Pewamo-Westphalia Community Schools

Financial Statements

June 30, 2026



YEO & YEO

BUSINESS SUCCESS PARTNERS

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Pewamo-Westphalia Community Schools
Members of the Board of Education and Administration
June 30, 2026

Members of the Board of Education

Jason Hafner – President

Lori Pung – Vice President

Preston Weber – Secretary

Jim Pohl – Treasurer

Julie Farmer – Trustee

Jared Smith – Trustee

Brad Weber – Trustee

Administration

Martin DuBois – Superintendent

Andrew Pulling – High School and Middle School Principal

Evan Fedewa – Elementary Principal

Dustin Smith – Business Manager

Independent Auditors' Report

Management and the Board of Education
Pewamo-Westphalia Community Schools
Westphalia, 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 Pewamo-Westphalia Community Schools, as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise Pewamo-Westphalia Community Schools' basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, during the year ended June 30, 2026, Pewamo-Westphalia Community Schools adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pewamo-Westphalia Community 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 Pewamo-Westphalia Community Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2026 on our consideration of Pewamo-Westphalia Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pewamo-Westphalia Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pewamo-Westphalia Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
October 21, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pewamo-Westphalia Community Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2026

The purpose of management's discussion and analysis (MD&A) is to help readers understand what the financial statements and notes in this financial report say about Pewamo-Westphalia Community Schools' (the District) financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the District's finances. If you have questions about this report or require further information, contact the Central Office, 5101 Clintonia Road, Westphalia, MI 48894.

Overview of the Financial Statements

The District's basic financial statements are comprised of (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition, this report includes required supplementary information and other supplementary information that provide further detail regarding the District's financial condition and operations.

The government-wide financial statements provide information about the District as a whole and present a long-term view of the District's finances. These statements report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting. The Statement of Net Position reports the District's overall financial position at year-end, while the Statement of Activities reports changes in net position resulting from the District's operations during the year.

The fund financial statements provide more detailed information about the District's major funds. These statements focus on individual funds and demonstrate how financial resources were received and used during the year. The District's governmental funds report the District's primary educational and support activities, including the General Fund, special revenue funds, debt service fund, and capital projects funds.

The notes to the financial statements provide additional information necessary to understand the amounts reported in the government-wide and fund financial statements. The notes provide details regarding significant accounting policies, capital assets, long-term debt, pension and other postemployment benefit plans, and other matters affecting the District's financial position.

Required supplementary information includes budgetary comparison information and schedules related to the District's pension and other postemployment benefit plans. Together, the basic financial statements, notes, and supplementary information provide a comprehensive presentation of the District's financial condition and results of operations for the fiscal year ended June 30, 2026.

This overview is intended to assist readers in understanding the organization of the financial report. The analysis that follows focuses on significant financial activities, changes in financial position, and currently known facts and conditions affecting the District.

Financial Summaries and Detailed Analysis

Summary of Statement of Net Position

	June 30, 2026	June 30, 2025	Change
Assets			
Current assets	$ 6,578,472	$ 9,831,905	-33%
Capital assets, net	29,465,295	27,787,264	6%
Net OPEB asset	2,919,217	1,903,389	53%
Total assets	38,962,984	39,522,558	-1%
Deferred outflows of resources	3,940,195	5,210,381	-24%
Liabilities			
Current liabilities	1,903,953	3,460,877	-45%
Long-term liabilities	34,663,372	36,933,132	-6%
Total liabilities	36,567,325	40,394,009	-9%
Deferred inflows of resources	6,048,331	5,945,227	2%
Net Position			
Net investment in capital assets	4,933,413	4,748,744	4%
Restricted	3,153,409	2,228,418	42%
Unrestricted (deficit)	(7,799,299)	(8,583,459)	-9%
Total net position	$ 287,523	$ (1,606,297)	-118%

The District's financial position continued to improve during fiscal year 2025-2026. Total net position increased from a deficit of $1.61 million at June 30, 2025, to a positive $287,523 at June 30, 2026, representing an improvement of approximately $1.89 million. This positive change reflects the District's continued efforts to strengthen its financial condition while investing in capital improvements and meeting long-term obligations.

The most significant asset-related change during the year was the increase in capital assets, which grew by $1.68 million (6.0%) to $29.47 million. This increase was primarily the result of major construction projects being completed and placed into service during the year. In addition, the District's net OPEB asset increased by approximately $1.02 million (53.4%), providing a substantial benefit to the District's overall financial position.

Although current assets decreased by $3.25 million (33.1%), the decline was largely attributable to the planned use of cash and investments for construction projects and other District operations. The decrease in current assets was more than offset by growth in capital assets and improvements in other long-term financial measures.

The District also experienced a significant reduction in liabilities. Total liabilities decreased by $3.83 million (9.5%), driven primarily by a $2.27 million (6.1%) reduction in long-term liabilities. The decrease reflects continued repayment of outstanding debt and favorable changes in pension obligations. As a result, the District further reduced the long-term financial burden on future taxpayers and operating revenues.

Net position trends also indicate strengthening financial health. Restricted net position increased by $925,000 (41.5%), primarily attributable to the increase in the net OPEB asset. In addition, the District's unrestricted deficit improved by approximately $784,000 (9.1%), indicating continued progress toward reducing the structural impact of long-term pension and other postemployment benefit obligations reported under governmental accounting standards.

Overall, the District's statement of net position reflects an improving financial condition characterized by increased investment in capital assets, reduced long-term liabilities, and a return to a positive total net position. These factors position the District favorably as it continues to address future operational and capital needs.

Summary of Statement of Activities

	June 30, 2026	June 30, 2025	Change
Revenues			
General Revenues			
Property taxes	$ 2,271,067	$ 2,181,329	4%
State aid - unrestricted	7,795,105	7,428,344	5%
Interest and investment earnings	185,722	302,473	-39%
Gain on sale of capital assets	-	300	-100%
Other revenues	17,434	34,459	-49%
Total general revenues	10,269,328	9,946,905	3%
Operating grants	2,918,769	2,939,938	-1%
Charges for services	841,521	945,343	-11%
Total revenue	14,029,618	13,832,186	1%
Expenses			
Instruction	5,882,990	5,668,745	4%
Supporting services	4,676,162	4,447,745	5%
Food services	587,063	436,511	34%
Community services	11,671	11,187	4%
Intergovernmental	3,000	-	100%
Interest on long-term debt	974,912	1,056,735	-8%
Total expenses	12,135,798	11,620,923	4%
Change in net position	1,893,820	2,211,263	-14%
Beginning net position	(1,606,297)	(3,817,560)	-58%
Ending net position	$ 287,523	$ (1,606,297)	-118%

The District's overall financial position improved during fiscal year 2025-2026 as net position increased by $1.89 million, resulting in an ending net position of $287,523 compared to a deficit net position of $1.61 million in the prior year. The improvement reflects the District's ability to generate revenues sufficient to cover current-year expenses while continuing to invest in its educational programs and facilities.

Total revenues increased modestly by 1.4%, from $13.83 million to $14.03 million. The most significant revenue sources continued to be unrestricted state aid and property taxes, which increased by 5.0% and 4.1%, respectively. These increases helped offset declines in investment earnings and charges for services. Overall, growth in the District's primary recurring revenue sources contributed to the positive change in net position.

Total expenses increased by 4.4%, from $11.62 million to $12.14 million. The largest increases occurred in the District's core instructional and support service functions, which rose by approximately $214,000 and $228,000, respectively. Food service expenses also increased significantly from the prior year as a planned spend down of food service fund balance to return to fund balance requirements. Despite these expenditure increases, revenue growth and effective financial management enabled the District to maintain operating results sufficient to generate a substantial increase in net position.

Interest expense on long-term debt decreased by approximately 8%, reflecting the District's continued repayment of outstanding debt obligations. The reduction in financing costs helped mitigate the impact of rising operational expenditures and contributed positively to the District's overall financial results.

The District's increase in net position and return to a positive unrestricted financial position demonstrate continued progress toward strengthening its long-term financial health. While expenditure growth exceeded overall revenue growth during the year, the District generated sufficient resources to improve its financial position and maintain stability going forward.

Summary of Major Fund Financial Statements

	General Fund			Debt Service Fund			2025 Capital Projects Fund		
	2025-2026	2024-2025	Total % Change	2025-2026	2024-2025	Total % Change	2025-2026	2024-2025	Total % Change
Total revenues	$10,897,581	$10,539,560	3.40%	$1,828,695	$1,775,344	3.01%	$ 92,781	$ 51,245	81.05%
Total expenditures	11,684,654	10,425,184	12.08%	2,296,186	1,916,797	19.79%	1,704,874	1,026,294	66.12%
Other financing sources (uses)									
Other financing sources	887,709	300	295803.00%	325,433	-	100.00%	-	3,739,096	-100.00%
Transfers in	16,049	14,998	7.01%	-	-	0.00%	-	-	0.00%
Transfers out	(95,474)	-	100.00%	-	-	0.00%	-	-	0.00%
	808,284	15,298	5183.59%	325,433	-	100.00%	-	3,739,096	-100.00%
Change in fund balance	21,211	129,674	-83.64%	(142,058)	(141,453)	0.43%	(1,612,093)	2,764,047	-158.32%
Fund balance - beginning	2,841,766	2,712,092	4.78%	274,273	415,726	-34.03%	2,764,047	-	100.00%
Fund balance - ending	$ 2,862,977	$ 2,841,766	0.75%	$ 132,215	$ 274,273	-51.79%	$1,151,954	$2,764,047	-58.32%

The District's major governmental funds include the General Fund, Debt Service Fund, and 2025 Capital Projects Fund. Significant changes in these funds during fiscal year 2025-2026 are discussed below.

The **General Fund** ended the year with a fund balance of $2.86 million, an increase of $21,211 from the prior year. While revenues increased modestly by 3.4%, expenditures increased by 12.1%, reflecting higher operating costs during the year. The increase in expenditures is highly attributable to the recognition of a new lease in the amount of $887,709. Excluding the increase of the new lease, expenditures increased by $371,761 (3.6%). The impact of increased expenditures was largely offset by the recognition of a new lease, which generated $887,709 in other financing sources. As a result, the General Fund maintained a stable fund balance.

The **Debt Service Fund** reported an ending fund balance of $132,215, a decrease of $142,058 from the prior year. Expenditures increased by 19.8%, primarily reflecting higher principal payments during the year. The District also recognized $325,433 in School Loan Revolving Fund proceeds, which partially offset the increase in debt service expenditures. Despite this financing source, expenditures exceeded current-year revenues and financing sources, resulting in a reduction of fund balance as planned.

The **2025 Capital Projects Fund** experienced the most significant activity during the year as construction projects moved from the planning phase into active construction. Capital expenditures totaled $1.7 million, an increase of 66.1% from the prior year. As a result, the fund balance decreased by $1.61 million, ending the year at $1.15 million. The decline in fund balance reflects the planned use of bond proceeds received in prior years to finance ongoing capital improvement projects.

Significant Capital Asset and Long-Term Obligation Activity

Capital Assets

At June 30, 2026, the District's net capital assets totaled $29.5 million, an increase of $1.7 million (6.0%) from the prior year. The increase was driven primarily by the completion of major construction projects and the acquisition of assets through a new lease arrangement.

The most significant activity during the year involved construction projects. Construction-in-progress decreased from $14.6 million to $0.7 million as substantially completed projects were placed into service. As a result, buildings and additions increased by $15.3 million, reflecting the completion of facility improvements and capital projects that will provide benefits to students and staff for years to come.

The District also recognized a right-to-use asset of $887,709 related to a new lease for buses and other vehicles. This addition increased the District's capital asset base while supporting transportation operations without requiring an outright purchase of the assets.

Although depreciation expense of approximately $838,000 was recorded during the year, the value of newly placed assets exceeded depreciation and disposals, resulting in the overall increase in net capital assets.

Additional information regarding the District's capital assets can be found in the notes to the financial statements.

Long-Term Obligations

At June 30, 2026, the District's long-term obligations, including amounts due in one year, totaled $25.98 million; a decrease of $108,915 (0.4%) from the prior year. The most significant changes during the year were the scheduled reduction of outstanding bonded debt, the recognition of a new lease liability, and the addition of amounts owed under the School Loan Revolving Fund (SLRF).

Outstanding general obligation bonds decreased by $1.25 million as a result of scheduled principal repayments, reducing the District's bond obligations to $23.87 million at year-end. This reduction reflects the District's continued progress in meeting its long-term debt commitments.

Partially offsetting this decrease, the District recognized a new lease liability of $887,709 during the year and recorded $325,433 of School Loan Revolving Fund obligations. These additions increased future financing commitments but provided resources to support District operations and capital needs. As a result of these transactions, total long-term obligations remained relatively consistent with the prior year despite the reduction in bonded debt.

Additional information regarding the District's long-term obligations can be found in the notes to the financial statements.

Currently Known Facts, Decisions or Conditions

Our elected officials and administration considered many factors when setting the District's 2026 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation allowance revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2025-2026 initial budget was adopted in June 2025 based on a blended student membership count of 813, which was an increase in comparison to the previous year's enrollment. Over 80 percent of the total General Fund revenue is from the foundation allowance. Under State law, the District cannot assess additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the District to amend the budget if actual District resources are not sufficient to fund original appropriations.

Since the District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The District continued to budget conservatively and projected a foundation allowance funding per pupil amount of $10,300 for 2026-2027, which at the time, was in a projected range presented at the State level. The District also projected a student blend count of approximately 817 for the initial 2026-2027 budget. Once per pupil funding is finalized and enrollment is determined, a budget amendment will be proposed.

BASIC FINANCIAL STATEMENTS

Pewamo-Westphalia Community Schools
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash	$ 4,628,592
Accounts receivable	45,764
Due from other governmental units	1,808,406
Inventory	7,853
Prepaid items	87,857
Capital assets not being depreciated	956,223
Capital assets - net of accumulated depreciation	28,509,072
Net OPEB asset	2,919,217
Total assets	38,962,984
Deferred Outflows of Resources	
Deferred amount on debt refunding	25,761
Deferred amount relating to the net pension liability	3,217,058
Deferred amount relating to the net OPEB asset	697,376
Total deferred outflows of resources	3,940,195
Liabilities	
Accounts payable	553,222
Accrued expenditures	566,393
Accrued salaries payable	712,625
Unearned revenue	71,713
Long-term liabilities	
Net pension liability	8,678,756
Due within one year	1,889,049
Due in more than one year	24,095,567
Total liabilities	36,567,325

See Accompanying Notes to the Financial Statements

Pewamo-Westphalia Community Schools
Statement of Net Position
June 30, 2026

	Governmental Activities
Deferred Inflows of Resources	
Deferred amount on debt refunding	$ 12,034
Deferred amount relating to the net pension liability	3,579,161
Deferred amount relating to the net OPEB asset	2,457,136
Total deferred inflows of resources	6,048,331
Net Position	
Net investment in capital assets	4,933,413
Restricted for	
Food service	207,858
Preschool	26,334
Other postemployment benefits	2,919,217
Unrestricted (deficit)	(7,799,299)
Total net position	$ 287,523

See Accompanying Notes to the Financial Statements

Pewamo-Westphalia Community Schools
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities					
Instruction	$ 5,882,990	$ 90,228	$ 1,584,906	$ -	$ (4,207,856)
Supporting services	4,676,162	667,665	800,089	-	(3,208,408)
Food services	587,063	83,628	519,103	-	15,668
Community services	11,671	-	11,671	-	-
Intergovernmental payments	3,000	-	3,000	-	-
Interest and fiscal charges on long-term debt	974,912	-	-	-	(974,912)
Total governmental activities	$ 12,135,798	$ 841,521	$ 2,918,769	$ -	(8,375,508)
General revenues					
Property taxes, levied for general purposes					455,537
Property taxes, levied for debt service					1,815,530
State aid - unrestricted					7,795,105
Interest and investment earnings					185,722
Other					17,434
Total general revenues					10,269,328
Change in net position					1,893,820
Net position - beginning					(1,606,297)
Net position - ending					$ 287,523

See Accompanying Notes to the Financial Statements

Pewamo-Westphalia Community Schools
Governmental Funds
Balance Sheet
June 30, 2026

	General Fund	Debt Service Fund	2025 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 2,336,113	$ 132,215	$ 1,595,593	$ 564,671	$ 4,628,592
Accounts receivable	45,764	-	-	-	45,764
Due from other funds	31,781	-	-	109,239	141,020
Due from other governmental units	1,763,838	-	-	44,568	1,808,406
Inventory	-	-	-	7,853	7,853
Prepaid items	67,857	-	-	20,000	87,857
Total assets	$ 4,245,353	$ 132,215	$ 1,595,593	$ 746,331	$ 6,719,492
Liabilities					
Accounts payable	$ 103,416	$ -	$ 443,639	$ 6,167	$ 553,222
Due to other funds	109,239	-	-	31,781	141,020
Accrued expenditures	413,231	-	-	4,691	417,922
Accrued salaries payable	697,726	-	-	14,899	712,625
Unearned revenue	58,764	-	-	12,949	71,713
Total liabilities	1,382,376	-	443,639	70,487	1,896,502

See Accompanying Notes to the Financial Statements

Pewamo-Westphalia Community Schools
Governmental Funds
Balance Sheet
June 30, 2026

	General Fund	Debt Service Fund	2025 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances					
Non-spendable					
Inventory	$ -	$ -	$ -	$ 7,853	$ 7,853
Prepaid items	67,857	-	-	20,000	87,857
Restricted for					
Food service	-	-	-	180,005	180,005
Debt service	-	132,215	-	-	132,215
Capital projects	-	-	1,151,954	-	1,151,954
Preschool	-	-	-	26,334	26,334
Committed - School/Student Activity	-	-	-	273,700	273,700
Assigned					
Capital projects	-	-	-	102,478	102,478
Technology reserve	-	-	-	65,474	65,474
Future year budgeted expenditures in excess of revenues	220,154	-	-	-	220,154
Unassigned	2,574,966	-	-	-	2,574,966
Total fund balances	2,862,977	132,215	1,151,954	675,844	4,822,990
Total liabilities and fund balances	$ 4,245,353	$ 132,215	$ 1,595,593	$ 746,331	$ 6,719,492

See Accompanying Notes to the Financial Statements

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

Total fund balances for governmental funds	$ 4,822,990
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	956,223
Capital assets - net of accumulated depreciation	28,509,072
Net OPEB asset is not recorded as an asset in the governmental funds	2,919,217
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	25,761
Deferred outflows of resources resulting from the net pension liability	3,217,058
Deferred outflows of resources resulting from the net OPEB asset	697,376
Deferred inflows of resources resulting from debt refunding	(12,034)
Deferred inflows of resources resulting from the net pension liability	(3,579,161)
Deferred inflows of resources resulting from the net OPEB asset	(2,457,136)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(148,471)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(8,678,756)
Compensated absences	(270,364)
Bonds payable	(24,425,744)
School loan revolving fund obligations	(330,882)
Other liabilities	(957,626)
Net position of governmental activities	$ 287,523

See Accompanying Notes to the Financial Statements

Pewamo-Westphalia Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2026

	General Fund	Debt Service Fund	2025 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	$ 698,886	$ 1,810,452	$ 92,781	$ 680,819	$ 3,282,938
State sources	9,814,519	18,243	-	349,175	10,181,937
Federal sources	48,775	-	-	180,567	229,342
Interdistrict sources	335,401	-	-	-	335,401
Total revenues	10,897,581	1,828,695	92,781	1,210,561	14,029,618
Expenditures					
Current					
Education					
Instruction	6,309,702	-	-	96,490	6,406,192
Supporting services	4,416,497	-	-	555,119	4,971,616
Food services	-	-	-	635,685	635,685
Community services	11,671	-	-	-	11,671
Intergovernmental payments	3,000	-	-	-	3,000
Capital outlay	887,709	-	1,690,386	26,225	2,604,320
Debt service					
Principal	50,524	1,245,000	-	-	1,295,524
Interest and other expenditures	5,551	1,051,186	14,488	-	1,071,225
Total expenditures	11,684,654	2,296,186	1,704,874	1,313,519	16,999,233
Excess (deficiency) of revenues over expenditures	(787,073)	(467,491)	(1,612,093)	(102,958)	(2,969,615)

See Accompanying Notes to the Financial Statements

Pewamo-Westphalia Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2026

	General Fund	Debt Service Fund	2025 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Proceeds from school bond loan fund	$ -	$ 325,433	$ -	$ -	$ 325,433
Proceeds from issuance of leases	887,709	-	-	-	887,709
Transfers in	16,049	-	-	95,474	111,523
Transfers out	(95,474)	-	-	(16,049)	(111,523)
Total other financing sources (uses)	808,284	325,433	-	79,425	1,213,142
Net change in fund balances	21,211	(142,058)	(1,612,093)	(23,533)	(1,756,473)
Fund balances - beginning	2,841,766	274,273	2,764,047	699,377	6,579,463
Fund balances - ending	$ 2,862,977	$ 132,215	$ 1,151,954	$ 675,844	$ 4,822,990

See Accompanying Notes to the Financial Statements

Pewamo-Westphalia Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2026

Net change in fund balances - Total governmental funds	$ (1,756,473)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.	
Depreciation and amortization expense	(837,828)
Capital outlay	2,520,309
Sale of capital assets (net book value)	(4,450)
Expenses are recorded when incurred in the statement of activities.	
Interest	54,515
Benefit claims	(219)
Compensated absences	(16,456)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	2,160,845
Net change in deferrals of resources related to the net pension liability	(1,320,213)
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB changes. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB asset	1,015,828
Net change in deferrals of resources related to the net OPEB asset	(46,218)
Proceeds from long-term financing liabilities are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(1,213,142)
Repayments of long-term debt	1,295,524
Amortization of premiums	48,657
Amortization of deferred amount on debt refunding	(6,859)
Change in net position of governmental activities	$ 1,893,820

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

Fund Financial Statements

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

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

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

The School District reports the following major governmental funds:

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

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

2025 Capital Projects Fund – The fund is used to account for financial resources to be used for construction or major renovation of facilities in accordance with the 2025 bond issuance.

Additionally, the School District reports the following fund types:

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

Capital Project Funds – The Capital Campaign and Public Improvement Funds are used to account for financial resources to be used for construction or major renovation of facilities and are funded by General Fund transfers and interest earnings.

Assets, Liabilities and Net Position or Fund Balance

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

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

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

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	7.75000

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

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

Investments - Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

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

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

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

Buildings and additions	10 - 50 years
Site improvements	20 years
Equipment and furniture	5 - 25 years
Buses and other vehicles	8 - 10 years

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

Compensated Absences - The School District recognizes a liability for compensated absences that meet the following criteria: (1) the leave is attributable to services already rendered, (2) the leave accumulates and may be carried forward to future periods, and (3) it is more likely than not that the leave will be used or paid. The liability is reported in the government-wide statements. A liability for these amounts is reported in governmental funds as it comes due for payment.

Examples of compensated absences include vacation, sick leave, and personal time off. The liability is measured using the pay rates in effect at the financial statement date, unless a different rate is more likely to be paid. Leave settled through conversion to defined benefit postemployment benefits is excluded from this liability.

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

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

Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net

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

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

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

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

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

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

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

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

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

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

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

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

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
Student/School Activity Fund	$ 490,000	$ 555,119	$ 65,119

Compliance - Bond Proceeds

The 2025 Capital Projects Fund include capital project activities funded with bonds. For these capital projects, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code. The 2025 Capital Projects are not yet considered substantially complete, and a subsequent year audit is expected.

Note 3 - Deposits and Investments

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

	Governmental Activities
Cash	$ 4,628,592

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 323,442
Investments in securities, mutual funds, and similar vehicles	4,304,619
Petty cash and cash on hand	531
Total	$ 4,628,592

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	$ 33,543	< 60 days	AAAm	S&P
MAX Class	4,271,076	< 60 days	AAAm	S&P
	$ 4,304,619			

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

MILAF + Portfolio - Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the School District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a

NAV of $1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV. The investment in the MILAF + Portfolio is excluded from the fair value hierarchy due to the assets being valued at NAV.

Interest rate risk - The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk - State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy that would further limit its investment choices.

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

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, $377,433 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 265,000	$ -	$ -	$ 265,000
Construction-in-progress	14,558,233	1,539,635	15,406,645	691,223
Total capital assets not being depreciated	14,823,233	1,539,635	15,406,645	956,223
Capital assets being depreciated				
Buildings and additions	21,579,996	15,285,574	-	36,865,570
Site improvements	132,566	-	-	132,566
Equipment and furniture	1,809,756	214,036	13,445	2,010,347
Buses and other vehicles	287,762	-	-	287,762
Right to use asset - buses and other vehicles	-	887,709	-	887,709
Total capital assets being depreciated	23,810,080	16,387,319	13,445	40,183,954
Less accumulated depreciation for				
Buildings and additions	9,617,653	672,069	-	10,289,722
Site improvements	112,316	1,125	-	113,441
Equipment and furniture	968,134	129,111	8,995	1,088,250
Buses and other vehicles	147,946	23,020	-	170,966
Right to use asset - buses and other vehicles	-	12,503	-	12,503
Total accumulated depreciation	10,846,049	837,828	8,995	11,674,882
Net capital assets being depreciated	12,964,031	15,549,491	4,450	28,509,072
Net capital assets	$27,787,264	$17,089,126	$15,411,095	$29,465,295

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

Governmental activities	
Instruction	$ 444,048
Supporting services	351,889
Food services	41,891
Total governmental activities	$ 837,828

Construction Contracts
At year end, the School District had uncompleted construction contracts. The remaining commitment on the contracts was approximately $1,011,500.

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 31,781
Nonmajor Governmental Funds	General Fund	109,239
		$ 141,020

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

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

The General Fund transferred $30,000 to the Preschool Fund to support programming and $65,474 to the Public Improvement Fund to move the technology reserve (both nonmajor governmental funds) during the current year.

The Food Service Fund (a nonmajor governmental fund) transferred $16,049 to the General Fund for indirect costs.

Note 6 - Unearned Revenue

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

Grant and categorical aid payments received prior to meeting all eligibility requirements	$ 58,764
Student meals	11,649
Other	1,300
Total	$ 71,713

Note 7 - Lease Liability

During the 2026 fiscal year, the School District entered into a 36-month lease agreement as lessee for the use of busses. An initial lease liability was recorded in the amount of $887,709. The lease has an interest rate of 8.14%. As of June 30, 2026, the value of the lease liability was $887,709.

Annual requirements to amortize lease liabilities and related interest are as follows:

Year Ending June 30,	Principal	Interest
2027	$ 316,168	$ 4,949
2028	274,594	46,523
2029	296,947	24,171
Total	$ 887,709	$ 75,643

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. Other long-term obligations include leases, compensated absences, and termination benefits.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	$25,115,000	$ -	$1,245,000	$ 23,870,000	$1,317,000
Premium on bonds	665,699	-	48,657	617,042	-
Discount on bonds	(61,298)	-	-	(61,298)	-
Total bonds payable	25,719,401	-	1,293,657	24,425,744	1,317,000
Notes from direct borrowings and direct placements					
School loan revolving fund (SLRF)	-	325,433	-	325,433	-
Accrued interest - SLRF	-	5,449	-	5,449	-
Installment purchase agreement	103,752	-	50,524	53,228	53,228
Total notes from direct borrowings and direct placements	103,752	330,882	50,524	384,110	53,228
Other liabilities					
Leases	-	887,709	-	887,709	316,168
Compensated absences	253,908	16,456	-	270,364	202,653
Retirement incentives	16,470	219	-	16,689	-
Total other liabilities	270,378	904,384	-	1,174,762	518,821
Total	$26,093,531	$ 1,235,266	$1,344,181	$ 25,984,616	$1,889,049

For governmental activities, the installment purchase agreement, leases and retirement incentives are primarily liquidated by the General Fund.

The general obligation bonds are payable from the Debt Service Fund. As of year end, the fund had a balance of $132,215 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest and other expenditures for the fiscal year in the General Fund, Debt Service Fund, and 2025 Capital Projects Fund were $5,551, $1,051,186, and $14,488, respectively.

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

$4,020,000 serial bond due in annual installments of $233,000 to $237,000 through May 1, 2028, interest at 3.50%	$ 470,000
$2,240,000 serial bond due in annual installments of $100,000 to $165,000 through May 1, 2041, interest at 4%	1,795,000
$4,925,000 serial bond due in annual installments of $525,000 to $875,000 through May 1, 2029, interest at 2.25 to 2.38%	2,205,000
$5,800,000 serial bond due in annual installments of $200,000 to $435,000 through May 1, 2053, interest at 4 to 5%	5,800,000
$2,655,000 serial bond due in annual installments of $25,000 to $175,000 through May 1, 2041, interest at 4 to 5%	2,185,000
$7,925,000 serial bond due in annual installments of $90,000 to $585,000 through May 1, 2051, interest at 4 to 5%	7,925,000
$3,630,000 serial bond due in annual installments of $60,000 to $350,000 through May 1, 2054, interest at 4 to 5%	3,490,000
Total general obligation bonded debt	$23,870,000

Installment purchase agreements at year end, consist of the following:

$151,710 installment purchase agreement due in annual installments of $53,228 through May 2027, interest at 5.35%	$ 53,228

Future principal and interest requirements are as follows:

Year Ending June 30,	Bonds		Notes from direct borrowings and direct placements	
	Principal	Interest	Principal	Interest
2027	$ 1,317,000	$ 965,912	$ 53,228	$ 2,848
2028	1,548,000	929,756	-	-
2029	1,240,000	874,818	-	-
2030	610,000	827,600	-	-
2031	640,000	798,100	-	-
2032-2036	3,500,000	3,508,800	-	-
2037-2041	3,675,000	2,766,249	-	-
2042-2046	4,355,000	1,976,844	-	-
2047-2051	5,165,000	1,028,250	-	-
2052-2054	1,820,000	131,475	-	-
Total	$ 23,870,000	$ 13,807,804	$ 53,228	$ 2,848

Compensated Absences
The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year. Compensated absences additions and deductions are reported net.

Retirement Benefits
For teachers hired before September 1, 1999, the School District has a termination policy for those who have worked at the district for 10 years or more. Teachers are paid an amount equal to a percentage of their current salary at the time of termination.

Note 9 - Net Investment in Capital Assets

The composition of net investment in capital assets was as follows:

Capital assets	
Capital assets not being depreciated	$ 956,223
Capital assets, net of accumulated depreciation	28,509,072
Total capital assets	29,465,295
Unspent bond proceeds	1,151,954
Related debt	
General obligation bonds	(23,870,000)
School loan revolving fund	(330,882)
Installment purchase agreements	(53,228)
Leases	(887,709)
Unamortized bond premiums	(617,042)
Unamortized bond discounts	61,298
Deferred charge on bond refunding	13,727
Total related debt	(25,683,836)
Net investment in capital assets	$ 4,933,413

Note 10 - Risk Management

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

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

Note 11 - Pension Plan

Plan Description

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

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

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

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

Benefits Provided

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

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

Contributions

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

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

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

Pension Contribution Rates

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

Required contributions to the pension plan from the School District were $1,804,387 for the year ending September 30, 2025.

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

At June 30, 2026, the School District reported a liability of $8,678,756 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2024. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2025, the School District's proportion was 0.0433 percent, which was a decrease of 0.001 percent from its proportion measured as of September 30, 2024.

For the plan year ending September 30, 2025, the School District recognized pension expense of $877,437 for the measurement period. For the reporting period ending June 30, 2026, the School District recognized total pension contribution expense of $1,897,182.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ 336,153	$ (77,301)	$ 258,852
Changes of assumptions	311,505	(458,693)	(147,188)
Net difference between projected and actual earnings on pension plan investments	-	(2,074,037)	(2,074,037)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	816,189	(267,130)	549,059
Total to be recognized in future	1,463,847	(2,877,161)	(1,413,314)
School District contributions subsequent to the measurement date	1,753,211	(702,000)	1,051,211
Total	$ 3,217,058	$(3,579,161)	$ (362,103)

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

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2026	$ 287,106
2027	(735,444)
2028	(721,004)
2029	(243,972)
	$(1,413,314)

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

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

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

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

Recognition period for assets in years is 5.0000.

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

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-

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

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

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

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

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

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

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
$ 13,695,555	$ 8,678,756	$ 4,500,404

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

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

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

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

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their

transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

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

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

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

OPEB Contribution Rates

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

Required contributions to the OPEB plan from the School District were $45,162 for the year ended September 30, 2025.

OPEB Liabilities or Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2026, the School District reported an asset of $2,919,217 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2025, and the total OPEB liability or asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2024. The School District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2025, the School District's proportion was 0.0480 percent, which was an increase of 0.0038 percent from its proportion measured as of September 30, 2024.

For the plan year ending September 30, 2025, the School District recognized OPEB expense of $(854,563) for the measurement period. For the reporting period ending June 30, 2026, the School District recognized total OPEB contribution expense of $112,255.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ -	$(1,998,635)	$(1,998,635)
Changes of assumptions	389,601	(30,961)	358,640
Net difference between projected and actual earnings on OPEB plan investments	-	(410,214)	(410,214)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	197,661	(17,326)	180,335
Total to be recognized in future	587,262	(2,457,136)	(1,869,874)
School District contributions subsequent to the measurement date	110,114	-	110,114
Total	$ 697,376	$(2,457,136)	$(1,759,760)

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

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2026	$ (482,883)
2027	(471,494)
2028	(459,122)
2029	(308,800)
2030	(113,099)
Thereafter	(34,476)
	$(1,869,874)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2024
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%

- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; Post-65: 6.50% Year 1 graded to 3.5% Year 15
- Mortality:
  - Retirees: PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
  - Active: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

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

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

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

Recognition period for assets in years is 5.0000.

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

Long-Term Expected Return on Plan Assets

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

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

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

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

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

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
$ 2,515,090	$ 2,919,217	$ 3,272,916

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability or Asset to Healthcare Cost Trend Rate
The following presents the School District's proportionate share of the net OPEB liability or asset calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability or asset would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 3,269,688	$ 2,919,217	$ 2,551,234

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

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

Note 13 - Contingent Liabilities

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

Note 14 - Tax Abatements

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

For the fiscal year ended June 30, 2026, the School District's property tax revenues were reduced by approximately $29,143 under these programs.

There are no significant abatements made by the School District.

Pewamo-Westphalia Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance - Final Budget Over (Under)		Variance - Actual Over (Under)
	Original	Final	Original Budget	Actual	Final Budget
Revenues					
Local sources	$ 697,050	$ 684,121	$ (12,929)	$ 698,886	$ 14,765
State sources	9,320,231	9,873,347	553,116	9,814,519	(58,828)
Federal sources	50,000	48,781	(1,219)	48,775	(6)
Interdistrict sources	287,000	329,620	42,620	335,401	5,781
Total revenues	10,354,281	10,935,869	581,588	10,897,581	(38,288)
Expenditures					
Instruction					
Basic programs	5,010,140	5,085,639	75,499	5,072,338	(13,301)
Added needs	1,319,603	1,269,664	(49,939)	1,237,364	(32,300)
Supporting services					
Pupil	326,512	423,553	97,041	416,318	(7,235)
Instructional staff	265,600	281,737	16,137	280,699	(1,038)
General administration	554,237	367,662	(186,575)	352,766	(14,896)
School administration	590,434	589,406	(1,028)	580,861	(8,545)
Business	255,000	217,625	(37,375)	213,428	(4,197)
Operations and maintenance	1,052,177	1,088,478	36,301	1,065,135	(23,343)
Pupil transportation services	775,309	805,964	30,655	786,991	(18,973)
Central	247,890	268,176	20,286	285,950	17,774
Athletic activities	394,936	429,653	34,717	434,349	4,696
Community services	20,024	9,276	(10,748)	11,671	2,395
Intergovernmental payments	-	-	-	3,000	3,000
Capital outlay	-	954,500	954,500	887,709	(66,791)
Debt service			-		
Principal	-	50,525	50,525	50,524	(1)
Interest and fiscal charges	-	5,551	5,551	5,551	-
Total expenditures	10,811,862	11,847,409	1,035,547	11,684,654	(162,755)
Excess (deficiency) of revenues over expenditures	(457,581)	(911,540)	(453,959)	(787,073)	124,467

See Accompanying Notes to the Required Supplementary Information

Pewamo-Westphalia Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance - Final Budget Over (Under)		Variance - Actual Over (Under)
	Original	Final	Original Budget	Actual	Final Budget
Other Financing Sources (Uses)					
Proceeds from issuance of leases	$ -	$ 954,500	$ 954,500	$ 887,709	$ (66,791)
Transfers in	15,000	15,000	-	16,049	1,049
Transfers out	(15,000)	(95,417)	(95,417)	(95,474)	(57)
Total other financing sources (uses)	-	874,083	859,083	808,284	(65,799)
Net change in fund balance	(457,581)	(37,457)	405,124	21,211	58,668
Fund balance - beginning	2,841,766	2,841,766	-	2,841,766	-
Fund balance - ending	$ 2,384,185	$ 2,804,309	$ 405,124	$ 2,862,977	$ 58,668

See Accompanying Notes to the Required Supplementary Information

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

	June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. School District's proportion of the net pension liability (%)	0.0433%	0.0443%	0.0423%	0.0377%	0.0365%	0.0362%	0.0356%	0.0355%	0.0352%	0.0341%
B. School District's proportionate share of the net pension liability	$ 8,678,756	$ 10,839,601	$ 13,693,947	$ 14,193,888	$ 8,643,543	$ 12,435,623	$ 11,777,224	$ 10,677,181	$ 9,114,877	$ 8,500,391
C. School District's covered payroll	$ 4,760,739	$ 4,585,857	$ 4,399,205	$ 3,865,596	$ 3,270,951	$ 3,256,293	$ 3,110,507	$ 3,045,485	$ 2,985,957	$ 2,951,682
D. School District's proportionate share of the net pension liability as a percentage of its covered payroll	182.30%	236.37%	311.28%	367.18%	264.25%	381.90%	378.63%	350.59%	305.26%	287.98%
E. Plan fiduciary net position as a percentage of total pension liability	79.44%	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

See Accompanying Notes to the Required Supplementary Information

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

	For the Years Ended June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. Statutorily required contributions	$ 1,897,182	$ 1,770,593	$ 1,524,884	$ 1,517,718	$ 1,214,918	$ 1,084,538	$ 992,880	$ 943,194	$ 825,644	$ 561,439
B. Contributions in relation to statutorily required contributions	1,897,182	1,770,593	1,524,884	1,517,718	1,214,918	1,084,538	992,880	943,194	825,644	561,439
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
D. School District's covered payroll	$ 5,033,513	$ 4,686,999	$ 4,568,335	$ 4,297,560	$ 3,697,565	$ 3,235,922	$ 3,233,079	$ 3,091,107	$ 3,019,462	$ 2,982,747
E. Contributions as a percentage of covered payroll	37.69%	37.78%	33.38%	35.32%	32.86%	33.52%	30.71%	30.51%	27.34%	18.82%

See Accompanying Notes to the Required Supplementary Information

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

	June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. School District's proportion of the net OPEB liability (asset) (%)	0.0480%	0.0442%	0.0445%	0.0402%	0.0364%	0.0368%	0.0356%	0.0358%	0.0353%	
B. School District's proportionate share of the net OPEB liability (asset)	$ (2,919,217)	$ (1,903,389)	$ (251,597)	$ 850,867	$ 556,227	$ 1,972,870	$ 2,558,742	$ 2,847,121	$ 3,123,010	
C. School District's covered payroll	$ 4,760,739	$ 4,585,857	$ 4,399,205	$ 3,865,596	$ 3,270,951	$ 3,256,293	$ 3,110,507	$ 3,045,485	$ 2,985,957	
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-61.32%	-41.51%	-5.72%	22.01%	17.01%	60.59%	82.26%	93.49%	104.59%	
E. Plan fiduciary net position as a percentage of total OPEB liability	164.94%	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%	

See Accompanying Notes to the Required Supplementary Information

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

	For the Years Ended June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. Statutorily required contributions	$ 112,255	$ 79,514	$ 346,461	$ 343,587	$ 291,565	$ 265,991	$ 259,912	$ 243,437	$ 193,851	
B. Contributions in relation to statutorily required contributions	112,255	79,514	346,461	343,587	291,565	265,991	259,912	243,437	193,851	
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
D. School District's covered payroll	$ 5,033,513	$ 4,686,999	$ 4,568,335	$ 4,297,560	$ 3,697,565	$ 3,235,922	$ 3,233,079	$ 3,091,107	$ 3,019,462	
E. Contributions as a percentage of covered payroll	2.23%	1.70%	7.58%	7.99%	7.89%	8.22%	8.04%	7.88%	6.42%	

See Accompanying Notes to the Required Supplementary Information

Note 1 - Budgetary Information

Budgetary Basis of Accounting

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

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

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

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

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instructional staff	$ 281,737	$ 280,699	$ (1,038)
Business	217,625	213,428	(4,197)
Central	268,176	285,950	17,774
Athletic activities	429,653	434,349	4,696
Community services	9,276	11,671	2,395
Intergovernmental payments	-	3,000	3,000
Transfers out	95,417	95,474	57
Preschool Fund	93,700	96,490	2,790
Student/School Activity Fund	490,000	555,119	65,119

Budgetary Highlights

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

	Budgeted Amounts		Variance - Final Budget Over (Under) Original Budget	
	Original	Final		
Revenues				
State sources	$ 9,320,231	$ 9,873,347	$ 553,116	**(a)**
Total revenues	10,354,281	10,935,869	581,588	**(a)**
Expenditures				
Capital outlay	-	954,500	954,500	**(b)**
Total expenditures	10,811,862	11,847,409	1,035,547	**(b)**
Other Financing Sources				
Proceeds from issuance of leases	-	954,500	954,500	**(b)**

(a) State source revenue increased $553,116 from the original budget to the final budget primarily due to the availability of additional information regarding State School Aid funding after adoption of the original budget. Significant revisions included updated estimates for Sections 27L(2) and 31A funding, as well as other state aid adjustments that could not be reasonably determined when the original budget was prepared because the State School Aid Act had not yet been finalized. As a result of these revisions, both state source revenue and total revenues increased from the original budget to the final budget.

(b) Capital outlay expenditures, total expenditures, and proceeds from the issuance of leases were increased in the final budget to reflect the approval of a new bus lease agreement after adoption of the original budget. The lease proceeds provided financing for the acquisition of the buses, resulting in corresponding increases to both capital outlay and overall expenditures.

Note 2 - Pension Information

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

Changes of benefit terms:

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

Changes of benefit assumptions:

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

Note 3 - OPEB Information

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

Changes of benefit terms:

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

Changes of benefit assumptions:

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

Pewamo-Westphalia Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2026

	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	Preschool	Food Service	Student/School Activity	Capital Campaign	Public Improvement	
Assets						
Cash	$ 10,269	$ 173,121	$ 278,803	$ 764	$ 101,714	$ 564,671
Due from other funds	39,894	3,871	-	-	65,474	109,239
Due from other governmental units	-	44,568	-	-	-	44,568
Inventory	-	7,853	-	-	-	7,853
Prepaid items	-	20,000	-	-	-	20,000
Total assets	$ 50,163	$ 249,413	$ 278,803	$ 764	$ 167,188	$ 746,331
Liabilities						
Accounts payable	$ -	$ 5,429	$ 738	$ -	$ -	$ 6,167
Due to other funds	8,410	19,006	4,365	-	-	31,781
Accrued expenditures	3,319	1,372	-	-	-	4,691
Accrued salaries payable	10,800	4,099	-	-	-	14,899
Unearned revenue	1,300	11,649	-	-	-	12,949
Total liabilities	23,829	41,555	5,103	-	-	70,487
Fund Balances						
Non-spendable						
Inventory	-	7,853	-	-	-	7,853
Prepaid items	-	20,000	-	-	-	20,000
Restricted for						
Food service	-	180,005	-	-	-	180,005
Preschool	26,334	-	-	-	-	26,334
Committed	-	-	273,700	-	-	273,700
Assigned						
Capital projects	-	-	-	764	101,714	102,478
Technology reserve	-	-	-	-	65,474	65,474
Total fund balances	26,334	207,858	273,700	764	167,188	675,844
Total liabilities and fund balances	$ 50,163	$ 249,413	$ 278,803	$ 764	$ 167,188	$ 746,331

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

	Special Revenue Funds			Capital Project Funds		
	Preschool	Food Service	Student/School Activity	Capital Campaign	Public Improvement	Total Nonmajor Governmental Funds
Revenues						
Local sources	$ 76,149	$ 87,334	$ 514,321	$ 29	$ 2,986	$ 680,819
State sources	9,894	339,281	-	-	-	349,175
Federal sources	-	180,567	-	-	-	180,567
Total revenues	86,043	607,182	514,321	29	2,986	1,210,561
Expenditures						
Current						
Education						
Instruction	96,490	-	-	-	-	96,490
Supporting services	-	-	555,119	-	-	555,119
Food services	-	635,685	-	-	-	635,685
Capital outlay	-	-	-	-	26,225	26,225
Total expenditures	96,490	635,685	555,119	-	26,225	1,313,519
Excess (deficiency) of revenues over expenditures	(10,447)	(28,503)	(40,798)	29	(23,239)	(102,958)
Other Financing Sources (Uses)						
Transfers in	30,000	-	-	-	65,474	95,474
Transfers out	-	(16,049)	-	-	-	(16,049)
Total other financing sources (uses)	30,000	(16,049)	-	-	65,474	79,425
Net change in fund balances	19,553	(44,552)	(40,798)	29	42,235	(23,533)
Fund balances - beginning	6,781	252,410	314,498	735	124,953	699,377
Fund balances - ending	$ 26,334	$ 207,858	$ 273,700	$ 764	$ 167,188	$ 675,844

Pewamo-Westphalia Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2026

Year Ending June 30,	2012A Refunding Bonds	2014 School Building and Site Bonds	2019 Refunding Bonds	2023 School Building and Site Bonds	2023 Refunding Bonds	2024 School Building and Site Bonds	2025 School Building and Site Bonds	Total
2027	$ 237,000	$ -	$ 805,000	$ -	$ 135,000	$ -	$ 140,000	$ 1,317,000
2028	233,000	-	875,000	300,000	-	-	140,000	1,548,000
2029	-	100,000	525,000	230,000	155,000	90,000	140,000	1,240,000
2030	-	100,000	-	-	175,000	195,000	140,000	610,000
2031	-	110,000	-	-	175,000	195,000	160,000	640,000
2032	-	115,000	-	-	175,000	210,000	165,000	665,000
2033	-	125,000	-	-	175,000	225,000	170,000	695,000
2034	-	135,000	-	-	175,000	240,000	175,000	725,000
2035	-	140,000	-	-	175,000	260,000	180,000	755,000
2036	-	155,000	-	-	175,000	265,000	65,000	660,000
2037	-	155,000	-	-	175,000	290,000	65,000	685,000
2038	-	165,000	-	-	165,000	315,000	65,000	710,000
2039	-	165,000	-	-	165,000	340,000	65,000	735,000
2040	-	165,000	-	-	140,000	390,000	65,000	760,000
2041	-	165,000	-	200,000	25,000	330,000	65,000	785,000
2042	-	-	-	400,000	-	350,000	65,000	815,000
2043	-	-	-	405,000	-	370,000	65,000	840,000
2044	-	-	-	425,000	-	385,000	60,000	870,000
2045	-	-	-	435,000	-	405,000	60,000	900,000
2046	-	-	-	430,000	-	440,000	60,000	930,000
2047	-	-	-	430,000	-	475,000	60,000	965,000
2048	-	-	-	430,000	-	505,000	60,000	995,000
2049	-	-	-	425,000	-	545,000	60,000	1,030,000
2050	-	-	-	425,000	-	585,000	60,000	1,070,000
2051	-	-	-	425,000	-	520,000	160,000	1,105,000
2052	-	-	-	430,000	-	-	350,000	780,000
2053	-	-	-	410,000	-	-	330,000	740,000
2054	-	-	-	-	-	-	300,000	300,000
Total	$ 470,000	$ 1,795,000	$ 2,205,000	$ 5,800,000	$ 2,185,000	$ 7,925,000	$ 3,490,000	$ 23,870,000

Pewamo-Westphalia Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2026

	2012A Refunding Bonds	2014 School Building and Site Bonds	2019 Refunding Bonds	2023 School Building and Site Bonds	2023 Refunding Bonds	2024 School Building and Site Bonds	2025 School Building and Site Bonds
Principal payments due the first day of	May	May	May	May	May	May	May
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	May and November
Interest rate	3.50%	4.00%	2.25% - 2.38%	4.00% - 5.00%	4.00% - 5.00%	4.00% - 5.00%	4.00% - 5.00%
Original issue	$ 4,020,000	$ 2,240,000	$ 4,925,000	$ 5,800,000	$ 2,655,000	$ 7,925,000	$ 3,630,000

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

Independent Auditors' Report

Management and the Board of Education
Pewamo-Westphalia Community Schools
Westphalia, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pewamo-Westphalia Community Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Pewamo-Westphalia Community Schools' basic financial statements, and have issued our report thereon dated October 21, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pewamo-Westphalia Community 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 Pewamo-Westphalia Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Pewamo-Westphalia Community Schools' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pewamo-Westphalia Community 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2026-001.

Pewamo-Westphalia Community Schools' Response to Findings and Corrective Action Plan

Government Auditing Standards requires the auditor to perform limited procedures on Pewamo-Westphalia Community Schools's response to the findings identified in our audit and described in the accompanying schedule of findings and responses and corrective action plan. Pewamo-Westphalia Community 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 the response.

Purpose of this Report

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

Yeo & Yeo, P.C.

Alma, Michigan
October 21, 2026

Finding 2026-001 – Material Weakness and Material Noncompliance – Expenditures in Excess of Budget

Criteria:	Specific requirement; Sections 18 and 19 (MCL 141.438 and 141.439) of the Uniform Budgeting and Accounting Act state that an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body. Additionally, the finance director, board, and superintendent, or an employee of the district shall not apply or divert money for purposes inconsistent with those specified in the appropriations.
Condition:	The Student/School Activity Fund total expenditures were over budget by $65,119 which is considered to be a material overage.
Cause and Effect:	The current process in place was ineffective to appropriately analyze and amend the final budget at year end.
Recommendation:	We recommend that budgets be monitored throughout the year and that management take into consideration all potential expenditures when creating and approving the budget amendments prior to the end of the fiscal year.
Views of Responsible Officials:	Management agrees with the finding.
Corrective Action Plan:	See attached corrective action plan from management.

Pewamo-Westphalia Community Schools
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CORRECTIVE ACTION PLAN FOR FISCAL YEAR 2026 AUDIT FINDINGS

During the course of the 2025-2026 audit, one Material Weakness was found. Pewamo-Westphalia Community Schools agrees with this finding, and has since addressed the issue as follows:

Finding 2026-001: Material Weakness and Material Noncompliance – Expenditures in Excess of Budget

Due to a higher level of activity in the month of June compared to the immediate prior year, total expenditures for the Student/School Activity Fund were over budget for the 2025-2026 fiscal year. The final 2025-2026 budget was compiled in early June 2026 before final amounts were known. With the increase in activity towards the end of June, simply due to timing, amounts came in over budget. Pewamo-Westphalia Community Schools will track expenditures and payment trends over multiple historical years and ensure closer to final budget amendment that budgeted amounts will reflect actual expenditures incurred.

Anticipated Completion Date: November 1, 2026

Person Responsible for Corrective Action Plan:

Martin Dubois, Superintendent

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430 W. Jefferson Street
Pewamo, Michigan 48873
Phone: (989) 593-3488 Fax: (989) 593-4118

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5101 S. Clintonia Road
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