEB liability by $267 million in 2025.
- **2024** - The healthcare 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.
- **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, 2022 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.

NOTE 4 - OPEB INFORMATION (CONTINUED)

- **2020** - The health care 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.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2026

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
	Student Activities	Food Service	2024 Debt Retirement	Sinking Fund	Total
Assets					
Cash and investments	$ 324,588	$ 0	$ 850,077	$ 1,438,323	$ 2,612,988
Total assets	$ 324,588	$ 0	$ 850,077	$ 1,438,323	$ 2,612,988
Liabilities and Fund Balance					
Liabilities					
Accounts payable	$ 0	$ 0	$ 0	$ 455,362	$ 455,362
Due to other funds	429	0	0	1,922	2,351
Total liabilities	429	0	0	457,284	457,713
Fund Balance					
Committed for student activities	324,159	0	0	0	324,159
Restricted for debt service	0	0	850,077	0	850,077
Restricted for capital projects	0	0	0	981,039	981,039
Total fund balance	324,159	0	850,077	981,039	2,155,275
	$ 324,588	$ 0	$ 850,077	$ 1,438,323	$ 2,612,988

WEST BRANCH-ROSE CITY AREA SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2026

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
	Student Activities	Food Service	2024 Debt Retirement	Sinking Fund	Total
Revenues					
Local sources	$ 378,930	$ 0	$ 1,677,086	$ 710,203	$ 2,766,219
State sources	0	0	17,074	1,359	18,433
Total revenues	378,930	0	1,694,160	711,562	2,784,652
Expenditures					
Current:					
Business services	0	0	361	144	505
Operations and maintenance	0	0	0	103	103
Student activities	401,047	0	0	0	401,047
Debt service:					
Principal	0	0	630,000	0	630,000
Interest and other	0	0	986,200	0	986,200
Capital projects:					
Capital outlay	0	0	0	1,789,230	1,789,230
Total expenditures	401,047	0	1,616,561	1,789,477	3,807,085
Excess (deficiency) of revenues over expenditures	(22,117)	0	77,599	(1,077,915)	(1,022,433)
Other Financing Sources (Uses)					
Total other financing sources (uses)	0	0	0	0	0
Net change in fund balance	(22,117)	0	77,599	(1,077,915)	(1,022,433)
Fund balance - beginning of year	346,276	1,788,449	772,478	2,058,954	4,966,157
Adjustment to beginning fund balance	0	(1,788,449)	0	0	(1,788,449)
Fund balance - beginning of year, restated	346,276	0	772,478	2,058,954	3,177,708
Fund balance - end of year	$ 324,159	$ 0	$ 850,077	$ 981,039	$ 2,155,275

WEST BRANCH-ROSE CITY AREA SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2024 School Building and Site Bonds
For the Year Ended June 30, 2026

PURPOSE

The School District issued the 2024 General Obligation School Building and Site Bond Issue on February 7th, 2024, in the amount of $24,665,000. The bond proceeds were used for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, furnishing and re-furnishing, equipping and re-equipping existing school facilities; acquiring, installing and equipping instructional technology for school facilities; and developing and improving sites.

DATE OF ISSUE

January 11, 2024

AMOUNT OF ISSUE		$ 24,665,000
AMOUNT OF REDEEMED		
During prior years	$ 630,000	
During current year	630,000	1,260,000
BALANCE OUTSTANDING - June 30, 2026		$ 23,405,000

		Requirements		
Fiscal Year	Interest Rate	Principal	Interest	Total
2027	4.00%	$ 665,000	$ 960,200	$ 1,625,200
2028	4.00%	735,000	933,600	1,668,600
2029	4.00%	765,000	904,200	1,669,200
2030	4.00%	795,000	873,600	1,668,600
2031	4.00%	825,000	841,800	1,666,800
2032	4.00%	860,000	808,800	1,668,800
2033	4.00%	895,000	774,400	1,669,400
2034	4.00%	930,000	738,600	1,668,600
2035	4.00%	970,000	701,400	1,671,400
2036	4.00%	1,010,000	662,600	1,672,600
2037	4.00%	1,050,000	622,200	1,672,200
2038	4.00%	1,095,000	580,200	1,675,200
2039	4.00%	1,135,000	536,400	1,671,400
2040	4.00%	1,140,000	491,000	1,631,000
2041	4.00%	1,145,000	445,400	1,590,400
2042	4.00%	1,150,000	399,600	1,549,600
2043	4.00%	1,155,000	353,600	1,508,600
2044	4.00%	1,160,000	307,400	1,467,400
2045	4.00%	1,165,000	261,000	1,426,000
2046	4.00%	1,175,000	214,400	1,389,400
2047	4.00%	1,185,000	167,400	1,352,400
2048	4.00%	1,195,000	120,000	1,315,000
2049	5.00%	1,205,000	60,250	1,265,250
		$ 23,405,000	$ 12,758,050	$ 36,163,050

WEINLANDER FITZHUGH
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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

October 27, 2026

Board of Education
West Branch-Rose City Area Schools
West Branch, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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 West Branch-Rose City Area Schools (School District), as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise West Branch-Rose City Area Schools' basic financial statements and have issued our report thereon dated October 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Branch-Rose City Area 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 West Branch-Rose City Area Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of West Branch-Rose City Area 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 School District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2026-001 that we consider to be a significant deficiency.

WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Branch-Rose City Area 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.*

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on West Branch-Rose City Area Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. West Branch-Rose City Area Schools' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weinlander Fitzhugh

WEST BRANCH-ROSE CITY AREA SCHOOLS
Schedule of Findings
For the Year Ended June 30, 2026

2026-001 (Repeat Finding 2025-001)

Criteria or Specific Requirement
Establishment and maintenance of internal controls over the financial reporting process.

Condition
During the course of the audit, we identified several misstatements, some of which were significant to the School District's financial statements, and provided audit entries to correct these misstatements. Significant audit adjustments were required to reflect the appropriate year-end balances for the following: cash and accounts payable.

Context
Internal controls should be in place to allow the staff to detect and correct misstatements in the general ledger accounts in the normal course of daily, monthly and annual reporting functions in accordance with GAAP without auditor involvement.

Effect
Significant adjustments were required to be performed by the auditors to record held checks as accounts payable and to record additional accounts payable related to bond projects in the 2024 Capital Projects and Sinking funds.

Cause
Held checks related to the bond projects are not considered outstanding checks as they are not available to the contractors to be deposited. Retainage related to the 2024 bond construction projects was not properly accrued and reflected in current year expenditures of the 2024 Capital Project and Sinking funds.

Recommendation
The School District should review the audit entries, understand why they were necessary, and implement the necessary controls to ensure that the accounts and transactions affected are reviewed closely during the year and especially at year-end close.

Views of the Responsible Officials and Planned Corrective Action
The School District will review current internal controls and make adjustments as necessary to comply with the GAAP standards.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2026

2025-001

Audit Finding
See repeating finding 2026-001 for details.

Corrective Action Taken
Corrective action plan was not implemented.

2025-002

Audit Finding
The School District did not properly review inputs while processing household income applications for receiving benefits.

Corrective Action Taken
A corrective action plan was implemented by the School District during 2025-2026 fiscal year.