# Ypsilanti Community Schools

## Financial Statements

## June 30, 2026



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# Ypsilanti Community Schools
## Members of the Board of Education and Administration
## June 30, 2026

### Members of the Board of Education

| | |
|---|---|
| Dr. Celeste Hawkins | President |
| Sharon Lee | Vice President |
| Talisha Sutton-Kennedy | Secretary |
| M. Jeanice Townsend | Treasurer |
| Yvonne Fields | Trustee |
| Dawn Espy | Trustee |
| Maria Goodrich | Trustee |

### Administration

| | |
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| Alena Zachery-Ross, Ed. D | Superintendent |
| Barbara Boone | Director of Business and Finance |

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# Independent Auditors' Report

Management and the Board of Education
Ypsilanti Community Schools
Ypsilanti, Michigan

## Report on the Audit of the Financial Statements

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ypsilanti Community Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Ypsilanti Community Schools' basic financial statements as listed in the table of contents.

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

### Basis for Opinions

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

### Adoption of New Accounting Standard

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

### Responsibilities of Management for the Financial Statements

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ypsilanti Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ypsilanti Community Schools' ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

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

other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Supplementary Information**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2026 on our consideration of Ypsilanti Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ypsilanti Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ypsilanti Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
November 2, 2026

# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Ypsilanti Community Schools (the "School District"), we offer readers this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2026. This management's discussion and analysis should be read in conjunction with the School District's basic financial statements and accompanying notes.

**Overview of the Financial Statements**

This discussion and analysis introduces the School District's basic financial statements. The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. Required and other supplementary information is also presented following the basic financial statements.

**Government-wide Financial Statements**

The government-wide financial statements provide a broad overview of the School District's financial position and activities using accounting methods similar to those used by private-sector businesses.

The statement of net position presents the School District's assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as net position. The statement of activities presents changes in net position during the fiscal year. Revenues and expenses are recognized when the underlying transaction or event occurs, regardless of when the related cash flows take place. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

All activities of the School District are reported as governmental activities. Those activities include instruction, supporting services, food services, community services and interest and other fiscal charges. Revenues related to those functions are shown on the statement of activities; interest and other fiscal charges do not have any direct charges for services. The School District does not report business-type activities

**Fund Financial Statements**

Fund financial statements provide more detailed information about the School District's individual funds that have been segregated for specific activities or objectives. Governmental funds focus on near-term inflows and outflows of spendable resources and balances available at fiscal year-end. Reconciliations are provided between the governmental fund statements and the government-wide statements. The fund financial information is useful in evaluating a government's near-term financing requirements.

The School District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for major funds which are significant to the School District's operations. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplementary information in the financial statements.

For 2026, the School District reports the General Fund, Ypsilanti Debt Service Fund, and Sinking Fund as major governmental funds. The Ypsilanti Debt Service Fund was previously reported as nonmajor and is presented as a major fund in 2026.

## Financial Summary

The following table summarizes the School District's government-wide financial position:

| | 2026 | 2025 |
|---|---|---|
| **Assets** | | |
| Current and other assets | $ 49,698,654 | $ 43,364,263 |
| Capital assets, net | 43,337,639 | 42,048,865 |
| Total assets | 93,036,293 | 85,413,128 |
| **Deferred Outflows of Resources** | 28,035,307 | 28,772,782 |
| **Liabilities** | | |
| Current and other liabilities | 11,938,599 | 11,561,832 |
| Long-term liabilities | 92,061,325 | 111,050,396 |
| Total liabilities | 103,999,924 | 122,612,228 |
| **Deferred Inflows of Resources** | 38,927,751 | 42,064,540 |
| **Net Position** | | |
| Net investment in capital assets | 15,849,859 | 5,297,898 |
| Restricted | 22,394,014 | 20,519,425 |
| Unrestricted | (60,099,948) | (76,308,181) |
| Total net position | $ (21,856,075) | $ (50,490,858) |

The School District's total net position improved by $28,634,783 during 2026, from a deficit of $50,490,858 at June 30, 2025 to a deficit of $21,856,075 at June 30, 2026. The improvement reflects the current-year excess of revenues over expenses reported in the statement of activities.

The School District continues to report a substantial unrestricted net position deficit. Unrestricted net position improved from a deficit of $76,308,181 in 2025 to a deficit of $60,099,948 in 2026. A significant component of government-wide liabilities is the School District's proportionate share of the MPSERS net pension liability, which decreased from $69,163,257 to $61,265,929. The net OPEB asset increased from $12,617,401 to $14,417,075. The School District continues to report a substantial unrestricted net position deficit, which is significantly affected by its participation in MPSERS and the resulting recognition of pension-related liabilities and deferred resource amounts at the government-wide level.

Net investment in capital assets increased from $5,297,898 to $15,849,859. Net capital assets increased by $1,288,774, while outstanding bonded debt decreased from $36,210,000 to $26,990,000 following current-year debt activity, including the issuance of the 2026 general obligation refunding bonds.

## Detailed Analyses

### Government-wide Activities

The following summarizes the School District's government-wide revenues and expenses:

| | 2026 | 2025 |
|---|---|---|
| **Revenues** | | |
| Program revenues | | |
| Charges for services | $ 1,545,952 | $ 882,433 |
| Operating grants and contributions | 49,954,414 | 36,604,755 |
| Capital grants and contributions | 7,382,708 | 744,644 |
| General revenues | | |
| Property taxes | 29,013,814 | 27,683,704 |
| Unrestricted state school aid | 24,634,087 | 23,421,449 |
| Gain on sale of capital assets | - | 600,000 |
| Insurance recoveries | - | 95,617 |
| Other | 14,146,857 | 10,052,356 |
| Total revenues | 126,677,832 | 100,084,958 |
| **Expenses** | | |
| Instruction | 43,487,843 | 39,866,270 |
| Supporting services | 48,879,144 | 46,161,753 |
| Food services | 3,673,992 | 3,669,520 |
| Community services | 701,367 | 1,087,522 |
| Other | 1,300,703 | 1,302,355 |
| Total expenses | 98,043,049 | 92,087,420 |
| **Change in net position** | 28,634,783 | 7,997,538 |
| Net position - beginning | (50,490,858) | (58,488,396) |
| **Net position - ending** | $ (21,856,075) | $ (50,490,858) |

Total revenues increased 27% or $26,592,874 to $126,677,832. Operating grants and contributions increased from $36,604,755 to $49,954,414, capital grants and contributions increased from $744,644 to $7,382,708, and general revenues increased from $61,853,126 to $67,794,758.

Operating grants and contributions and capital grants and contributions increased from 2025 primarily due to increases in restricted funding and State PA 321 funding which will be used for recruiting and retaining qualified teachers, aid in recruiting and retaining students and improve the School District's infrastructure, furniture, and technology. The increase in other revenue included approximately $8 million of additional Act 18 funding.

Total governmental activities expenses increased 6% from $92,087,420 to $98,043,049. The most significant expenses changed as follows: instruction expense increased from $39,866,270 to $43,487,843, supporting services increased from $46,161,753 to $48,879,144, and food service expenses increased from $3,669,520 to $3,673,992.

General Fund expenditures increased from the prior year primarily due to higher instructional and student support costs, including salaries, benefits, and contracted services associated with instructional staffing and specialized student services. Expenditures were also impacted by PA 321 funding, which supported initiatives to recruit and retain students and certified teachers and to improve building infrastructure and technology. Increased spending for added-needs instruction and pupil support services reflected continued investment in staffing, contracted services, and programs designed to address student learning and service needs.

As a result, the School District reported a $28,634,783 increase in net position for 2026 compared with a $7,997,538 increase in 2025.

### Governmental Funds

At June 30, 2026, governmental funds reported combined ending fund balances of $22,897,841, an increase of $4,980,693 from the prior-year combined balance of $17,917,148. The School District's unassigned fund balance can be a useful measure of the School District's net resources available for spending in a future fiscal year. The School District reported an unassigned fund balance at June 30, 2026 of $14,319,252.

The General Fund ended the year with total fund balance of $14,492,020, compared with $9,580,025 at June 30, 2025. The $4,911,995 increase resulted from revenues and other financing sources exceeding expenditures. General Fund revenues were $108,803,004, expenditures were $104,867,669, and other financing sources were $976,660.

State-source revenue increased from $44,059,795 to $64,484,503, and interdistrict revenue increased from $8,228,786 to $12,105,005. Federal revenue decreased modestly from $14,321,666 to $13,783,906.

The Sinking Fund ended 2026 with fund balance of $5,790,156, an increase of $1,014,224. The Ypsilanti Debt Service Fund ended the year with fund balance of $1,040,612 after significant current-year refunding activity. The Ypsilanti Debt Service Fund was reported as a nonmajor governmental fund for the year ended June 30, 2025. In 2026, activity associated with the refunding of the 2016 Refunding Bonds, Series A resulted in the fund meeting the criteria for presentation as a major governmental fund.

**General Fund Budgetary Results**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted before the 2025-26 year end. A statement showing the School District's original and final budget amounts compared with amounts actually recorded as revenue and expenditures is provided in the accompanying basic financial statements.

Actual General Fund revenues of $108,803,004 exceeded the final amended budget of $99,455,452 by $9,347,552. State-source revenue exceeded the final budget by $18,360,842, partially offset by local-source revenue that was $6,835,225 below budget and interdistrict revenue $2,677,013 below budget.

The local and state revenue variances were affected by the classification of PA-321 funding. The final budget anticipated reporting that funding as a local source, while it was appropriately reported as state-source revenue. State revenue also included greater-than-anticipated state aid and restricted funding. Interdistrict revenue was below the final budget because funding available at year-end was less than anticipated.

Actual General Fund expenditures were $104,867,669, or $4,988,199 above the final amended budget. Significant unfavorable variances occurred in basic programs and pupil support services, principally from greater-than-anticipated employment, salary and benefit costs and costs related to social and counseling services.

Despite these variances, the General Fund generated a $4,911,995 increase in fund balance and ended the year with fund balance of $14,492,020.

**Significant Capital Asset and Long-Term Financing Activity**

| | Capital Assets (Net of Depreciation) | |
|---|---|---|
| | 2026 | 2025 |
| Land | $ 811,830 | $ 811,830 |
| Land improvements | 4,390,996 | 2,530,544 |
| Buildings and improvements | 36,003,159 | 37,074,262 |
| Furniture and equipment | 895,033 | 1,058,448 |
| Right to use asset - vehicles | 161,149 | 399,185 |
| Vehicles | 1,075,472 | 174,596 |
| Total capital assets, net | $ 43,337,639 | $ 42,048,865 |

The School District reported $43,337,639 of net capital assets at June 30, 2026, compared with $42,048,865 at June 30, 2025. During 2026, the School District added $5,243,979 of capital assets and recorded

$3,955,205 of depreciation and amortization expense. Significant additions included $2,233,631 of land improvements and $1,965,900 of buildings and improvements.

During 2026, the School District issued $13,820,000 of general obligation refunding bonds with a stated interest rate of 5 percent to refund the 2016 Refunding Bonds, Series A. The School District ended the year with $26,990,000 of general obligation bonded debt, compared with $36,210,000 at June 30, 2025.

The School District also entered into $956,414 of new notes and loans related to the purchase of buses. Total long-term obligations, including bonds, notes payable, leases, and compensated absences, were $30,795,396 at June 30, 2026.

**Currently Known Facts, Decisions, or Conditions**

The following factors were also considered in preparing the School District's budget for the 2026-27 fiscal year:

- Student enrollment remains a significant factor in the School District's financial outlook. State foundation revenue is largely driven by pupil enrollment and the applicable per-pupil foundation allowance. The 2026-27 budget was developed using the School District's best estimate of student enrollment based on historical trends and anticipated student recruitment efforts for the upcoming school year. Because the State's budget had not been finalized when the School District adopted its budget, the original budget assumed the same foundation allowance used in the 2025-26 budget.
- The School District continues to rely significantly on state funding for General Fund operations. Because the School District has limited ability under state law to generate additional property tax revenue for general operations, its financial position remains closely tied to state funding levels and its ability to maintain student enrollment.

**Requests for Information**

This financial report is designed to provide a general overview of the School District's finances for those with an interest in its financial position and activities. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Office of Business and Finance, 1885 Packard Road, Ypsilanti, Michigan 48197.

# BASIC FINANCIAL STATEMENTS

# Ypsilanti Community Schools
## Statement of Net Position
## June 30, 2026

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash | $ 10,708,880 |
| Accounts receivable | 258,482 |
| Due from other governmental units | 24,277,034 |
| Prepaid items | 37,183 |
| Capital assets not being depreciated | 811,830 |
| Capital assets - net of accumulated depreciation | 42,525,809 |
| Net OPEB asset | 14,417,075 |
| Total assets | 93,036,293 |
| **Deferred Outflows of Resources** | |
| Deferred amount on debt refunding | 1,169,518 |
| Deferred amount relating to the net pension liability | 24,034,912 |
| Deferred amount relating to the net OPEB asset | 2,830,877 |
| Total deferred outflows of resources | 28,035,307 |
| **Liabilities** | |
| Accounts payable | 3,367,335 |
| Due to other governmental units | 1,781,760 |
| Accrued expenditures | 188,589 |
| Accrued salaries payable | 5,168,998 |
| Unearned revenue | 1,431,917 |
| Long-term liabilities | |
| Net pension liability | 61,265,929 |
| Due within one year | 10,079,925 |
| Due in more than one year | 20,715,471 |
| Total liabilities | 103,999,924 |

See Accompanying Notes to the Financial Statements

# Ypsilanti Community Schools
## Statement of Net Position
## June 30, 2026

| | Governmental Activities |
|---|---|
| **Deferred Inflows of Resources** | |
| Deferred amount on debt refunding | 1,205,342 |
| Deferred amount relating to the net pension liability | 24,976,602 |
| Deferred amount relating to the net OPEB asset | 12,745,807 |
| Total deferred inflows of resources | 38,927,751 |
| **Net Position** | |
| Net investment in capital assets | 15,849,859 |
| Restricted for | |
| Food service | 553,125 |
| Debt service | 1,633,658 |
| Capital projects | 5,790,156 |
| Net OPEB asset | 14,417,075 |
| Unrestricted | (60,099,948) |
| Total net position | $ (21,856,075) |

See Accompanying Notes to the Financial Statements

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

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| Governmental activities | | | | | |
| Instruction | $ 43,487,843 | $ - | $ 23,493,984 | $ 2,300,000 | $ (17,693,859) |
| Supporting services | 48,879,144 | 1,416,566 | 22,432,947 | 5,082,708 | (19,946,923) |
| Food services | 3,673,992 | 39,386 | 3,784,076 | - | 149,470 |
| Community services | 701,367 | 90,000 | 243,407 | - | (367,960) |
| Interest and fiscal charges on long-term debt | 1,300,703 | - | - | - | (1,300,703) |
| Total governmental activities | $ 98,043,049 | $ 1,545,952 | $ 49,954,414 | $ 7,382,708 | (39,159,975) |
| General revenues | | | | | |
| Property taxes, levied for general purposes | | | | | 14,636,730 |
| Property taxes, levied for debt service | | | | | 9,007,887 |
| Property taxes, levied for sinking fund | | | | | 5,369,197 |
| Special education millage | | | | | 12,015,005 |
| State aid - unrestricted | | | | | 24,634,087 |
| Interest and investment earnings | | | | | 755,915 |
| Other | | | | | 1,375,937 |
| Total general revenues | | | | | 67,794,758 |
| Change in net position | | | | | 28,634,783 |
| Net position - beginning | | | | | (50,490,858) |
| Net position - ending | | | | | $ (21,856,075) |

See Accompanying Notes to the Financial Statements

# Ypsilanti Community Schools
## Governmental Funds
## Balance Sheet
## June 30, 2026

| | General Fund | Debt Service Fund: Ypsilanti Debt Service Fund | Capital Projects Fund: Sinking Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | $ 1,727,295 | $ 1,036,580 | $ 6,489,458 | $ 1,455,547 | $ 10,708,880 |
| Accounts receivable | 249,040 | 4,032 | 3,715 | 1,695 | 258,482 |
| Due from other governmental units | 23,721,192 | - | - | 555,842 | 24,277,034 |
| Prepaid items | 37,183 | - | - | - | 37,183 |
| Total assets | $ 25,734,710 | $ 1,040,612 | $ 6,493,173 | $ 2,013,084 | $ 35,281,579 |
| **Liabilities** | | | | | |
| Checks issued in excess of deposits | $ - | $ - | $ - | $ 135,585 | $ 135,585 |
| Accounts payable | 2,226,287 | - | 703,017 | 302,446 | 3,231,750 |
| Due to other governmental units | 1,781,760 | - | - | - | 1,781,760 |
| Accrued salaries payable | 5,168,998 | - | - | - | 5,168,998 |
| Unearned revenue | 1,431,917 | - | - | - | 1,431,917 |
| Total liabilities | 10,608,962 | - | 703,017 | 438,031 | 11,750,010 |

See Accompanying Notes to the Financial Statements

# Ypsilanti Community Schools
## Governmental Funds
## Balance Sheet
## June 30, 2026

| | General Fund | Debt Service Fund: Ypsilanti Debt Service Fund | Capital Projects Fund: Sinking Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Deferred Inflows of Resources** | | | | | |
| Unavailable revenue | | | | | |
| Grants received | 633,728 | - | - | - | 633,728 |
| **Fund Balances** | | | | | |
| Non-spendable | | | | | |
| Prepaid items | 37,183 | - | - | - | 37,183 |
| Restricted for | | | | | |
| Food service | - | - | - | 553,125 | 553,125 |
| Debt service | - | 1,040,612 | - | 781,635 | 1,822,247 |
| Capital projects | - | - | 5,790,156 | - | 5,790,156 |
| Committed | - | - | - | 375,878 | 375,878 |
| Unassigned (deficit) | 14,454,837 | - | - | (135,585) | 14,319,252 |
| Total fund balances (deficit) | 14,492,020 | 1,040,612 | 5,790,156 | 1,575,053 | 22,897,841 |
| Total liabilities, deferred inflows of resources, and fund balances (deficit) | $ 25,734,710 | $ 1,040,612 | $ 6,493,173 | $ 2,013,084 | $ 35,281,579 |

See Accompanying Notes to the Financial Statements

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

| | |
|---|---|
| **Total fund balances for governmental funds** | $ 22,897,841 |
| Total net position for governmental activities in the statement of net position is different because: | |
| Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds. | |
| Other governmental units | 633,728 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Capital assets not being depreciated | 811,830 |
| Capital assets - net of accumulated depreciation | 42,525,809 |
| Net OPEB asset is not recorded as an asset in the governmental funds | 14,417,075 |
| Deferred outflows (inflows) of resources | |
| Deferred outflows of resources resulting from debt refunding | 1,169,518 |
| Deferred outflows of resources resulting from the net pension liability | 24,034,912 |
| Deferred outflows of resources resulting from the net OPEB asset | 2,830,877 |
| Deferred inflows of resources resulting from debt refunding | (1,205,342) |
| Deferred inflows of resources resulting from the net pension liability | (24,976,602) |
| Deferred inflows of resources resulting from the net OPEB asset | (12,745,807) |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (188,589) |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. | |
| Net pension liability | (61,265,929) |
| Compensated absences | (2,138,098) |
| Bonds payable | (27,712,155) |
| Other loans payable and liabilities | (945,143) |
| **Net position of governmental activities** | $ (21,856,075) |

See Accompanying Notes to the Financial Statements

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

| | General Fund | Formerly Nonmajor Fund: Debt Service Fund — Ypsilanti Debt Service Fund | Capital Projects Fund — Sinking Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Local sources | $ 18,429,590 | $ 5,315,949 | $ 5,451,057 | $ 4,153,733 | $ 33,350,329 |
| State sources | 64,484,503 | - | - | 331,568 | 64,816,071 |
| Federal sources | 13,783,906 | - | - | 3,452,508 | 17,236,414 |
| Interdistrict sources | 12,105,005 | - | - | - | 12,105,005 |
| Total revenues | 108,803,004 | 5,315,949 | 5,451,057 | 7,937,809 | 127,507,819 |
| **Expenditures** | | | | | |
| Current | | | | | |
| Education | | | | | |
| Instruction | 47,811,105 | - | - | - | 47,811,105 |
| Supporting services | 53,125,729 | - | 525,916 | 238,550 | 53,890,195 |
| Food services | - | - | - | 4,067,015 | 4,067,015 |
| Community services | 799,623 | - | - | - | 799,623 |
| Intergovernmental payments | 110,721 | - | - | - | 110,721 |
| Facilities acquisition | - | - | 3,910,917 | - | 3,910,917 |
| Capital outlay | 2,571,758 | - | - | - | 2,571,758 |
| Debt service | | | | | |
| Principal | 427,893 | 4,420,000 | - | 3,445,000 | 8,292,893 |
| Interest and other expenditures | 20,840 | 736,019 | - | 379,306 | 1,136,165 |
| Payment to bond refunding escrow agent | - | 15,455,549 | - | - | 15,455,549 |
| Total expenditures | 104,867,669 | 20,611,568 | 4,436,833 | 8,129,871 | 138,045,941 |
| Excess (deficiency) of revenues over expenditures | 3,935,335 | (15,295,619) | 1,014,224 | (192,062) | (10,538,122) |

See Accompanying Notes to the Financial Statements

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

| | General Fund | Formerly Nonmajor Fund: Debt Service Fund — Ypsilanti Debt Service Fund | Capital Projects Fund — Sinking Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Other Financing Sources** | | | | | |
| Proceeds from issuance of bonds | - | 13,820,000 | - | - | 13,820,000 |
| Premium on issuance of bonds | - | 722,155 | - | - | 722,155 |
| Proceeds from notes and loans | 956,414 | - | - | - | 956,414 |
| Insurance recoveries | 20,246 | - | - | - | 20,246 |
| Total other financing sources | 976,660 | 14,542,155 | - | - | 15,518,815 |
| Net change in fund balances | 4,911,995 | (753,464) | 1,014,224 | (192,062) | 4,980,693 |
| Fund balances - beginning, as previously presented | 9,580,025 | - | 4,775,932 | 3,561,191 | 17,917,148 |
| Change within financial reporting entity (nonmajor to major fund) | - | 1,794,076 | - | (1,794,076) | - |
| Fund balances - beginning, as adjusted | 9,580,025 | 1,794,076 | 4,775,932 | 1,767,115 | 17,917,148 |
| Fund balances - ending | $ 14,492,020 | $ 1,040,612 | $ 5,790,156 | $ 1,575,053 | $ 22,897,841 |

See Accompanying Notes to the Financial Statements

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

| | | |
|---|---|---|
| **Net change in fund balances - Total governmental funds** | $ | 4,980,693 |
| Total change in net position reported for governmental activities in the statement of activities is different because: | | |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | | |
| Operating grants | | (850,233) |
| 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 expense. | | |
| Depreciation and amortization expense | | (3,955,205) |
| Capital outlay | | 5,243,979 |
| Expenses are recorded when incurred in the statement of activities. | | |
| Interest | | 27,490 |
| Compensated absences | | 1,618,612 |
| The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions. | | |
| Net change in net pension liability | | 7,897,328 |
| Net change in deferrals of resources related to the net pension liability | | 311,231 |
| The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB changes. However, the amount recorded on the governmental funds equals actual OPEB contributions. | | |
| Net change in net OPEB asset | | 1,799,674 |
| Net change in deferrals of resources related to the net OPEB asset | | 3,503,369 |

See Accompanying Notes to the Financial Statements

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

Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balances. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

| | |
|---|---|
| Debt issued | (15,498,569) |
| Repayments of long-term debt | 8,292,893 |
| Payment to bond refunding escrow agent | 15,455,549 |
| Amortization of premiums | 17,916 |
| Amortization of deferred amount on debt refunding | (209,944) |
| **Change in net position of governmental activities** | $ 28,634,783 |

See Accompanying Notes to the Financial Statements

## Note 1 - Summary of Significant Accounting Policies

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

### Reporting Entity

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

### District-wide Financial Statements

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

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

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

### Fund Financial Statements

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

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

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

The School District reports the following major governmental funds:

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

*Ypsilanti Debt Service Fund* – The Ypsilanti Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest, the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of debt.

*Capital Projects Fund – Sinking Fund* – The Sinking Fund is used to record taxes received for the specific purpose of utilizing those funds to make major capital repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Food Service Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for food service. The Student and School Activity Fund is used to account for and report the proceeds of specific revenue sources that are committed to expenditure for student and school activities. Operating deficits generated by these activities are generally transferred from the General Fund.

*Willow Run Debt Service Fund* – The Willow Run Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest, the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of debt.

*Capital Projects Fund – Lighting Project Fund* – The Lighting Project Fund is used to record loan proceeds or other revenue and the disbursement of invoices specifically for energy improvements. The fund is kept open until the purpose for which the fund was created has been accomplished.

**Assets, Liabilities and Net Position or Fund Balance**

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

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

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

| | |
|---|---|
| General Fund | |
| Non-principal residence exemption | 18.0000 |
| Commercial personal property | 6.0000 |
| Debt Service Fund | |
| Ypsilanti | 4.1000 |
| Willow Run | 6.7500 |
| Sinking Fund | 2.8586 |

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School

District's boundaries. 100% of the School District's tax roll lies within Washtenaw County.

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

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

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

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

| | |
|---|---|
| Buildings and additions | 20 - 50 years |
| Land improvements | 20 - 50 years |
| Equipment and furniture | 5 - 10 years |
| Buses and other vehicles | 5 - 10 years |

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

*Compensated Absences* – The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual, sick and vacation leave balances. Employees are able to accrue days earned and use them when applicable. The liability for the accumulated vacation time is calculated based on the time that will be used or paid out in the future and the accumulated sick time is based on the time anticipated to be used in the future.

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

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

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

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

*Deferred Inflows of Resources* – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining service lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Note 2 - Stewardship, Compliance, and Accountability

### Excess of Expenditures over Appropriations

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

| Function | Final Budget | Amount of Expenditures | Budget Variances |
|---|---|---|---|
| General Fund | | | |
| Basic programs | $ 31,529,246 | $ 34,093,195 | $ 2,563,949 |
| Pupil | 6,654,897 | 9,201,565 | 2,546,668 |
| Student/School Activity Fund | - | 238,550 | 238,550 |

### Fund Deficits

The School District has an accumulated fund balance deficit in the Capital Projects Lighting Project Fund of $135,585 as of June 30, 2026. The General Fund covers any deficit in this fund.

### Compliance - Sinking Funds

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code.

## Note 3 - Deposits and Investments

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

| | |
|---|---|
| Cash | $ 10,708,880 |
| Checks issued in excess of deposits | (135,585) |
| Total | $ 10,573,295 |

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

| | |
|---|---|
| Deposits (checking, savings accounts, money markets, certificates of deposit) | $ 271,069 |
| Investments in securities, mutual funds, and similar vehicles | 10,301,434 |
| Petty cash and cash on hand | 792 |
| Total | $ 10,573,295 |

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

| Investment | Carrying Value | Maturities | Rating | Rating Organization |
|---|---|---|---|---|
| External investment pools: | | | | |
| Michigan Liquid Asset Fund (MILAF): | | | | Standard & |
| MILAF + Portfolio | | 6 months | AAAm | Poor's |
| Cash Management Class | $ 3,082,605 | average | | |
| | | 6 months | | Standard & |
| MAX Class | 7,218,829 | average | AAAm | Poor's |
| | $ 10,301,434 | | | |

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

As of June 30, 2026, the net asset value of the School District's investment in MILAF + Portfolio was $10,301,434. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the School District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated

as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of $1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

*Interest rate risk* - In accordance with its investment policy, the School District manages its exposure to declines in fair values by maintaining an acceptable level of liquidity in those investments to meet the School District's operating needs.

*Credit risk* - State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

*Custodial credit risk - deposits* - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, $14,191 of the School District's bank balance of $292,759 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk - investments* - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, $10,301,434 of the School District's investments was exposed to custodial credit risk.

## Note 4 - Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental activities** | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 811,830 | $ - | $ - | $ 811,830 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 165,795,964 | 1,965,900 | - | 167,761,864 |
| Land improvements | 6,248,982 | 2,233,631 | - | 8,482,613 |
| Furniture and equipment | 3,165,711 | 22,755 | - | 3,188,466 |
| Vehicles | 3,365,848 | 1,021,693 | - | 4,387,541 |
| Right to use asset - vehicles | 2,045,419 | - | 1,535,795 | 509,624 |
| Total capital assets being depreciated | 180,621,924 | 5,243,979 | 1,535,795 | 184,330,108 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 128,721,702 | 3,037,003 | - | 131,758,705 |
| Land improvements | 3,718,438 | 373,179 | - | 4,091,617 |
| Furniture and equipment | 2,107,263 | 186,170 | - | 2,293,433 |
| Vehicles | 3,191,252 | 120,817 | - | 3,312,069 |
| Right to use asset - vehicles | 1,646,234 | 238,036 | 1,535,795 | 348,475 |
| Total accumulated depreciation | 139,384,889 | 3,955,205 | 1,535,795 | 141,804,299 |
| Net capital assets being depreciated | 41,237,035 | 1,288,774 | - | 42,525,809 |
| Net capital assets | $42,048,865 | $ 1,288,774 | $ - | $ 43,337,639 |

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

| | |
|---|---|
| **Governmental activities** | |
| Instruction | $ 1,740,290 |
| Supporting services | 2,017,155 |
| Food services | 158,208 |
| Community services | 39,552 |
| Total governmental activities | $ 3,955,205 |

## Note 5 - Unearned Revenue

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

| | |
|---|---|
| Grant and categorical aid payments received prior to meeting all eligibility requirements | $ 1,431,917 |

## Note 6 - Leases

### Lease Liability

During the previous fiscal year, the School District entered into various leases for school buses with durations ranging from three to five years. An initial lease liability was recorded in the amount of $265,161 for the year ended June 30, 2025. As of June 30, 2026, the value of the lease liability was $88,298. The School District is required to make annual principal and interest payments of $88,298 with interest of $4,981. The lease has an interest rate of 5.5%. The value of the right-to-use asset as of the end of the current fiscal year was $509,624 and had accumulated amortization of $348,475.

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

| Year ending June 30, | Principal | Interest |
|---|---|---|
| 2027 | $ 88,298 | $ 4,981 |

## Note 7 - Long Term Debt

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

Long-term obligation activity is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
|---|---|---|---|---|---|
| Bonds and bond premiums | | | | | |
| General obligation bonds | $36,210,000 | $ 13,820,000 | $23,040,000 | $26,990,000 | $ 8,715,000 |
| Premium on bonds | 1,503,807 | 722,155 | 1,503,807 | 722,155 | - |
| Total bonds payable | 37,713,807 | 14,542,155 | 24,543,807 | 27,712,155 | 8,715,000 |
| Notes from direct borrowings and direct placements | | | | | |
| Notes payable - copiers | 136,174 | - | 61,531 | 74,643 | 63,796 |
| Notes payable - buses | - | 956,414 | 174,212 | 782,202 | 143,782 |
| Total notes from direct borrowings and direct placements | 136,174 | 956,414 | 235,743 | 856,845 | 207,578 |
| Other liabilities | | | | | |
| Leases | 280,448 | - | 192,150 | 88,298 | 88,298 |
| Compensated absences | 3,756,710 | - | 1,618,612 | 2,138,098 | 1,069,049 |
| Total other liabilities | 4,037,158 | - | 1,810,762 | 2,226,396 | 1,157,347 |
| Total | $41,887,139 | $ 15,498,569 | $26,590,312 | $30,795,396 | $10,079,925 |

For governmental activities, leases, and notes payable are primarily liquidated by the General Fund. Compensated absences additions and reductions are reported net.

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

| | |
|---|---|
| $28,050,000, 2020 Refunding Bonds payable in annual installments of $1,965,000 to $3,590,000 through the year 2031; interest at 2.14% to 2.46%. | $ 13,170,000 |
| $13,820,000, 2026 Refunding Bonds payable in annual installments of $1,000,000 to $5,550,000 through the year 2031; interest at 5.00%. | 13,820,000 |
| Total general obligation bonded debt | $ 26,990,000 |

Future principal and interest requirements for bonded debt and direct borrowings and direct placements are as follows:

| | Bonds | | Notes from direct borrowings and direct placements | |
|---|---|---|---|---|
| Year Ending June 30, | Principal | Interest | Principal | Interest |
| 2027 | $ 8,715,000 | $ 1,123,335 | $ 207,578 | $ 34,659 |
| 2028 | 9,140,000 | 658,690 | 160,697 | 26,990 |
| 2029 | 3,070,000 | 299,588 | 156,173 | 20,618 |
| 2030 | 3,050,000 | 200,882 | 162,764 | 14,027 |
| 2031 | 3,015,000 | 101,398 | 169,633 | 7,158 |
| Total | $ 26,990,000 | $ 2,383,893 | $ 856,845 | $ 103,452 |

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of $781,635 and $1,040,612 respectively to pay this debt. Future debt and interest will be payable from future tax levies.

**Compensated Absences**
The compensated absences liability of $2,138,098 at year end, has been calculated based on anticipated amounts of leave time that will either be used or paid out upon termination. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

**Deferred Amount on Refunding**
The 2020 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,169,518. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2032.

**Current Refinancing**
In 2026, the School District issued general obligation bonds of $13,820,000 (par value) with an interest rate of 5% to refinance the 2016 Refunding Bonds, Series A. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments.

## Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general employee health and accident insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past fiscal year.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan, covering property, casualty, and worker disability claims; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

## Note 9 - Pension Plan

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

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

the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

**Contributions**

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

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

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

Pension Contribution Rates

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

Required contributions to the pension plan from the School District were $12,737,705 for the year ending September 30, 2025.

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

At June 30, 2026, the School District reported a liability of $61,265,929 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2024. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers

during the measurement period. At September 30, 2025, the School District's proportion was 0.3058 percent, which was an increase of 0.0233 percent from its proportion measured as of September 30, 2024.

For the plan year ending September 30, 2025, the School District recognized pension expense of $3,837,406 for the measurement period. For the reporting period ending June 30, 2026, the School District recognized total pension contribution expense of $13,612,849.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|---|---|---|
| Difference between expected and actual experience | $ 2,373,005 | $ (545,691) | $ 1,827,314 |
| Changes of assumptions | 2,199,010 | (3,238,052) | (1,039,042) |
| Net difference between projected and actual earnings on pension plan investments | - | (14,641,245) | (14,641,245) |
| Changes in proportion and differences between the School District contributions and proportionate share of contributions | 7,143,852 | (1,338,343) | 5,805,509 |
| Total to be recognized in future | 11,715,867 | (19,763,331) | (8,047,464) |
| School District contributions subsequent to the measurement date | 12,319,045 | (5,213,271) | 7,105,774 |
| Total | $ 24,034,912 | $ (24,976,602) | $ (941,690) |

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

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

| Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses) | |
|---|---|
| 2026 | $ 977,408 |
| 2027 | (4,620,151) |
| 2028 | (3,531,806) |
| 2029 | (872,915) |
| | $(8,047,464) |

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

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

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

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

Recognition period for assets in years is 5.0000.

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2025, are summarized in the following table:

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

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

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

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

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

| 1% Decrease | Current Single Discount Rate Assumption | 1% Increase |
|---|---|---|
| 5.00% | 6.00% | 7.00% |
| $ 96,681,014 | $ 61,265,929 | $ 31,769,695 |

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

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

## Note 10 - Postemployment Benefits Other Than Pensions (OPEB)

### Plan Description

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

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

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

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

### Benefits Provided

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

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

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

### Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and

retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

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

OPEB Contribution Rates

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

Required contributions to the OPEB plan from the School District were $223,041 for the year ended September 30, 2025.

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

At June 30, 2026, the School District reported an asset of $14,417,075 for its proportionate share of the MPSERS net OPEB liability. The net OPEB asset was measured as of September 30, 2025 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2024. The School District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period.

At September 30, 2025, the School District's proportion was 0.2372 percent, which was a decrease of 0.0560 percent from its proportion measured as of September 30, 2024.

For the plan year ending September 30, 2025, the School District recognized OPEB expense of $(4,667,294) for the measurement period. For the reporting period ending June 30, 2026, the School District recognized total OPEB contribution expense of $607,796.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|---|---|---|
| Difference between expected and actual experience | $ - | $ (9,870,613) | $ (9,870,613) |
| Changes of assumptions | 1,924,113 | (152,906) | 1,771,207 |
| Net difference between projected and actual earnings on OPEB plan investments | - | (2,025,913) | (2,025,913) |
| Changes in proportion and differences between the School District contributions and proportionate share of contributions | 302,089 | (696,375) | (394,286) |
| Total to be recognized in future | 2,226,202 | (12,745,807) | (10,519,605) |
| School District contributions subsequent to the measurement date | 604,675 | - | 604,675 |
| Total | $ 2,830,877 | $ (12,745,807) | $ (9,914,930) |

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer

contributions subsequent to the measurement date will be recognized as an addition to the 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 during the following plan years:

| Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses) | |
|---|---|
| 2026 | $ (2,895,352) |
| 2027 | (2,777,407) |
| 2028 | (2,496,001) |
| 2029 | (1,597,390) |
| 2030 | (570,539) |
| Thereafter | (182,916) |
| | $ (10,519,605) |

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2024
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; Post-65: 6.50% Year 1 graded to 3.5% Year 15
- Mortality:
    - Retirees: PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
    - Active: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

*Other Assumptions:*

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

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

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

Recognition period for assets in years is 5.0000.

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

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

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

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

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

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

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

| 1% Decrease 5.00% | Current Discount Rate 6.00% | 1% Increase 7.00% |
|---|---|---|
| $ (12,421,222) | $ (14,417,075) | $ (16,163,879) |

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

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

| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|
| $ (16,147,939) | $ (14,417,075) | $ (12,599,725) |

**OPEB Plan Fiduciary Net Position**

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

**Payables to the OPEB Plan**

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

## Note 11 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2026.

## Note 12 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the various municipalities. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

There are no significant abatements made by the School District that would have a material effect on the financial statements.

## Note 13 - Changes Within the Financial Reporting Entity

During the year ended June 30, 2026, a fund that was previously reported as non-major in the prior year was required to be presented as major in the current year. As a result, the following presentation change was necessary in the financial statements:

| | Reporting Units Affected by Adjustments to Beginning Balances | |
|---|---|---|
| | Ypsilanti Debt Service Fund | Nonmajor Governmental Funds |
| June 30, 2025, as previously presented | $ - | $ 3,561,191 |
| Change from non-major to major fund | 1,794,076 | (1,794,076) |
| June 30, 2025, as adjusted | $ 1,794,076 | $ 1,767,115 |

# REQUIRED SUPPLEMENTARY INFORMATION

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

| | Budgeted Amounts | | Variance - Final Budget Over (Under) | | Variance - Actual Over (Under) |
|---|---|---|---|---|---|
| | Original | Final | Original Budget | Actual | Final Budget |
| **Revenues** | | | | | |
| Local sources | $ 17,858,017 | $ 25,264,815 | $ 7,406,798 | $ 18,429,590 | $ (6,835,225) |
| State sources | 38,550,816 | 46,123,661 | 7,572,845 | 64,484,503 | 18,360,842 |
| Federal sources | 14,739,604 | 13,284,958 | (1,454,646) | 13,783,906 | 498,948 |
| Interdistrict sources | 7,263,218 | 14,782,018 | 7,518,800 | 12,105,005 | (2,677,013) |
| Total revenues | 78,411,655 | 99,455,452 | 21,043,797 | 108,803,004 | 9,347,552 |
| **Expenditures** | | | | | |
| Instruction | | | | | |
| Basic programs | 32,340,071 | 31,529,246 | (810,825) | 34,093,195 | 2,563,949 |
| Added needs | 8,114,994 | 14,183,575 | 6,068,581 | 13,717,910 | (465,665) |
| Supporting services | | | | | |
| Pupil | 7,230,460 | 6,654,897 | (575,563) | 9,201,565 | 2,546,668 |
| Instructional staff | 1,267,644 | 11,142,878 | 9,875,234 | 12,265,808 | 1,122,930 |
| General administration | 566,728 | 2,202,438 | 1,635,710 | 2,323,588 | 121,150 |
| School administration | 1,766,014 | 3,241,562 | 1,475,548 | 3,536,714 | 295,152 |
| Business | 1,046,730 | 1,417,418 | 370,688 | 1,526,291 | 108,873 |
| Operations and maintenance | 6,197,124 | 11,022,339 | 4,825,215 | 9,574,547 | (1,447,792) |
| Pupil transportation services | 9,087,328 | 8,202,032 | (885,296) | 8,270,229 | 68,197 |
| Central | 1,289,890 | 4,857,640 | 3,567,750 | 5,312,656 | 455,016 |
| Athletic activities | 650,111 | 1,080,671 | 430,560 | 1,105,781 | 25,110 |
| Other | - | - | - | 8,550 | 8,550 |
| Community services | 78,453 | 701,150 | 622,697 | 799,623 | 98,473 |
| Intergovernmental payments | - | - | - | 110,721 | 110,721 |
| Facilities acquisition | - | 3,643,624 | 3,643,624 | 2,571,758 | (1,071,866) |
| Debt service | | | | | |
| Principal | 7,959,786 | - | (7,959,786) | 427,893 | 427,893 |
| Interest and fiscal charges | - | - | - | 20,840 | 20,840 |
| Total expenditures | 77,595,333 | 99,879,470 | 22,284,137 | 104,867,669 | 4,988,199 |
| Excess (deficiency) of revenues over expenditures | 816,322 | (424,018) | (1,240,340) | 3,935,335 | 4,359,353 |

See Accompanying Notes to the Required Supplementary Information

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

| | Budgeted Amounts | | Variance - Final Budget Over (Under) | | Variance - Actual Over (Under) |
|---|---|---|---|---|---|
| | Original | Final | Original Budget | Actual | Final Budget |
| **Other Financing Sources (Uses)** | | | | | |
| Proceeds from notes and loans | - | 956,414 | 956,414 | 956,414 | - |
| Insurance recoveries | - | 20,246 | 20,246 | 20,246 | - |
| Transfers out | (744,032) | - | 744,032 | - | - |
| Total other financing sources (uses) | (744,032) | 976,660 | 1,720,692 | 976,660 | - |
| Net change in fund balances | 72,290 | 552,642 | 480,352 | 4,911,995 | 4,359,353 |
| Fund balance - beginning | 9,580,025 | 9,580,025 | - | 9,580,025 | - |
| Fund balance - ending | $ 9,652,315 | $ 10,132,667 | $ 480,352 | $ 14,492,020 | $ 4,359,353 |

See Accompanying Notes to the Required Supplementary Information

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

| | June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| A. School District's proportion of the net pension liability (%) | 0.3058% | 0.2825% | 0.2775% | 0.2650% | 0.2875% | 0.2829% | 0.2752% | 0.2705% | 0.2694% | 0.2718% |
| B. School District's proportionate share of the net pension liability | $ 61,265,929 | $ 69,163,257 | $ 89,831,765 | $ 99,651,429 | $ 68,055,160 | $ 97,164,893 | $ 91,128,278 | $ 81,331,496 | $ 69,813,122 | $ 67,821,267 |
| C. School District's covered payroll | $ 35,424,803 | $ 31,880,368 | $ 28,133,881 | $ 27,771,186 | $ 26,628,600 | $ 26,233,396 | $ 24,733,759 | $ 23,432,410 | $ 22,767,911 | $ 22,743,743 |
| D. School District's proportionate share of the net pension liability as a percentage of its covered payroll | 172.95% | 216.95% | 319.30% | 358.83% | 255.57% | 370.39% | 368.44% | 347.09% | 306.63% | 298.20% |
| E. Plan fiduciary the net position as a percentage of total pension liability | 79.44% | 74.44% | 62.91% | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% | 63.17% |

See Accompanying Notes to the Required Supplementary Information

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

| | For the Years Ended June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| A. Statutorily required contributions | $ 13,612,849 | $ 12,238,006 | $ 11,502,097 | $ 10,109,227 | $ 9,105,180 | $ 8,286,782 | $ 7,754,651 | $ 7,243,646 | $ 7,382,158 | $ 6,305,977 |
| B. Contributions in relation to statutorily required contributions | 13,612,849 | 12,238,006 | 11,502,097 | 10,109,227 | 9,105,180 | 8,286,782 | 7,754,651 | 7,243,646 | 7,382,158 | 6,305,977 |
| C. Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| D. School District's covered payroll | $ 37,329,885 | $ 34,825,057 | $ 30,409,772 | $ 28,024,816 | $ 28,108,379 | $ 24,640,202 | $ 26,282,111 | $ 24,403,657 | $ 23,260,441 | $ 22,724,710 |
| E. Contributions as a percentage of covered payroll | 36.47% | 35.14% | 37.82% | 36.07% | 32.39% | 33.63% | 29.51% | 29.68% | 31.74% | 27.75% |

See Accompanying Notes to the Required Supplementary Information

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

| | June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| A. School District's proportion of the net OPEB liability (asset) (%) | 0.2372% | 0.2931% | 0.2761% | 0.2800% | 0.2886% | 0.2920% | 0.2807% | 0.2736% | 0.2701% | |
| B. School District's proportionate share of the net OPEB liability (asset) | $(14,417,075) | $(12,617,401) | $ (1,561,789) | $ 5,931,521 | $ 4,405,503 | $ 15,645,792 | $ 20,146,919 | $ 21,746,427 | $ 23,916,493 | |
| C. School District's covered payroll | $ 35,424,803 | $ 31,880,368 | $ 28,133,881 | $ 27,771,186 | $ 26,628,600 | $ 26,233,396 | $ 24,733,759 | $ 23,432,410 | $ 22,767,911 | |
| D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | -40.70% | -39.58% | -5.55% | 21.36% | 16.54% | 59.64% | 81.46% | 92.80% | 105.04% | |
| E. Plan fiduciary net position as a percentage of total OPEB liability | 164.94% | 143.08% | 105.04% | 83.09% | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% | |

See Accompanying Notes to the Required Supplementary Information

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

| | For the Years Ended June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| A. Statutorily required contributions | $ 607,796 | $ 525,119 | $ 2,325,470 | $ 2,141,758 | $ 2,175,049 | $ 1,979,012 | $ 2,039,770 | $ 1,890,235 | $ 1,717,090 | |
| B. Contributions in relation to statutorily required contributions | 607,796 | 525,119 | 2,325,470 | 2,141,758 | 2,175,049 | 1,979,012 | 2,039,770 | 1,890,235 | 1,717,090 | |
| C. Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | |
| D. School District's covered payroll | $ 37,329,885 | $ 34,825,057 | $ 30,409,772 | $ 28,024,816 | $ 28,108,379 | $ 24,640,202 | $ 26,282,111 | $ 24,403,657 | $ 23,260,441 | |
| E. Contributions as a percentage of covered payroll | 1.63% | 1.51% | 7.65% | 7.64% | 7.74% | 8.03% | 7.76% | 7.75% | 7.38% | |

See Accompanying Notes to the Required Supplementary Information

## Note 1 - Budgetary Information

### Budgetary Basis of Accounting

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

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

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

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

### Excess of Expenditures over Appropriations

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

| Function | Final Budget | Amount of Expenditures | Budget Variances |
|---|---|---|---|
| General Fund | | | |
| Basic programs | $ 31,529,246 | $ 34,093,195 | $ 2,563,949 |
| Pupil | 6,654,897 | 9,201,565 | 2,546,668 |
| Instructional staff | 11,142,878 | 12,265,808 | 1,122,930 |
| General administration | 2,202,438 | 2,323,588 | 121,150 |
| School administration | 3,241,562 | 3,536,714 | 295,152 |
| Central | 4,857,640 | 5,312,656 | 455,016 |
| Debt service | - | 448,733 | 448,733 |
| Food Service Fund | 3,979,750 | 4,067,015 | 87,265 |
| Student/School Activity Fund | - | 238,550 | 238,550 |

### Budgetary Highlights

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

The General Fund originally budgeted $17,858,017 in local revenue, which was increased to $25,264,815 in the final amended budget. This increase was primarily attributable to anticipated PA 321 funding that was included under local revenue during the budget amendment process. However, PA 321 funding was subsequently determined to be appropriately classified as state revenue and was recorded accordingly in the School District's financial records for the fiscal year ended June 30, 2026. As a result, actual local revenue was $6,835,225 below the final amended budget. This variance was primarily attributable to the difference in revenue classification between the final amended budget and actual financial reporting, rather than a reduction in the School District's overall funding.

The General Fund originally budgeted $38,550,816 for state sources revenue. This was later increased to $46,123,661 for the final budget because the original budget was developed with assumptions using funding from the prior year, which were updated to reflect the current year state funding expected at the time. At June 30, 2026 actual

revenue exceeded final budget by $18,360,842 due to PA-321 funding being correctly recorded as a State source and greater than expected state aid revenue including more restricted spending than anticipated.

The General Fund originally budgeted $7,263,218 in interdistrict revenue, which was increased to $14,782,018 in the final amended budget. This adjustment reflected the School District's anticipated additional funding of approximately $8.0 million through the county-based special education program, Act 18. As of June 30, 2026, actual interdistrict revenue was $2,677,013 below the final amended budget. This variance reflects a difference between the anticipated Act 18 funding included in the final budget and the revenue recognized at fiscal year-end.

General Fund basic instruction expenditures exceeded the final amended budget by $2,563,949. This variance was primarily attributable to instructional staffing requirements and associated salary and benefit costs that were greater than projected during the budget amendment process. These expenditures supported the School District's instructional programs and the staffing necessary to maintain educational services throughout the fiscal year.

The General Fund originally budgeted $8,114,994 for added needs instruction, which was increased to $14,183,575 in the final amended budget. This adjustment reflected the School District's projected personnel and contracted service costs associated with providing additional instructional support. The revised budget accounted for anticipated staffing requirements and program services necessary to address student learning needs and support the School District's educational objectives.

General Fund pupil support services expenditures exceeded the final amended budget by $2,546,668. This variance was primarily attributable to higher-than-anticipated personnel and contracted service costs associated with health, psychological, speech and language, social work, and counseling services. These expenditures reflected the additional staffing and specialized support necessary to address student caseloads and meet the School District's ongoing student service needs.

The General Fund originally budgeted $1,267,644 for instructional staff, $6,197,124 for operations and maintenance, $1,289,890 for central office and $0 for facilities acquisition/capital outlay. These amounts were increased to a total of $30,666,481, an increase of $21,911,823. The increase was a result of budgeting for the spending of PA-321 which will allow the School District to recruit and retain students, attract and retain certified teachers, improve building infrastructure and technology throughout the School District.

The General Fund originally budgeted $7,959,786 for principal and interest expenditures, primarily related to general obligation bonds. The final budget was reduced to $0 because these debt payments were expected to be made from the School District's debt service funds.

**Note 2 - Pension Information**

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

Changes of benefit terms:

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

Changes of benefit assumptions:

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

## Note 3 - OPEB Information

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

Changes of benefit terms:

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

Changes of benefit assumptions:

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

# OTHER SUPPLEMENTARY INFORMATION

# Ypsilanti Community Schools
## Other Supplementary Information
## Nonmajor Governmental Funds
## Combining Balance Sheet
## June 30, 2026

| | Special Revenue Funds | | | Capital Projects Fund | Total Nonmajor |
|---|---|---|---|---|---|
| | Food Service | Student/School Activity Fund | Willow Run Debt Service Fund | Lighting Project | Governmental Funds |
| **Assets** | | | | | |
| Cash | $ 295,562 | $ 380,045 | $ 779,940 | $ - | $ 1,455,547 |
| Accounts receivable | - | - | 1,695 | - | 1,695 |
| Due from other governmental units | 555,842 | - | - | - | 555,842 |
| Total assets | $ 851,404 | $ 380,045 | $ 781,635 | $ - | $ 2,013,084 |
| **Liabilities** | | | | | |
| Checks issued in excess of deposits | $ - | $ - | $ - | $ 135,585 | $ 135,585 |
| Accounts payable | 298,279 | 4,167 | - | - | 302,446 |
| Total liabilities | 298,279 | 4,167 | - | 135,585 | 438,031 |
| **Fund Balances** | | | | | |
| Restricted for | | | | | |
| Food service | 553,125 | - | - | - | 553,125 |
| Debt service | - | - | 781,635 | - | 781,635 |
| Committed | - | 375,878 | - | - | 375,878 |
| Unassigned deficit | - | - | - | (135,585) | (135,585) |
| Total fund balances (deficit) | 553,125 | 375,878 | 781,635 | (135,585) | 1,575,053 |
| Total liabilities and fund balances (deficit) | $ 851,404 | $ 380,045 | $ 781,635 | $ - | $ 2,013,084 |

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

| | Special Revenue Funds | | Debt Service Funds | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|---|
| | Food Service Fund | Student/School Activity Fund | Willow Run Debt Service Fund | Formerly Nonmajor Fund: Ypsilanti Debt Service Fund | Lighting Project | |
| **Revenues** | | | | | | |
| Local sources | $ 78,927 | $ 259,823 | $ 3,814,983 | | $ - | $ 4,153,733 |
| State sources | 331,568 | - | - | | - | 331,568 |
| Federal sources | 3,452,508 | - | - | | - | 3,452,508 |
| Total revenues | 3,863,003 | 259,823 | 3,814,983 | | - | 7,937,809 |
| **Expenditures** | | | | | | |
| Current | | | | | | |
| Education | | | | | | |
| Supporting services | - | 238,550 | - | | - | 238,550 |
| Food services | 4,067,015 | - | - | | - | 4,067,015 |
| Debt service | | | | | | |
| Principal | - | - | 3,445,000 | | - | 3,445,000 |
| Interest and other expenditures | - | - | 379,306 | | - | 379,306 |
| Total expenditures | 4,067,015 | 238,550 | 3,824,306 | | - | 8,129,871 |
| Excess (deficiency) of revenues over expenditures | (204,012) | 21,273 | (9,323) | | - | (192,062) |
| Fund balances (deficit) - beginning, as previously presented | 757,137 | 354,605 | 790,958 | 1,794,076 | (135,585) | 3,561,191 |
| Change within financial reporting entity (nonmajor to major fund) | - | - | - | (1,794,076) | - | (1,794,076) |
| Fund balances (deficit) - beginning, as adjusted | 757,137 | 354,605 | 790,958 | | (135,585) | 1,767,115 |
| Fund balances (deficit) - ending | $ 553,125 | $ 375,878 | $ 781,635 | | $ (135,585) | $ 1,575,053 |

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

## Independent Auditors' Report

Management and the Board of Directors
Ypsilanti Community Schools
Ypsilanti, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ypsilanti Community Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Ypsilanti Community Schools' basic financial statements, and have issued our report thereon dated November 2, 2026.

### Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2026-001 that we consider to be a material weakness.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ypsilanti Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have

a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2026-001.

**Finding 2026-001, 2025-001, 2024-002 – Material Weakness in Internal Control Over Financial Reporting and Material Noncompliance – Budget Violations**

**Context / Criteria:** The Michigan School Accounting Manual (Bulletin 1022) serves as a mandatory guide to the uniform classification and recording of accounting transactions for Michigan public school districts. Furthermore, the School District shall not incur an expenditure against an appropriation account in excess of the amount authorized by the Board of Education. The School District is also responsible for comparing budget to actual expenses by function for programs. The School District should also import its original and final budgets into the accounting system to monitor spending and reduce errors in posting expenditures to the chart of accounts.

**Condition:** The School District incurred material budget overages in multiple budgeted functions as adopted by the Board of Education and disclosed in the June 30, 2026 financial statements. Additionally, total actual expenditures of $104,867,669 exceed total budgeted expenditures of $99,879,470 by $4,988,199 in the General Fund. No adopted budget was provided for the Student/School Activity Fund. The final budget also was not imported into the School District's accounting software. This also resulted in the inability to monitor budget to actual status for the federal grants noted above.

**Cause / Effect:** The budget was not properly monitored allowing the budget overages to exist. The School District has not established appropriate controls to ensure that the budget is monitored during the year and has overspent the Board-approved budget by a material amount. Additionally, the lack of budgets imported in the accounting software combined with the numerous federal and restricted state grants the School District receives increases the risk of the wrong account codes being used for expenditures which could have a material effect on reporting of Federal and restricted state grants.

**Recommendation:** We recommend that the School District establish policies and procedures to ensure the budget is properly maintained and monitored throughout the year. An amended budget should be adopted throughout the year, as needed, to reflect changes in spending needs.

**Views of Responsible Officials and Corrective Actions:** Management is in agreement with the finding. See accompanying corrective action plan.

**Ypsilanti Community Schools' Response to Findings and Corrective Action Plan**

*Government Auditing Standards* requires the auditor to perform limited procedures on Ypsilanti Community Schools' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs and corrective action plan. Ypsilanti Community Schools'

response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

Yeo & Yeo, P.C.

Ann Arbor, MI
November 2, 2026

**Finding 2026-001, 2025-001, 2024-002 – Material Weakness and Material Noncompliance – Budget Violations**

Corrective Action Plan: The Finance Director and Business Office will undergo additional training with Tyler Technologies, Michigan School Business Officials, and others to optimize financial processes and transaction processing. The team will adhere to the state business calendar for timely reconciliations, budget amendments, and internal control reviews.

**Completion Date: 2026-2027 FY**

**Responsible Party:**
**Barbara Boone**
**Director of Finance**