Anchor Bay School District

Year Ended
June 30, 2026

Financial Statements and Supplementary Information

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ANCHOR BAY SCHOOL DISTRICT

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Reconciliation - Fund Balances of Governmental Funds to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation - Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	23
Notes to Financial Statements	25
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	57
MPSERS Cost-Sharing Multiple Employer Plan:	
Schedule of the District's Proportionate Share of the Net Pension Liability	58
Schedule of the District's Pension Contributions	60
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (OPEB) (Asset) Liability	62
Schedule of the District's Other Postemployment Benefit Contributions	64
Notes to Required Supplementary Information	66
Supplementary Information	
Combining Fund Financial Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	73
Combining Balance Sheet - Nonmajor Special Revenue Funds	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	75
Combining Balance Sheet - Nonmajor Debt Service Funds	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	78
Combining Balance Sheet - Nonmajor Capital Project Funds	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	81
Schedule of Outstanding Bonded Indebtedness (Unaudited)	82

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INDEPENDENT AUDITORS' REPORT

October 22, 2026

Board of Education
Anchor Bay School District
Casco Township, Michigan

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Implementation of GASB Statement No. 103

The District implemented the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements,* in the current year. Our opinion is not modified with respect to this matter.

HLB We are an independent member of THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

Responsibilities of Management for the Financial Statements

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

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

Independent 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

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

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

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of outstanding bond indebtedness but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under a separate cover, our report dated October 22, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



MANAGEMENT'S DISCUSSION AND ANALYSIS

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements, including management's discussion and analysis, the budgetary comparisons for the general fund, schedules for the pension and other postemployment benefit plans, and combining and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are full accrual basis statements that provide information about the District's overall financial status. They are used to help determine whether or not the District is better off, or worse off, as the result of the year's activities. The *Statement of Net Position* reports all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term, whether they are "currently available" or not. Capital assets and long-term obligations of the District are reported in this statement. All of the current year's revenues and expenses are accounted for in the *Statement of Activities,* regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the District's financial health or position.

- Over time, increases or decreases in net position are an indicator of whether the District's financial position is improving or deteriorating.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the quality of the education provided, and the condition of the District's buildings.

In the government-wide statements, the District's activities are classified as *governmental activities.* This includes all of the District's instruction, supporting services, community service, food service, and student operations and activities. Governmental activities primarily are financed by taxes paid by District residents and businesses and grants from the State of Michigan and the federal government.

Management's Discussion and Analysis

Fund Financial Statements

The fund financial statements focus on individual parts of the District, while reporting the District's operations in more detail than the government-wide statements. The fund level statements are reported on a *modified accrual basis.* Only those assets that are *"measurable"* and *"currently available"* are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

Fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the *general fund.* Additional activities are reported in their relevant funds including: *special revenue funds* for food service, student operations, and student activities, *debt service funds,* and *capital projects funds.*

In fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition, not as capital assets. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The District presents a budgetary comparison schedule for the general fund. In addition, the District reports its progress in funding its obligations to provide pension and other postemployment benefits (OPEB) to its employees. Required supplementary information can be found immediately after the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budgetary comparisons and pensions and OPEB.

ANCHOR BAY SCHOOL DISTRICT

Management's Discussion and Analysis

Financial Summary and Detailed Analysis

The net position of the District at June 30, 2026 was as follows:

	Net Position		Percentage Change
	2026	2025	
Assets			
Current and other assets	$ 97,542,238	$ 102,626,408	-5%
Capital assets, net	197,680,809	178,215,436	11%
Total assets	295,223,047	280,841,844	5%
Deferred outflows of resources	26,228,542	32,929,922	-20%
Liabilities			
Other liabilities	17,209,118	17,277,447	0%
Long-term liabilities	289,522,135	307,448,388	-6%
Total liabilities	306,731,253	324,725,835	-6%
Deferred inflows of resources	43,222,940	48,346,896	-11%
Net position:			
Net investment in capital assets	31,180,911	25,014,251	25%
Restricted	23,979,446	17,007,413	41%
Unrestricted (deficit)	(83,662,961)	(101,322,629)	-17%
Total net position	$ (28,502,604)	$ (59,300,965)	-52%

The largest portion of the District's net position reflects investment in capital assets (e.g., land, construction in progress, buildings and improvements, furniture and equipment, buses, vehicles, and lease equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining net position, with the exception of the amount specifically restricted for food service, capital improvements, and other postemployment benefits, represents the unrestricted portion of the District's net position. Because of the requirement to present the District's proportionate share of the Michigan Public School Employees' Retirement System (MPSERS) net pension liability, this unrestricted net position is a deficit.

Current and other assets decreased by $5,084,170 from the prior year due to a reduction of $12,067,863 in cash and investments. The decrease was largely attributable to spending on capital projects. The reduction in cash and investments was partially offset by a $6,694,957 increase in the net other postemployment benefit asset. The increase in the net other postemployment benefit asset was the primary factor contributing to the increase in restricted net position.

Management's Discussion and Analysis

Deferred outflows of resources decreased by $6,701,380 and deferred inflows of resources decreased by $5,123,956 primarily due to changes in the pension and other postemployment benefit plans. These amounts will be recognized in pension and OPEB expense in future years. Additional information on the District's pension and other postemployment benefit plans can be found in Note 15 of this report.

Other liabilities slightly decreased by $68,329 from the prior year.

Long-term liabilities decreased by $17,926,253 due to a decrease in the net pension liability of $17,159,441.

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District reported a deficit net position of $28,502,604 at June 30, 2026.

The net position of the District increased by $30,798,361 during the 2026 fiscal year. The table below shows the breakdown of this change. The Statement of Activities, presented later in the government-wide financial statements, provides greater detail on the District's annual activity. The cost of the District's governmental activities for the year was $81,552,455. However, the amount that the District's taxpayers and the State School Aid Fund ultimately financed for these activities was $72,727,316. $4,297,753 of the cost was paid for by those who benefited from the programs, and $31,627,465 was paid for by other governments and organizations who subsidized certain programs with grants and contributions.

Management's Discussion and Analysis

	Change in Net Position		Percentage Change
	2026	2025	
Revenues:			
Program revenues:			
Charges for services	$ 4,297,753	$ 4,644,962	-7%
Operating grants and contributions	31,627,465	27,997,670	13%
General revenues:			
Property taxes	24,950,578	23,472,409	6%
Unrestricted state aid	47,776,738	46,541,318	3%
Unrestricted investment earnings	2,939,322	1,686,191	74%
Gain on sale of capital assets	-	2,491,181	-100%
Other	758,960	224,879	237%
Total revenues	112,350,816	107,058,610	5%
Expenses:			
Instruction	32,657,577	34,759,808	-6%
Supporting services	27,021,302	26,098,046	4%
Community service	665,132	678,378	-2%
Food service	3,401,214	3,448,016	-1%
Student operations	2,514,909	2,404,035	5%
Interest on long-term liabilities	7,790,205	5,381,769	45%
Unallocated depreciation/amortization	7,502,116	5,871,606	28%
Total expenses	81,552,455	78,641,658	4%
Change in net position	30,798,361	28,416,952	8%
Net position, beginning of year	(59,300,965)	(87,717,917)	-32%
Net position, end of year	$ (28,502,604)	$ (59,300,965)	-52%

Operating grants and contributions increased approximately $3.6 million over last year due primarily to the District's success in applying for and receiving a number of competitive grants, including a Summer Discovery program grant and several other state-funded categorical grants. In addition, the District secured nearly $1 million in additional federal grant funds as a result of pursuing competitive grant opportunities. Together, these efforts reflect the District's commitment to identifying and leveraging external funding sources to support programs and services for students.

The property tax revenues increased approximately $1.5 million over last year due primarily to steady and visible commercial growth within the District boundaries. Additionally, the District experienced rising property tax values on the existing tax base of nearly 4.5%.

The unrestricted state aid increased approximately $1.2 million over last year due primarily to an increase in the per pupil Foundation Allowance of $442.

Instructional expense decreased approximately $2.1 million from last year due primarily to staff retirements. Longtime employees at the upper end of the salary schedule retired and were succeeded by new colleagues who are earlier in their careers and at lower steps on the salary schedule. In addition, the unfunded actuarial accrued liability (UAAL) costs related to MPSERS for instructional staff declined by approximately $1.4 million, a result of reduced state funding of MPSERS in the current year.

Interest expense increased approximately $2.4 million over last year due primarily to the issuance of Series II of the 2022 voted Building and Site bond. The funds were received in June of 2025 and the District was required to pay interest on the proceeds. Additionally, the District issued an Energy Conservation Improvement bond during the fiscal year and was required to pay interest expense to bond holders. These two new debt issuances account for the increase in interest expense.

Depreciation/amortization expense increased approximately $1.6 million over last year due primarily to placing many of the construction projects and equipment purchased into service that were funded by the building and site bonds. Once these assets were completed and placed in service, the District began depreciating them over their estimated useful lives, which added to the annual expense recognized in the current period.

Detailed Analysis of Governmental Funds

General Fund

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $15,612,709, while the total fund balance for the general fund was $20,257,847. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance and total fund balance represent approximately 18.5% and 24.0%, respectively, of total general fund expenditures. The fund balance of the District's general fund increased by $828,293 during the current fiscal year.

The fund balance of the District's general fund increased by $0.8 million, during the current fiscal year. The unassigned fund balance decreased by $0.2 million. The current fiscal year increase to the district's fund balance growth reflects a number of contributing factors, most notably a $442 per-pupil increase in the state Foundation Allowance. However, this surplus is considerably smaller than the fund balance increases the district realized in each of the past several fiscal years, signaling a slowing of the district's financial momentum. The district continues to face significant fiscal challenges, including persistent inflationary pressures and rising salary and benefit expenditures that are growing at a rate faster than the rate of increased revenues. If these trends continue, expenditures could outpace revenues in future years, making careful budgeting and long-term planning essential to preserving the district's financial stability.

2025 Capital Projects Fund

The 2025 capital projects fund incurred expenditures in the current year of $18,923,662 for various capital improvements. Restricted fund balance at year end totaled $29,824,300, and will be spent down in future periods as the related capital projects progress.

Management's Discussion and Analysis

Significant Capital Asset and Long-term Financing Activity

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2026 amounted to $197,680,809 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, buses, vehicles, and lease equipment. The total increase in capital assets for the current fiscal year was 10.9%.

	Capital Assets (Net of Depreciation/Amortization)	
	2026	2025
Land	$ 4,627,859	$ 4,627,859
Construction in progress	16,265,026	29,981,921
Buildings and improvements	159,845,946	136,918,441
Site improvements	2,778,145	1,728,581
Furniture and equipment	10,263,388	2,735,712
Buses	3,525,327	1,850,836
Vehicles	219,908	246,917
Lease equipment	155,210	125,169
Total capital assets, net	$ 197,680,809	$ 178,215,436

Major capital assets events during the current fiscal year included the following:

- Construction projects to improve facilities within the District at Anchor Bay High School, Anchor Bay Middle School North and Lighthouse Elementary.

- Capital improvements were made to support the newly renovated schools, including significant purchases of furniture and equipment. These investments focused on three key areas: technology, safety enhancements, and classroom furniture. Updated technology gives students and staff modern tools for teaching and learning, while the safety enhancements strengthen the security and well-being of everyone in the buildings. New classroom furniture creates comfortable, flexible learning spaces that complement the renovated facilities. Together, these purchases ensure that the improved buildings are fully equipped to support student success and meet the needs of the school community for years to come.

- Capital expenditures to purchase new buses are a direct investment in the safety, reliability, and sustainability of how our students get to and from school each day. Replacing aging vehicles with modern buses allows the district to take advantage of current safety technology, including electronic stability control, improved crash-protection standards, and better visibility features that reduce risk for students both on board and at the curb. Newer buses also mean fewer mechanical breakdowns, lower maintenance and repair costs, and more dependable routes, which keeps students on time and minimizes disruptions to instruction. From an environmental standpoint, today’s low-emission diesel, gas, and electric buses significantly reduce particulate matter and greenhouse gas output, improving air quality for children who are especially vulnerable to exhaust exposure and supporting the community’s broader sustainability goals. While the upfront cost is substantial, the investment protects against the escalating expense of maintaining outdated equipment, and ensures the District delivers transportation that families can trust.

Management's Discussion and Analysis

The lease equipment is an intangible, right to use asset. The District does not own these assets, but rather has the right to use them in operations, as specified in their respective contracts. When entering into a lease contract, a liability is also recognized, which is included as part of long-term financings discussion below.

Additional information on the District's capital assets can be found in Note 6 of this report.

Long-term Financing. At the end of the current fiscal year, the District had total long-term financing liabilities of $215,770,223, composed of general obligation bonds, school bond loan and revolving funds, lease liabilities, unamortized bond premium, and unamortized bond discount. During the current year, long-term financing liabilities decreased by $1,605,972.

	Long-Term Financing	
	2026	2025
General obligation bonds	$ 198,020,000	$ 196,910,000
School bond loan and revolving funds	11,984,594	14,837,282
Lease liabilities	147,143	135,322
Unamortized bond premium	5,686,106	5,564,431
Unamortized bond discount	(67,620)	(70,840)
Total long-term financing	$ 215,770,223	$ 217,376,195

The $198,020,000 of general obligation bonds are bonded debt, backed by the full faith and credit of the District.

In 2022, voters approved the District to issue up to $169.3 million of general obligation - unlimited tax bonds to pay for the purpose of erecting, furnishing, and equipping additions to, and remodeling, furnishing and refurnishing, and equipping and reequipping, school buildings and other facilities; acquiring and installing instructional technology in school buildings; erecting, furnishing, and equipping athletic, band, and maintenance support buildings at the high school; purchasing school buses; and erecting, furnishing, equipping, preparing, developing, and improving parking areas, drives, playgrounds, athletic fields and facilities. The District issued $27.8 million of those bonds in 2023, representing the first series of the bonds. In 2025 the District issued $54.4 million of those bonds representing the second series of the bonds.

Under State statute, the District is legally restricted from incurring long-term bonded debt in excess of 15% of the assessed value of taxable property within the school district. The current debt limitation for the District is approximately $276.8 million, which is significantly more than the District's outstanding general obligation debt.

As of June 2026, the individual District's Standard & Poor's Ratings Services increased from an 'A-' rating to 'A'. This rating reflects the stable financial position of the District and represents the capacity of the District to meet its financial obligations. The District is committed to the strong financial management practices and shared fiscal responsibilities by its elected officials and district administration.

Additional information on the District’s long-term financing can be found in Note 9 of this report.

Management's Discussion and Analysis

Currently Known Facts, Decisions or Conditions

Anchor Bay School District has improved its financial position considerably over the last several years. The total general fund unassigned fund balance is $15,612,709 or approximately 18.5% of 2025-2026 expenditures and other financing uses. The original 2026-2027 fiscal year budget anticipates that the District will have a reduction of approximately $1,000,000 to the fund balance. The State of Michigan's 2026 State School Aid Act was not enacted until July 21, 2026. Michigan law requires school districts to adopt and submit their annual budgets by July 1, before the start of the fiscal year. As a result, the District prepared its 2026-2027 budget without knowing the final state funding levels, including the per-pupil foundation allowance and categorical funding, which make up the largest portion of District revenue. Given this uncertainty, the District took a conservative approach, using cautious revenue assumptions and prioritizing the continuity of core instructional and operational services. Readers of the financial statements should therefore understand that the originally adopted budget reflects estimates made before state funding was finalized, and that actual results may differ as the District reviews enrollment and revenue and amends the budget as needed.

The District is aware of the following items that will impact future finances and were considered in developing the 2026-2027 fiscal year budget.

- The District's revenue is dependent on state funding and the financial growth of the State's School Aid Fund to support school district operations. At the time the original 2026-2027 budget was adopted, by the Anchor Bay School District Board of Education, the State School Aid Act for 2026-2027, had not been enacted into law. Accordingly, the Anchor Bay School District Board of Education along with District administration had to make many reasonable assumptions while developing the 2026-2027 original budget. These assumptions were considered while taking into account proposals from the Governor, the House, and the Senate, as well as information provided from the May Consensus Revenue Estimating Conference (CREC). The District also considered financial information provided by the Michigan Department of Education (MDE) and the Michigan School Business Officials (MSBO) in crafting the original 2026-2027 budgets.

- One of the primary assumptions in the budget is the foundation allowance or per pupil revenue paid by the State. Administration and Anchor Bay School District Board of Education agreed to budget an increase to the foundation allowance of $250 per pupil for the 2026-2027 fiscal year, raising the budgeted foundation allowance to $10,300. The Foundation Allowance approved in the 2026-2027 School Aid Act was indeed $250 per pupil.

- Another primary assumption is the pupil count itself. The District created its 2026-2027 budget based on a blended pupil count of 5,264 pupils, which reflects a loss of 40 students from the 2025-2026 fiscal year. Under the prior law, a district's funded membership was 90% of current-year K-12 students on count day plus 10% of the spring count day audited membership. The FY2027 School Aid Act doesn't replace that blend outright. For 2026-27, it lets each district take whichever is greater: its current-year student count or a three-year average. The practical effect is a floor for districts with falling enrollment, since the three-year average smooths a sharp one-year drop, while growing districts can still use the current-year blend and lose nothing. The three year blend will be better for the District.

Management's Discussion and Analysis

- Expenditures for the 2026-2027 fiscal year are budgeted at roughly $85 million and include previously bargained wage increases for all unionized labor. Additionally, increases for required public employer retirement contributions have been included in the budget. Finally, inflation continues to be a challenge to the District and has a significant impact on the costs related to employer paid healthcare, utilities, essential school supplies, student services and the overall cost to maintain the District's facilities.

At the end of the current fiscal year, the unassigned fund balance in the general fund was $15,612,709. The District adopted a budget for the 2026-2027 fiscal year that anticipates the use of $1,076,041 of fund balance.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show how the District is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Business Office, 5201 County Line Road, Suite 100, Casco, Michigan 48064.

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BASIC FINANCIAL STATEMENTS

ANCHOR BAY SCHOOL DISTRICT

Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash and cash equivalents	$ 476,827
Investments	61,378,909
Receivables	12,688,730
Prepaid items and other assets	1,098,635
Net other postemployment benefit asset	21,899,137
Capital assets not being depreciated	20,892,885
Capital assets being depreciated/amortized, net	176,787,924
Total assets	295,223,047
Deferred outflows of resources	
Deferred charge on refunding	1,009,092
Deferred pension amounts	21,042,879
Deferred other postemployment benefit amounts	4,176,571
Total deferred outflows of resources	26,228,542
Liabilities	
Accounts payable and accrued liabilities	14,558,089
Unearned revenue	2,651,029
Bonds, notes and other long-term liabilities:	
Due within one year	13,449,510
Due in more than one year	206,166,288
Net pension liability (due in more than one year)	69,906,337
Total liabilities	306,731,253
Deferred inflows of resources	
Deferred lease amounts	53,768
Deferred pension amounts	23,929,932
Deferred other postemployment benefit amounts	19,239,240
Total deferred inflows of resources	43,222,940
Net position	
Net investment in capital assets	31,180,911
Restricted for:	
Food service	2,075,308
Capital improvements	5,001
Other postemployment benefits	21,899,137
Unrestricted (deficit)	(83,662,961)
Total net position	$ (28,502,604)

The accompanying notes are an integral part of these financial statements.

ANCHOR BAY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2026

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue
Governmental activities				
Instruction	$ 32,657,577	$ 441,739	$ 27,635,458	$ (4,580,380)
Supporting services	27,021,302	340,007	-	(26,681,295)
Community service	665,132	582,069	-	(83,063)
Food service	3,401,214	442,671	3,992,007	1,033,464
Student operations	2,514,909	2,491,267	-	(23,642)
Interest on long-term debt	7,790,205	-	-	(7,790,205)
Unallocated depreciation/amortization	7,502,116	-	-	(7,502,116)
Total governmental activities	$ 81,552,455	$ 4,297,753	$ 31,627,465	(45,627,237)
General revenues				
Property taxes				24,950,578
Unrestricted state aid				47,776,738
Unrestricted investment earnings				2,939,322
Other				758,960
Total general revenues				76,425,598
Change in net position				30,798,361
Net position, beginning of year				(59,300,965)
Net position, end of year				$ (28,502,604)

The accompanying notes are an integral part of these financial statements.

ANCHOR BAY SCHOOL DISTRICT

Balance Sheet

Governmental Funds
June 30, 2026

	General Fund	2025 Capital Projects Fund	Nonmajor Governmental Funds	Totals
Assets				
Cash and cash equivalents	$ 185,174	$ -	$ 291,653	$ 476,827
Investments	17,211,896	33,797,612	10,369,401	61,378,909
Accounts receivable	36,990	-	1,653	38,643
Leases receivable	53,768	-	-	53,768
Due from other governments	12,280,163	-	316,156	12,596,319
Inventory	-	-	72,716	72,716
Prepaid items	772,202	242,275	11,442	1,025,919
Total assets	$ 30,540,193	$ 34,039,887	$ 11,063,021	$ 75,643,101
Liabilities				
Accounts payable	$ 415,976	$ 4,215,587	$ 1,474,115	$ 6,105,678
Accrued liabilities	2,273,245	-	9,027	2,282,272
Salaries and benefits payable	4,181,892	-	18,249	4,200,141
Due to other governments	750,189	-	-	750,189
Unearned revenue	2,607,276	-	43,753	2,651,029
Total liabilities	10,228,578	4,215,587	1,545,144	15,989,309
Deferred inflows of resources				
Deferred lease amounts	53,768	-	-	53,768
Fund balances				
Nonspendable:				
Inventory	-	-	72,716	72,716
Prepaid items	772,202	242,275	11,442	1,025,919
Restricted for:				
Food service	-	-	2,003,260	2,003,260
Capital projects	-	29,582,025	6,457,340	36,039,365
Debt service	-	-	146,723	146,723
Committed for:				
Student activities	-	-	755,005	755,005
Student operations	-	-	71,391	71,391
Future capital projects	2,796,895	-	-	2,796,895
Assigned for:				
Subsequent year's budget	1,076,041	-	-	1,076,041
Unassigned	15,612,709	-	-	15,612,709
Total fund balances	20,257,847	29,824,300	9,517,877	59,600,024
Total liabilities, deferred inflows of resources and fund balances	$ 30,540,193	$ 34,039,887	$ 11,063,021	$ 75,643,101

The accompanying notes are an integral part of these financial statements.

ANCHOR BAY SCHOOL DISTRICT

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2026

Fund balances - total governmental funds	$ 59,600,024
Amounts reported for *governmental activities* in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	20,892,885
Capital assets being depreciated/amortized, net	176,787,924
Certain liabilities, such as bonds, notes and other long-term liabilities, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds, notes and other long-term liabilities	(210,151,737)
Unamortized deferred charge on refunding	1,009,092
Unamortized bond premium	(5,686,106)
Unamortized bond discount	67,620
Accrued interest on bonds payable	(1,219,809)
Compensated absences	(3,845,575)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, the net other postemployment benefit asset, and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(69,906,337)
Net other postemployment benefit asset	21,899,137
Deferred outflows related to the net pension liability	21,042,879
Deferred inflows related to the net pension liability	(23,929,932)
Deferred outflows related to the net other postemployment benefit asset	4,176,571
Deferred inflows related to the net other postemployment benefit asset	(19,239,240)
Net position of governmental activities	$ (28,502,604)

The accompanying notes are an integral part of these financial statements.

ANCHOR BAY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
For the Year Ended June 30, 2026

	General Fund	*(Formerly Major Fund)* 2023 Capital Projects Fund	2025 Capital Projects Fund	Nonmajor Governmental Funds	Totals
Revenues					
Local sources	$ 9,267,769		$ 1,592,760	$ 21,938,606	$ 32,799,135
State sources	67,836,083		-	1,836,517	69,672,600
Federal sources	1,714,255		-	2,155,490	3,869,745
Other sources	6,007,136		2,200	-	6,009,336
Total revenues	84,825,243		1,594,960	25,930,613	112,350,816
Expenditures					
Current:					
Instruction	45,094,585		-	-	45,094,585
Student services	5,251,131		-	-	5,251,131
Instructional support	5,395,458		-	-	5,395,458
General administration	718,445		-	-	718,445
School administration	5,739,109		-	-	5,739,109
Business administration	1,430,411		-	-	1,430,411
Operation and maintenance	9,677,554		-	-	9,677,554
Transportation	4,399,223		-	-	4,399,223
Support services - other	2,285,787		-	-	2,285,787
Community service	866,583		-	-	866,583
Food service	-		-	3,968,156	3,968,156
Student operations	-		-	104,802	104,802
Student activities	-		-	2,416,946	2,416,946
Debt service:					
Principal	551,157		-	11,828,107	12,379,264
Interest and fiscal charges	331,225		23,332	7,246,820	7,601,377
Bond issuance costs	-		-	104,256	104,256
Capital outlay	2,550,232		18,900,330	5,883,481	27,334,043
Total expenditures	84,290,900		18,923,662	31,552,568	134,767,130
Revenues over (under) expenditures	534,343		(17,328,702)	(5,621,955)	(22,416,314)
Other financing sources (uses)					
Issuance of bonds, notes, and other long-term liabilities	82,977		-	10,590,000	10,672,977
Premium on issuance of bonds payable	-		-	400,333	400,333
Proceeds from sale of capital assets	14,647		-	-	14,647
Transfers in	200,000		-	3,674	203,674
Transfers out	(3,674)		-	(200,000)	(203,674)
Total other financing sources (uses)	293,950		-	10,794,007	11,087,957
Net change in fund balances	828,293		(17,328,702)	5,172,052	(11,328,357)
Fund balances, beginning of year, as previously reported	19,429,554	$ 1,089,359	47,153,002	3,256,466	70,928,381
Changes within financial reporting entity	-	(1,089,359)	-	1,089,359	-
Fund balances, beginning of year, as adjusted	19,429,554	$ -	47,153,002	4,345,825	70,928,381
Fund balances, end of year	$ 20,257,847		$ 29,824,300	$ 9,517,877	$ 59,600,024

The accompanying notes are an integral part of these financial statements.

ANCHOR BAY SCHOOL DISTRICT

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2026

Net change in fund balances - total governmental funds	$ (11,328,357)
Amounts reported for *governmental activities* in the statement of activities are 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/amortization expense.	
Capital assets purchased/constructed	27,021,111
Depreciation/amortization expense	(7,502,116)
Loss on disposal of capital assets	(38,975)
Proceeds from sale of capital assets	(14,647)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Issuance of bonds, notes, and other long-term liabilities	(10,672,977)
Premium on issuance of bonds payable	(400,333)
Principal payments on bonds, notes and other long-term liabilities	12,379,264
Amortization of bond premium	278,658
Amortization of bond discount	(3,220)
Amortization of deferred charge on refunding	(81,369)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in net pension liability and related deferred amounts	14,247,839
Change in net other postemployment benefit asset and related deferred amounts	8,135,540
Change in accrued interest payable on bonds and loans	(382,897)
Change in the accrual for compensated absences	(839,160)
Change in net position of governmental activities	$ 30,798,361

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Anchor Bay School District (the "District") is governed by an elected seven-member Board of Education. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. The District has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the current year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are 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, are recorded only when payment is due.

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

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for and reported in another fund.

The *2025 capital projects fund* is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *debt service funds* are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

The *capital projects funds* are used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

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

The effect of interfund activity has been eliminated from the government-wide financial statements.

Notes to Financial Statements

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

Deposits and Investments

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

Investments are reported at fair value, except for the District's investments in the Michigan Liquid Assets Fund (MILAF), which are recorded at amortized cost.

Receivables and Payables

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

The District follows the practice of recording revenues that have been earned but not yet received as receivables. Receivables consist primarily of State Aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

Inventory and Prepaid Items

Inventories are stated at cost using the first-in, first-out method, and consist primarily of food, cafeteria supplies and teaching supplies. USDA donated commodities in the food service fund are recorded at fair value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment, buses, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	25-50
Site improvements	20-50
Furniture and equipment	5-10
Vehicles and buses	5-10

Leases

Lessee. The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

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

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the District is reasonably certain to exercise.

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

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

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

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the charge on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit asset. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Unearned Revenue

The District reports unearned revenue on its governmental funds balance sheet. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and the balance sheet and revenue is recognized.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at year end for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year. The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - vacation and sick. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources are related to the net pension liability and the net other postemployment benefit asset. The statement of net position and governmental funds balance sheet report deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.

Fund Balance

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance,* if any, is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or his/her designee. *Unassigned fund balance* is the residual classification for the general fund.

Notes to Financial Statements

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net position.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability, the net other postemployment benefit asset, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

During the current year, the District implemented GASB Statement No. 103, *Financial Reporting Model Improvements.* GASB 103 introduces targeted enhancements to the financial reporting model to improve clarity, relevance, and decision-usefulness of governmental financial statements. As part of the implementation, MD&A content is now streamlined to focus on prescribed sections with clearer analytical explanations and reduced duplication. Additionally, budgetary comparison information is no longer included within MD&A and is presented separately as Required Supplementary Information. The District has updated reporting processes and presentation formats to comply with these requirements. Adoption of GASB 103 did not result in a restatement of prior period balances.

Notes to Financial Statements

2. BUDGETARY COMPLIANCE

Excess of Expenditures over Appropriations in Budgetary Funds

During the year ended June 30, 2026, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriation	Total Expenditures	Budget Variance
General fund			
Current -			
Business administration	$ 1,399,983	$ 1,430,411	$ 30,428
Debt service:			
Principal	531,703	551,157	19,454
Interest and other charges	329,340	331,225	1,885
Capital outlay	2,496,392	2,550,232	53,840
Student operations special revenue fund			
Student activities	2,263,000	2,416,946	153,946

3. BONDED CONSTRUCTION COSTS

2025 Capital Projects Fund

The 2025 capital projects fund accounts for activities funded with bonds. For these projects, the District has complied with the applicable provisions of Section 1351a of the Michigan Revised School Code. The fund is not yet considered substantially complete and a subsequent year audit is expected.

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash, cash equivalents, and investments as shown on the Statement of Net Position follows:

Statement of Net Position	
Cash and cash equivalents	$ 476,827
Investments	61,378,909
Total	$ 61,855,736
Deposits and investments	
Cash on hand	$ 2,242
Bank deposits (checking/savings accounts)	474,585
Investments	61,378,909
Total	$ 61,855,736

Notes to Financial Statements

Statutory Authority

State statutes authorize the District to invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specific identification. As of year end, the District had the following investments:

Investment	Fair Value/ Amortized Cost
Michigan Liquid Asset Fund (MILAF):	
MILAF + Cash Mgmt Class	$ 19,592
MILAF + MAX Class	27,195,283
Money market funds	8,108,889
U.S. treasuries	25,028,150
U.S. agencies	1,026,995
	$ 61,378,909

Notes to Financial Statements

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments held at year end with stated maturity dates are summarized as follows:

Investment	Due in less than 1 year	Due in 1-5 years	Total
U.S. treasuries	$ 23,973,394	$ 1,054,756	$ 25,028,150
U.S. agencies	935,913	91,082	1,026,995
	$ 24,909,307	$ 1,145,838	$ 26,055,145

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end. As of June 30, 2026, the District's investments were rated by Standard & Poor's as follows:

AAAm	$ 27,214,875
AA+	1,026,997
Not rated	33,137,037
	$ 61,378,909

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, $2,461,758 of the District's bank balance of $2,711,758 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The investments listed above are not subject to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All of the District's investments are identified above.

Notes to Financial Statements

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The District's recurring fair value measurement as of June 30, 2026 for its investments in U.S. treasuries and U.S. agencies are valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs).

5. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Nonmajor Governmental Funds	Totals
Accounts receivable	$ 36,990	$ 1,653	$ 38,643
Leases receivable	53,768	-	53,768
Due from other governments	12,280,163	316,156	12,596,319
	$ 12,370,921	$ 317,809	$ 12,688,730

Notes to Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 4,627,859	$ -	$ -	$ -	$ 4,627,859
Construction in progress	29,981,921	15,759,231	-	(29,476,126)	16,265,026
	34,609,780	15,759,231	-	(29,476,126)	20,892,885
Capital assets being depreciated/amortized:					
Buildings and improvements	229,247,148	4,882,768	-	23,421,188	257,551,104
Site improvements	2,261,858	417,590	-	768,748	3,448,196
Furniture and equipment	7,474,313	3,734,485	(708,693)	5,286,190	15,786,295
Buses	4,464,843	2,118,826	(296,121)	-	6,287,548
Vehicles	509,425	25,234	-	-	534,659
Lease equipment (Note 10)	239,507	82,977	-	-	322,484
	244,197,094	11,261,880	(1,004,814)	29,476,126	283,930,286
Less accumulated depreciation/amortization for:					
Buildings and improvements	(92,328,707)	(5,376,451)	-	-	(97,705,158)
Site improvements	(533,277)	(136,774)	-	-	(670,051)
Furniture and equipment	(4,738,601)	(1,439,377)	655,071	-	(5,522,907)
Buses	(2,614,007)	(444,335)	296,121	-	(2,762,221)
Vehicles	(262,508)	(52,243)	-	-	(314,751)
Lease equipment (Note 10)	(114,338)	(52,936)	-	-	(167,274)
	(100,591,438)	(7,502,116)	951,192	-	(107,142,362)
Total capital assets being depreciated/amortized, net	143,605,656	3,759,764	(53,622)	29,476,126	176,787,924
Governmental activities capital assets, net	$ 178,215,436	$ 19,518,995	$ (53,622)	$ -	$ 197,680,809

Depreciation/amortization expense of $7,502,116 is reported as “unallocated depreciation/ amortization” and not allocated to individual functions.

As of June 30, 2026, the District had the following construction commitments:

Bond series 2 projects	$ 24,033,017
Bond series 3 projects	12,405,187
Energy savings performance contract	5,912,998
Total	$ 42,351,202

Notes to Financial Statements

The portion of Series 3 projects exceeding currently available bond proceeds is expected to be funded through additional bonds to be issued during fiscal year 2026-2027.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	2025 Capital Projects Fund	Nonmajor Governmental Funds	Totals
Fund Financial Statements				
Accounts payable	$ 415,976	$ 4,215,587	$ 1,474,115	$ 6,105,678
Accrued liabilities	2,273,245	-	9,027	2,282,272
Salaries and benefits payable	4,181,892	-	18,249	4,200,141
Due to other governments	750,189	-	-	750,189
	$ 7,621,302	$ 4,215,587	$ 1,501,391	13,338,280
Government-wide Financial Statements - Accrued interest on bonds, notes, and other long-term liabilities				1,219,809
				$ 14,558,089

8. INTERFUND TRANSFERS

For the year ended June 30, 2026, interfund transfers consisted of the following:

	Transfers out	Transfers in
General fund	$ 3,674	$ 200,000
Nonmajor governmental funds	200,000	3,674
	$ 203,674	$ 203,674

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

For the year ended June 30, 2026, the District transferred funds from the food service fund to the general fund for allowable indirect costs.

Notes to Financial Statements

9. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

Bonds, notes, and other long-term liabilities activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 196,910,000	$ 10,590,000	$ (9,480,000)	$ 198,020,000	$ 11,540,000
Direct borrowings/placements - School bond loan and revolving funds	14,837,282	547,312	(3,400,000)	11,984,594	-
Lease liabilities (Note 10)	135,322	82,977	(71,156)	147,143	52,104
Unamortized bond premium	5,564,431	400,333	(278,658)	5,686,106	282,109
Unamortized bond discount	(70,840)	-	3,220	(67,620)	(3,220)
Compensated absences*	3,006,415	839,160	-	3,845,575	1,578,517
Total long-term debt	$ 220,382,610	$ 12,459,782	$ (13,226,594)	$ 219,615,798	$ 13,449,510

* The change in compensated absences above is a net change for the year.

General obligation bonds payable consist of the following issues:

General obligation bonds

2017 School Building and Site Bonds, due in semi-annual installments of $510,000 to $715,000 with payments commencing November 1, 2021 and final payment due May 1, 2047, interest at 3.00% to 3.38%.	$ 8,295,000
2019 School Building and Site Bonds, due in annual installments of $370,000 to $1,095,000 with payments commencing May 1, 2023 and final payment due May 1, 2048, interest at 3.00% to 5.00%.	8,395,000
2020 Bond Refunding Serial Bonds, due in semi-annual installments of $5,325,000 to $10,355,000 with payments commencing November 1, 2021 and final payment due May 1, 2034, interest at 1.00% to 2.31%.	71,785,000
2023 School Building and Site and Refunding Bonds, due in semi-annual installments of $1,000,000 to $4,895,000 with payments commencing May 1, 2026 and final payment due May 1, 2044, interest at 4.13% to 5.00%.	46,175,000
2025 School Building and Site and Refunding Bonds, due in semi-annual installments of $100,000 to $4,470,000 with payments commencing November 1, 2026 and final payment due November 1, 2054, interest at 5.00%.	53,260,000
2025 Energy Conservation Improvement Bonds, due in annual installments of $335,000 to $765,000 with payments commencing May 1, 2026 and final payment due May 1, 2045, interest at 4.00 to 5.00%.	10,110,000
Total general obligation bonds	$ 198,020,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2027	$ 11,540,000	$ 7,292,882	$ 18,832,882
2028	11,410,000	7,008,928	18,418,928
2029	12,975,000	6,718,581	19,693,581
2030	14,415,000	6,317,522	20,732,522
2031	12,220,000	5,853,482	18,073,482
2032-2036	45,730,000	24,402,331	70,132,331
2037-2041	27,165,000	18,212,778	45,377,778
2042-2046	30,950,000	11,693,315	42,643,315
2047-2051	20,140,000	5,555,964	25,695,964
2052-2055	11,475,000	1,116,250	12,591,250
Totals	$ 198,020,000	$ 94,172,033	$ 292,192,033

School Bond Loan and Revolving Fund

The School Bond Loan and Revolving Fund represents amounts borrowed from the State of Michigan School Loan Revolving Program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the School Bond Loan and Revolving Fund for the year ended June 30, 2026, are as follows:

	Principal	Interest	Total
Beginning balance	$ 14,753,623	$ 83,659	$ 14,837,282
Additions	-	547,312	547,312
Deductions	(2,828,108)	(571,892)	(3,400,000)
Ending balance	$ 11,925,515	$ 59,079	$ 11,984,594

10. LEASES

Lessee - The District is involved in several agreements as a lessee that qualify as long-term lease agreements. Below is a summary of the nature of these agreements. These agreements qualify as intangible, right-to-use assets and not a financed purchase, as the District will not own the asset at the end of the contract term and the noncancelable term of the agreement surpasses one year.

The right-to-use-assets and the related activity are included in Note 6, Capital Assets. The lease liability and related activity are presented in Note 9, Bonds, Notes, and Other Long-term Liabilities.

Asset Type	Remaining Term of Agreements
Equipment	3 years

Notes to Financial Statements

The net present value of future minimum payments as of June 30, 2026, were as follows:

Year Ended June 30,	Principal	Interest
2027	$ 52,104	$ 5,374
2028	49,438	3,315
2029	21,406	975
2030	16,968	778
2031	7,227	147
Total	$ 147,143	$ 10,589

Lessor - The District is involved in two agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the District will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended June 30, 2026 was $43,005

Asset Type	Remaining Term of Agreements
Buildings	3 years

11. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2026, was as follows:

Capital assets:	
Capital assets not being depreciated	$ 20,892,885
Capital assets being depreciated/amortized, net	176,787,924
	197,680,809
Related debt:	
Capital related bonds and other long-term liabilities outstanding	198,167,143
Unamortized bond premium	5,686,106
Unamortized bond discount	(67,620)
Unspent bonded capital projects proceeds	(36,276,639)
Deferred charge on refunding	(1,009,092)
	166,499,898
Net investment in capital assets	$ 31,180,911

Notes to Financial Statements

12. RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the district from significant adverse financial impact.

13. PROPERTY TAXES

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1, and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14, and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

The District received reduced property tax revenues during 2026 as a result of industrial facilities tax exemptions (IFT's) agreements entered into by cities, villages, townships, and authorities within the District boundaries.

Notes to Financial Statements

14. PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "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 at the ORS website at www.michigan.gov/orsschools.

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. 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 member 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.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

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

Notes to Financial Statements

Contributions

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

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

The table below summarizes pension contribution rates in effect for fiscal year 2026:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	26.08% - 30.11%
Member Investment Plan (MIP)	3.00% - 7.00%	26.08% - 30.11%
Pension Plus	3.00% - 6.40%	21.34% - 26.27%
Pension Plus 2	6.00% - 6.20%	21.41% - 27.16%
Defined Contribution	0.00%	15.21% - 20.96%

For the year ended June 30, 2026, required and actual contributions from the District to the pension plan were $15,606,961, which included $5,621,204, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2026:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	0.00% - 3.00%	1.25% - 3.83%
Personal Healthcare Fund (PHF)	0.00%	0.00%

For the year ended June 30, 2026, required and actual contributions from the District to the OPEB plan were $803,296.

The table below summarizes defined contribution rates in effect for fiscal year 2026:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2026, required and actual contributions from the District for those members with a defined contribution benefit were $833,218.

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

At June 30, 2026, the District reported a liability of $69,906,337 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 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 District's proportion was 0.34896%, which was a decrease of 0.00667 from its proportion measured as of September 30, 2024.

Notes to Financial Statements

For the year ended June 30, 2026, the District recognized pension expense of $1,305,046. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 2,707,673	$ 622,650	$ 2,085,023
Changes in assumptions	2,509,139	3,694,718	(1,185,579)
Net difference between projected and actual earnings on pension plan investments	-	16,706,118	(16,706,118)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,325,314	2,906,446	(1,581,132)
	6,542,126	23,929,932	(17,387,806)
District contributions subsequent to the measurement date	14,500,753	-	14,500,753
Total	$ 21,042,879	$ 23,929,932	$ (2,887,053)

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

Year Ended June 30,	Amount
2027	$ (1,940,492)
2028	(7,661,208)
2029	(5,894,979)
2030	(1,891,127)
Total	$ (17,387,806)

Notes to Financial Statements

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

At June 30, 2026, the District reported an asset of $21,899,137 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 used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2024. The 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 District's proportion was 0.36024% which was an increase of 0.00702% from its proportion measured as of September 30, 2024.

For the year ended June 30, 2026, the District recognized OPEB benefit of $7,294,467. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 14,993,187	$ (14,993,187)
Changes in assumptions	2,922,675	232,260	2,690,415
Net difference between projected and actual earnings on OPEB plan investments	-	3,077,306	(3,077,306)
Changes in proportion and differences between employer contributions and proportionate share of contributions	466,726	936,487	(469,761)
	3,389,401	19,239,240	(15,849,839)
District contributions subsequent to the measurement date	787,170	-	787,170
Total	$ 4,176,571	$ 19,239,240	$ (15,062,669)

Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an adjustment to the net 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:

Year Ended June 30,	Amount
2027	$ (4,423,759)
2028	(4,238,459)
2029	(3,695,026)
2030	(2,378,978)
2031	(852,191)
Thereafter	(261,426)
Total	$ (15,849,839)

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. The total pension and OPEB liabilities in the September 30, 2024 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
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.

Notes to Financial Statements

Other OPEB assumptions:

Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	Of those not opting out, 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 and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2025, are 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. The recognition period for pension liabilities is 4.4524 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.4654 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions. Healthcare cost trend rates for pre-65 increased from 7.25% to 7.75%.

Notes to Financial Statements

Long-term Expected Return on Pension and OPEB Plan Assets

The long-term expected rate of return on pension and 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 pension/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 pension and OPEB plans' target asset allocation as of September 30, 2025, are summarized in the following table:

Pension

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	21.00%	5.48%	1.15%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	14.00%	5.29%	0.74%
Fixed income pools	15.00%	2.36%	0.35%
Real estate and infrastructure pools	8.00%	6.61%	0.53%
Absolute return pools	13.00%	4.15%	0.54%
Real return/opportunistic pools	9.00%	6.61%	0.59%
Short-term investment pools	4.00%	1.23%	0.05%
	100.00%		5.35%
Inflation			2.40%
Risk adjustment			-1.75%
Investment rate of return			6.00%

Notes to Financial Statements

OPEB

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	16.00%	5.48%	0.88%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	11.00%	5.29%	0.58%
Fixed income pools	26.00%	2.36%	0.61%
Real estate and infrastructure pools	5.00%	6.61%	0.33%
Absolute return pools	15.00%	4.15%	0.62%
Real return/opportunistic pools	7.00%	6.61%	0.46%
Short-term investment pools	4.00%	1.23%	0.05%
	100.00%		4.93%
Inflation			2.40%
Risk adjustment			-1.33%
Investment rate of return			6.00%

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates 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 and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Notes to Financial Statements

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.00%, as well as what the 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 Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net pension liability	$ 110,316,056	$ 69,906,337	$ 36,250,214

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB 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%)
District's proportionate share of the net OPEB asset	$ (18,867,492)	$ (21,899,137)	$ (24,552,483)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB asset calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB 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
District's proportionate share of the net OPEB asset	$ (24,528,271)	$ (21,899,137)	$ (19,138,632)

Notes to Financial Statements

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2026, the District reported a payable of $2,287,159 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2026.

Payable to the OPEB Plan

At June 30, 2026, the District reported a payable of $52,502 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2026.

15. ADJUSTMENTS TO BEGINNING FUND BALANCES

For the year ended June 30, 2026, the District had the following adjustments to beginning fund balance:

	2023 Capital Projects Fund	Nonmajor Governmental Funds
Fund balances, beginning of year, as previously reported	$ 1,089,359	$ 3,256,466
Change within the financial reporting entity - Change from major to nonmajor fund	(1,089,359)	1,089,359
Fund balances, beginning of year, as adjusted	$ -	$ 4,345,825

The District previously reported the 2023 capital projects fund as major. The 2023 capital projects fund no longer meets the quantitative threshold for major funds in accordance with GAAP for the year ended June 30, 2026.

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REQUIRED SUPPLEMENTARY INFORMATION

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ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

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

	Original Budget	Final Budget	Variance with Original Budget	Actual	Variance with Final Budget
Revenues					
Local sources	$ 8,386,092	$ 9,025,533	$ 639,441	$ 9,267,769	$ 242,236
State sources	65,272,824	68,030,715	2,757,891	67,836,083	(194,632)
Federal sources	785,641	1,789,046	1,003,405	1,714,255	(74,791)
Other sources	5,531,009	5,967,028	436,019	6,007,136	40,108
Total revenues	79,975,566	84,812,322	4,836,756	84,825,243	12,921
Expenditures					
Current:					
Instruction	43,939,989	45,396,577	1,456,588	45,094,585	(301,992)
Student services	4,752,115	5,276,916	524,801	5,251,131	(25,785)
Instructional support	4,456,180	5,475,269	1,019,089	5,395,458	(79,811)
General administration	840,931	753,122	(87,809)	718,445	(34,677)
School administration	5,570,863	5,745,375	174,512	5,739,109	(6,266)
Business administration	1,358,621	1,399,983	41,362	1,430,411	30,428
Operation and maintenance	8,977,392	9,732,857	755,465	9,677,554	(55,303)
Transportation	4,021,340	4,495,446	474,106	4,399,223	(96,223)
Support services - other	1,798,522	2,371,767	573,245	2,285,787	(85,980)
Community service	739,533	966,777	227,244	866,583	(100,194)
Debt service:					
Principal	60,928	531,703	470,775	551,157	19,454
Interest and fiscal charges	372	329,340	328,968	331,225	1,885
Capital outlay	3,320,005	2,496,392	(823,613)	2,550,232	53,840
Total expenditures	79,836,791	84,971,524	5,134,733	84,290,900	(680,624)
Revenues over (under) expenditures	138,775	(159,202)	(297,977)	534,343	693,545
Other financing sources (uses)					
Issuance of bonds, notes, and other long-term liabilities	-	-	-	82,977	82,977
Proceeds from sale of capital assets	-	2,125	2,125	14,647	12,522
Transfers in	200,000	200,000	-	200,000	-
Transfers out	(17,886)	(5,082)	12,804	(3,674)	(1,408)
Total other financing sources (uses)	182,114	197,043	14,929	293,950	94,091
Net change in fund balance	320,889	37,841	(283,048)	828,293	790,452
Fund balance, beginning of year	19,429,554	19,429,554	-	19,429,554	-
Fund balance, end of year	$ 19,750,443	$ 19,467,395	$ (283,048)	$ 20,257,847	$ 790,452

See notes to required supplementary information.

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan
Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,			
	2026	2025	2024	2023
District's proportionate share of the net pension liability	$ 69,906,337	$ 87,065,778	$ 112,586,844	$ 133,458,132
District's proportion of the net pension liability	0.34896%	0.35563%	0.34785%	0.35486%
District's covered payroll	$ 38,076,756	$ 37,138,258	$ 35,169,320	$ 32,588,245
District's proportionate share of the net pension liability as a percentage of its covered payroll	183.59%	234.44%	320.13%	409.53%
Plan fiduciary net position as a percentage of the total pension liability	79.44%	74.44%	65.91%	60.77%

See notes to required supplementary information.

Year Ended June 30,						
2022	2021	2020	2019	2018	2017	2016
$ 88,787,688	$ 131,183,239	$ 124,030,886	$ 109,999,840	$ 94,649,187	$ 92,473,137	$ 89,141,993
0.37502%	0.38189%	0.37453%	0.36591%	0.36524%	0.37065%	0.36496%
$ 33,105,470	$ 33,632,795	$ 32,976,188	$ 31,191,135	$ 30,190,630	$ 31,388,251	$ 30,328,646
268.20%	390.05%	376.12%	352.66%	313.51%	294.61%	293.92%
72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan
Schedule of the District's Pension Contributions

	Year Ended June 30,			
	2026	2025	2024	2023
Statutorily required contribution	$ 15,606,961	$ 14,182,485	$ 14,832,398	$ 12,546,674
Contributions in relation to the statutorily required contributions	(15,606,961)	(14,182,485)	(14,832,398)	(12,546,674)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 41,119,903	$ 37,577,231	$ 37,173,165	$ 35,204,175
Contributions as a percentage of covered payroll	37.95%	37.74%	39.90%	35.64%

See notes to required supplementary information.

Year Ended June 30,					
2022	2021	2020	2019	2018	2017
$ 12,787,970	$ 11,146,481	$ 10,498,631	$ 9,961,613	$ 10,667,512	$ 8,268,908
(12,787,970)	(11,146,481)	(10,498,631)	(9,961,613)	(10,667,512)	(8,268,908)
$ -	$ -	$ -	$ -	$ -	$ -
$ 32,503,327	$ 32,869,189	$ 34,007,875	$ 33,122,787	$ 31,420,218	$ 30,067,167
39.34%	33.91%	30.87%	30.07%	33.95%	27.50%

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (Asset) Liability

	Year Ended June 30,			
	2026	2025	2024	2023
District's proportionate share of the net OPEB (asset) liability	$ (21,899,137)	$ (15,204,180)	$ (1,999,775)	$ 7,148,438
District's proportion of the net OPEB asset/liability	0.36024%	0.35322%	0.35351%	0.33750%
District's covered payroll	$ 38,076,756	$ 37,138,258	$ 35,169,320	$ 32,588,245
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-57.51%	-40.94%	-5.69%	21.94%
Plan fiduciary net position as a percentage of the total OPEB liability	164.94%	143.08%	105.04%	83.09%

See notes to required supplementary information.

Year Ended June 30,				
2022	2021	2020	2019	2018
$ 5,623,427	$ 20,387,278	$ 27,125,338	$ 29,157,660	$ 32,295,942
0.36842%	0.38055%	0.37791%	0.36681%	0.36470%
$ 33,105,470	$ 33,632,795	$ 32,976,188	$ 31,191,135	$ 30,190,630
16.99%	60.62%	82.26%	93.48%	106.97%
87.33%	59.44%	48.46%	42.95%	36.39%

ANCHOR BAY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan
Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,			
	2026	2025	2024	2023
Statutorily required contribution	$ 803,296	$ 559,818	$ 2,942,872	$ 2,795,974
Contributions in relation to the statutorily required contributions	(803,296)	(559,818)	(2,942,872)	(2,795,974)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 41,119,903	$ 37,577,231	$ 37,173,165	$ 35,204,175
Contributions as a percentage of covered payroll	1.95%	1.49%	7.92%	7.94%

See notes to required supplementary information.

Year Ended June 30,				
2022	2021	2020	2019	2018
$ 2,618,722	$ 2,777,561	$ 2,750,410	$ 2,603,936	$ 2,318,954
(2,618,722)	(2,777,561)	(2,750,410)	(2,603,936)	(2,318,954)
$ -	$ -	$ -	$ -	$ -
$ 32,503,327	$ 32,869,189	$ 34,007,875	$ 33,122,787	$ 31,420,218
8.06%	8.45%	8.09%	7.86%	7.38%

ANCHOR BAY SCHOOL DISTRICT

Notes to Required Supplementary Information

Budgets and Budgetary Accounting

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with GAAP. The District considers the debt service payment schedule to be an adequate budgetary control. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

The Superintendent designates the School District's Director of Business Services as the administrator with primary responsibility for developing and proposing the District's annual budget and any necessary or budget revisions. The District's Director of Business Services will also be the District administrator with primary responsibility for preparing and delivering such reports and data as may be required by the State of Michigan, the Board or the Superintendent.

The Director of Business Services will develop and present the Superintendent with a proposed annual budget. The proposed annual budget will meet all applicable legal requirements and, in addition, will be consistent with Board policy and administrative procedures and best practices, including GASB 54. The Director of Business Services will develop and present to the Superintendent, in a timely fashion, such proposed amendments to the District's annual budget as may be warranted by the District's financial circumstances.

In a timely fashion, the Director of Business Services will prepare the reports and data that the District is required to file with the State of Michigan and/or post on its web site. These reports will be submitted to the Superintendent for review and approval before they are filed or posted. The Director of Business Services will also prepare and deliver such other reports and data as may be requested by the Board or the Superintendent.

Excess of Expenditures over Appropriations in Budgetary Funds

During the year ended June 30, 2026, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Total Expenditures	Budget Variance
General fund			
Current -			
Business administration	1,399,983	1,430,411	30,428
Debt service:			
Principal	531,703	551,157	19,454
Interest and other charges	329,340	331,225	1,885
Capital outlay	2,496,392	2,550,232	53,840

ANCHOR BAY SCHOOL DISTRICT

Notes to Required Supplementary Information

General Fund Budgetary Highlights

	Amount
Budgetary revenues	
Variances - original budget to final budget:	
State sources	$ 2,757,891
Final budgeted revenues for state sources were greater than the original budget primarily due to an increase in state categorical funding that was unknown at the time of the preparation of the original 2025-2026 budget. Michigan law requires school districts to adopt their budgets before the new fiscal year begins on July 1, but the State of Michigan did not enact its own budget until October 7, 2025, more than three months after that deadline. As a result, the District had to adopt its fiscal year 2025-2026 original budget without reliable information about the State's School Aid Fund appropriations, including categorical funding, and other revenue sources. Without that information, the District had to make assumptions regarding increases in State funding and instead built its budget on conservative revenue estimates. Following the State's enactment of its budget, the District reviewed the final appropriations to determine whether amendments to its budget were necessary.	
Federal sources	1,003,405
Budgeted federal revenues increased by $1,003,405 from the original budget to the final amended budget. The increase is primarily the result of two competitive grants awarded to the District after the original budget was adopted. The first is a $386,000 award from the Filter First Health Hydration grant, and the second is a $600,000 award from the EPA Clean School Bus program. Because the awards were competitive and their outcomes were unknown when the original budget was approved, the District did not include them in its initial revenue projections. Once the awards were confirmed, the amounts were added to the final budget to reflect actual federal resources available for these projects.	
Variances - final budget to actual:	
There were no significant variances from final budget to actual.	

ANCHOR BAY SCHOOL DISTRICT

Notes to Required Supplementary Information

General Fund Budgetary Highlights

	Amount
Budgetary expenditures	
Variances - original budget to final budget:	
Instruction	$ 1,456,588
As discussed above the District received significant categorical revenues after the original budget was approved. When categorical grant funding reimburses expenses dollar for dollar, the grant doesn't just add revenue. It adds an equal amount of expenditure, and the budget has to show both sides. Accordingly, the categorical expenses were added to match the additional categorical revenues.	
Instructional support	1,019,089
As discussed above the District received significant state categorical revenues for early literacy and instructional coaches to support classroom instruction after the original budget was approved. The grant funding reimburses expenses dollar for dollar. Accordingly, the categorical expenses were added to match the additional categorical revenues.	
Variances - final budget to actual:	
There were no significant variances from final budget to actual.	
Budgetary other financing sources (uses)	
Variances - original budget to final budget:	
There were no significant variances from original to final budget.	
Variances - final budget to actual:	
There were no significant variances from final budget to actual.	

Notes to Required Supplementary Information

Pension Information

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2026 - There have been no material changes in the valuation assumptions.
- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

ANCHOR BAY SCHOOL DISTRICT

Notes to Required Supplementary Information

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB (Asset) Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2026 - Healthcare cost trend rates for pre-65 increased from 7.25% to 7.75%.
- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

COMBINING FUND
FINANCIAL STATEMENTS

ANCHOR BAY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2026

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ 291,653	$ -	$ -	$ 291,653
Investments	2,295,236	151,514	7,922,651	10,369,401
Accounts receivable	1,423	-	230	1,653
Due from other governments	315,512	644	-	316,156
Inventory	72,716	-	-	72,716
Prepaid expenses	10,942	500	-	11,442
Total assets	$ 2,987,482	$ 152,658	$ 7,922,881	$ 11,063,021
Liabilities				
Accounts payable	$ 3,139	$ 5,435	$ 1,465,541	$ 1,474,115
Accrued liabilities	9,027	-	-	9,027
Salaries and benefits payable	18,249	-	-	18,249
Unearned revenue	43,753	-	-	43,753
Total liabilities	74,168	5,435	1,465,541	1,545,144
Fund balances				
Nonspendable	83,658	500	-	84,158
Restricted	2,003,260	146,723	6,457,340	8,607,323
Committed	826,396	-	-	826,396
Total fund balances	2,913,314	147,223	6,457,340	9,517,877
Total liabilities and fund balances	$ 2,987,482	$ 152,658	$ 7,922,881	$ 11,063,021

ANCHOR BAY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2026

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Local sources:				
Property taxes	$ -	$ 18,408,874	$ -	$ 18,408,874
Revenue in lieu of taxes	-	15,659	-	15,659
Earnings on investments	60,106	213,776	304,260	578,142
Food sales	442,671	-	-	442,671
Other local sources	2,492,057	-	1,203	2,493,260
State sources	1,836,517	-	-	1,836,517
Federal sources	2,155,490	-	-	2,155,490
Total revenues	6,986,841	18,638,309	305,463	25,930,613
Expenditures				
Food service	3,968,156	-	-	3,968,156
Student operations	104,802	-	-	104,802
Student activities	2,416,946	-	-	2,416,946
Debt service:				
Principal	-	11,828,107	-	11,828,107
Interest and fiscal charges	-	7,246,493	327	7,246,820
Bond issuance costs	-	-	104,256	104,256
Capital outlay	55,343	-	5,828,138	5,883,481
Total expenditures	6,545,247	19,074,600	5,932,721	31,552,568
Revenue over (under) expenditures	441,594	(436,291)	(5,627,258)	(5,621,955)
Other financing sources (uses)				
Issuance of bonds, notes, and other long-term liabilities	-	-	10,590,000	10,590,000
Premium on issuance of bonds payable	-	-	400,333	400,333
Transfers in	3,674	-	-	3,674
Transfers out	(200,000)	-	-	(200,000)
Total other financing sources (uses)	(196,326)	-	10,990,333	10,794,007
Net change in fund balances	245,268	(436,291)	5,363,075	5,172,052
Fund balances, beginning of year	2,668,046	583,514	1,094,265	4,345,825
Fund balances, end of year	$ 2,913,314	$ 147,223	$ 6,457,340	$ 9,517,877

ANCHOR BAY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds
June 30, 2026

	Food Service	Student Operations	Student Activities	Total
Assets				
Cash and cash equivalents	$ 88,568	$ 71,391	$ 131,694	$ 291,653
Investments	1,671,925	-	623,311	2,295,236
Due from other governments	315,512	-	-	315,512
Inventory	61,106	11,610	-	72,716
Prepaid expenses	10,942	-	-	10,942
Total assets	$ 2,149,476	$ 83,001	$ 755,005	$ 2,987,482
Liabilities				
Accounts payable	$ 3,139	$ -	$ -	$ 3,139
Accrued liabilities	9,027	-	-	9,027
Salaries and benefits payable	18,249	-	-	18,249
Unearned revenue	43,753	-	-	43,753
Total liabilities	74,168	-	-	74,168
Fund balances				
Nonspendable:				
Inventory	61,106	11,610	-	72,716
Prepaid	10,942	-	-	10,942
Restricted for food service	2,003,260	-	-	2,003,260
Committed for:				
Student activities	-	-	755,005	755,005
Student operations	-	71,391	-	71,391
Total fund balances	2,075,308	83,001	755,005	2,913,314
Total liabilities and fund balances	$ 2,149,476	$ 83,001	$ 755,005	$ 2,987,482

ANCHOR BAY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended June 30, 2026

	Food Service	Student Operations	Student Activities	Total
Revenues				
Local sources:				
Earnings on investments	$ 60,106	$ -	$ -	$ 60,106
Food sales	442,671	-	-	442,671
Other local sources	790	26,649	2,464,618	2,492,057
State sources	1,836,517	-	-	1,836,517
Federal sources	2,155,490	-	-	2,155,490
Total revenues	4,495,574	26,649	2,464,618	6,986,841
Expenditures				
Salaries	1,131,802	1,915	-	1,133,717
Benefits	606,527	-	-	606,527
Purchased services	66,587	171	-	66,758
Supplies and materials	2,141,320	21,836	2,416,946	4,580,102
Capital outlay	55,343	72,633	-	127,976
Other	21,920	8,247	-	30,167
Total expenditures	4,023,499	104,802	2,416,946	6,545,247
Revenues over (under) expenditures	472,075	(78,153)	47,672	441,594
Other financing sources (uses)				
Transfers in	-	3,674	-	3,674
Transfers out	(200,000)	-	-	(200,000)
Total other financing sources (uses)	(200,000)	3,674	-	(196,326)
Net change in fund balances	272,075	(74,479)	47,672	245,268
Fund balances, beginning of year	1,803,233	157,480	707,333	2,668,046
Fund balances, end of year	$ 2,075,308	$ 83,001	$ 755,005	$ 2,913,314

ANCHOR BAY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Debt Service Funds
June 30, 2026

	2017 Debt Service	2019 Debt Service	2020 Debt Service
Assets			
Investments	$ -	$ -	$ 151,514
Due from other governments	-	-	644
Prepaid expenses	-	-	500
Total assets	$ -	$ -	$ 152,658
Liabilities			
Accounts payable	$ -	$ -	$ 5,435
Fund balances			
Nonspendable	-	-	500
Restricted for debt service	-	-	146,723
Total fund balance	-	-	147,223
Total liabilities and fund balances	$ -	$ -	$ 152,658

2021 Debt Service	2023 Debt Service	2025 Debt Service	Total
$ -	$ -	$ -	$ 151,514
-	-	-	644
-	-	-	500
$ -	$ -	$ -	$ 152,658
$ -	$ -	$ -	$ 5,435
-	-	-	500
-	-	-	146,723
-	-	-	147,223
$ -	$ -	$ -	$ 152,658

ANCHOR BAY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds
For the Year Ended June 30, 2026

	2017 Debt Service	2019 Debt Service	2020 Debt Service
Revenues			
Local sources:			
Property taxes	$ 265,938	$ 301,469	$ 8,843,139
Revenue in lieu of taxes	-	-	15,659
Earnings on investments	-	-	213,776
Total revenues	265,938	301,469	9,072,574
Expenditures			
Debt service:			
Principal	-	-	8,000,000
Interest and fiscal charges	265,938	301,469	1,508,865
Total expenditures	265,938	301,469	9,508,865
Revenue over (under) expenditures	-	-	(436,291)
Net change in fund balances	-	-	(436,291)
Fund balances, beginning of year	-	-	583,514
Fund balances, end of year	$ -	$ -	$ 147,223

2021 Debt Service	2023 Debt Service	2025 Debt Service	Total
$ 3,400,000	$ 3,275,600	$ 2,322,728	$ 18,408,874
-	-	-	15,659
-	-	-	213,776
3,400,000	3,275,600	2,322,728	18,638,309
2,828,107	1,000,000	-	11,828,107
571,893	2,275,600	2,322,728	7,246,493
3,400,000	3,275,600	2,322,728	19,074,600
-	-	-	(436,291)
-	-	-	(436,291)
-	-	-	583,514
$ -	$ -	$ -	$ 147,223

ANCHOR BAY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Capital Project Funds
June 30, 2026

	2023 Capital Projects Fund	Capital Projects ESPC Fund	Capital Projects Millage Fund	Total
Assets				
Investments	$ 367,575	$ 7,550,075	$ 5,001	$ 7,922,651
Accounts receivable	-	230	-	230
Total assets	$ 367,575	$ 7,550,305	$ 5,001	$ 7,922,881
Liabilities				
Accounts payable	$ -	$ 1,465,541	$ -	$ 1,465,541
Fund balances				
Restricted for capital projects	367,575	6,084,764	5,001	6,457,340
Total liabilities and fund balances	$ 367,575	$ 7,550,305	$ 5,001	$ 7,922,881

ANCHOR BAY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Project Funds
For the Year Ended June 30, 2026

	2023 Capital Projects Fund	Capital Projects ESPC Fund	Capital Projects Millage Fund	Total
Revenues				
Local sources:				
Earnings on investments	$ 23,002	$ 281,063	$ 195	$ 304,260
Other local sources	-	1,203	-	1,203
Total revenues	23,002	282,266	195	305,463
Expenditures				
Capital outlay	744,459	5,083,579	100	5,828,138
Debt service:				
Interest and fiscal charges	327	-	-	327
Bond issuance costs	-	104,256	-	104,256
Total expenditures	744,786	5,187,835	100	5,932,721
Revenues over (under) expenditures	(721,784)	(4,905,569)	95	(5,627,258)
Other financing sources (uses)				
Issuance of bonds, notes, and other long-term liabilities	-	10,590,000	-	10,590,000
Premium on issuance of bonds payable	-	400,333	-	400,333
Total other financing sources (uses)	-	10,990,333	-	10,990,333
Net change in fund balances	(721,784)	6,084,764	95	5,363,075
Fund balances, beginning of year	1,089,359	-	4,906	1,094,265
Fund balances, end of year	$ 367,575	$ 6,084,764	$ 5,001	$ 6,457,340

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information (Unaudited)

Schedule of Outstanding Bonded Indebtedness

2017 Building and Site Bonds
Original amount of issue: $ 10,930,000
Interest rate: 3.00% to 3.375%

Year Ended June 30,	Principal Payments November 1st, May 1st	Interest Payments November 1st, May 1st	Total Fiscal Year Requirements
2027	$ -	$ 265,438	$ 265,438
2028	-	265,438	265,438
2029	-	265,438	265,438
2030	-	265,438	265,438
2031	-	265,438	265,438
2032	-	265,438	265,438
2033	-	265,438	265,438
2034	525,000	262,438	787,438
2035	525,000	246,688	771,688
2036	525,000	230,938	755,938
2037	540,000	215,188	755,188
2038	555,000	198,988	753,988
2039	575,000	181,769	756,769
2040	590,000	163,800	753,800
2041	605,000	145,363	750,363
2042	625,000	125,825	750,825
2043	645,000	105,513	750,513
2044	670,000	83,869	753,869
2045	690,000	61,256	751,256
2046	715,000	37,969	752,969
2047	510,000	13,838	523,838
	$ 8,295,000	$ 3,931,508	$ 12,226,508

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information (Unaudited)

Schedule of Outstanding Bonded Indebtedness

2019 Building and Site Bonds
Original amount of issue: $ 11,605,000
Interest rate: 3.00% to 5.00%

Year Ended June 30,	Principal Payments May 1st	Interest Payments November 1st, May 1st	Total Fiscal Year Requirements
2027	$ -	$ 300,968	$ 300,968
2028	-	300,968	300,968
2029	-	300,968	300,968
2030	-	300,968	300,968
2031	-	300,968	300,968
2032	-	300,968	300,968
2033	-	300,968	300,968
2034	370,000	295,418	665,418
2035	390,000	289,868	679,868
2036	420,000	277,194	697,194
2037	435,000	263,544	698,544
2038	450,000	248,862	698,862
2039	465,000	233,676	698,676
2040	480,000	217,400	697,400
2041	500,000	200,000	700,000
2042	515,000	181,876	696,876
2043	535,000	163,206	698,206
2044	545,000	143,812	688,812
2045	570,000	123,376	693,376
2046	590,000	102,000	692,000
2047	845,000	79,876	924,876
2048	1,285,000	43,500	1,328,500
	$ 8,395,000	$ 4,970,384	$ 13,365,384

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information (Unaudited)

Schedule of Outstanding Bonded Indebtedness

2020 Refunding Bonds
Original amount of issue: $ 96,640,000
Interest rate: 1.00% to 2.31%

Year Ended June 30,	Principal Payments November 1st, May 1st	Interest Payments November 1st, May 1st	Total Fiscal Year Requirements
2027	$ 8,135,000	$ 1,385,226	$ 9,520,226
2028	8,295,000	1,271,022	9,566,022
2029	8,475,000	1,134,425	9,609,425
2030	8,730,000	943,366	9,673,366
2031	9,000,000	763,576	9,763,576
2032	9,220,000	587,058	9,807,058
2033	9,575,000	403,466	9,978,466
2034	10,355,000	203,201	10,558,201
	$ 71,785,000	$ 6,691,340	$ 78,476,340

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information (Unaudited)

Schedule of Outstanding Bonded Indebtedness

2023 School Building and Site and Refunding Bonds
Original amount of issue: $ 47,175,000
Interest rate: 4.125% to 5.00%

Year Ended June 30,	Principal Payments November 1st, May 1st	Interest Payments November 1st, May 1st	Total Fiscal Year Requirements
2027	$ 2,970,000	$ 2,210,100	$ 5,180,100
2028	2,760,000	2,059,600	4,819,600
2029	4,130,000	1,923,600	6,053,600
2030	4,895,000	1,732,100	6,627,100
2031	2,310,000	1,487,350	3,797,350
2032	2,300,000	1,371,850	3,671,850
2033	2,255,000	1,256,850	3,511,850
2034	-	1,144,100	1,144,100
2035	2,000,000	1,119,100	3,119,100
2036	2,030,000	1,016,600	3,046,600
2037	2,140,000	912,600	3,052,600
2038	2,250,000	803,100	3,053,100
2039	2,380,000	685,600	3,065,600
2040	2,495,000	579,100	3,074,100
2041	2,625,000	454,350	3,079,350
2042	2,735,000	341,694	3,076,694
2043	2,875,000	228,875	3,103,875
2044	3,025,000	107,313	3,132,313
	$ 46,175,000	$ 19,433,882	$ 65,608,882

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information (Unaudited)

Schedule of Outstanding Bonded Indebtedness

2025 School Building and Site and Refunding Bonds, Series II
Original amount of issue: $ 53,260,000
Interest rate: 5.00%

Year Ended June 30,	Principal Payments November 1st, May 1st	Interest Payments November 1st, May 1st	Total Fiscal Year Requirements
2027	$ 100,000	$ 2,660,500	$ 2,760,500
2028	-	2,658,000	2,658,000
2029	-	2,658,000	2,658,000
2030	400,000	2,658,000	3,058,000
2031	500,000	2,638,000	3,138,000
2032	-	2,613,000	2,613,000
2033	-	2,613,000	2,613,000
2034	450,000	2,613,000	3,063,000
2035	1,145,000	2,561,875	3,706,875
2036	1,275,000	2,501,375	3,776,375
2037	1,300,000	2,469,500	3,769,500
2038	1,365,000	2,404,500	3,769,500
2039	1,405,000	2,336,250	3,741,250
2040	1,470,000	2,266,000	3,736,000
2041	1,540,000	2,192,500	3,732,500
2042	1,625,000	2,115,500	3,740,500
2043	1,680,000	2,034,250	3,714,250
2044	1,740,000	1,950,250	3,690,250
2045	4,970,000	1,850,750	6,820,750
2046	3,320,000	1,602,250	4,922,250
2047	3,300,000	1,423,750	4,723,750
2048	3,400,000	1,258,750	4,658,750
2049	3,500,000	1,088,750	4,588,750
2050	3,600,000	913,750	4,513,750
2051	3,700,000	733,750	4,433,750
2052	3,800,000	548,750	4,348,750
2053	3,900,000	358,750	4,258,750
2054	1,975,000	163,750	2,138,750
2055	1,800,000	45,000	1,845,000
	$ 53,260,000	$ 53,931,500	$ 107,191,500

ANCHOR BAY SCHOOL DISTRICT

Other Supplementary Information (Unaudited)

Schedule of Outstanding Bonded Indebtedness

2025 Energy Conservation Improvement Bonds
Original amount of issue: $ 10,590,000
Interest rate: 4.00 to 5.00%

Year Ended June 30,	Principal Payments May 1st	Interest Payments May 1st	Total Fiscal Year Requirements
2027	$ 335,000	$ 470,650	$ 805,650
2028	355,000	453,900	808,900
2029	370,000	436,150	806,150
2030	390,000	417,650	807,650
2031	410,000	398,150	808,150
2032	430,000	377,650	807,650
2033	450,000	356,150	806,150
2034	475,000	333,650	808,650
2035	495,000	309,900	804,900
2036	520,000	285,150	805,150
2037	550,000	259,150	809,150
2038	575,000	231,650	806,650
2039	600,000	208,650	808,650
2040	625,000	183,900	808,900
2041	650,000	157,338	807,338
2042	675,000	129,713	804,713
2043	705,000	100,181	805,181
2044	735,000	68,456	803,456
2045	765,000	35,381	800,381
	$ 10,110,000	$ 5,213,419	$ 15,323,419

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