# East Lansing Board of Education

6160 Towar Ave, East Lansing, MI 48823

Regular Meeting
October 26, 2026 - 7:00 PM

Board Room
**Agenda**

I. **Opening of Meeting**
- A. *Call to Order*
- B. *Roll Call*
- C. *Mission Statement*
  *Nurturing Each Child · Educating All Students · Building World Citizens*
- D. *Approval of Agenda*
  *Motion: I move that the Board of Education approve the agenda for the October 26, 2026, regular meeting, as presented.*
- E. *Approval of Minutes*
  *Motion: I move that the Board of Education approve the September 28, 2026, regular meeting minutes, as presented.*
  1. September 28, 2026, regular meeting 2

East Lansing Public Schools
**Regular Meeting**
September 28, 2026, 7:00 PM

Board Room
6160 Towar Ave
East Lansing, Michigan 48823

## I. Opening of Meeting

### I.A. Call to Order

President Lyons called the meeting to order at 7:00 p.m.

### I.B. Roll Call

Attendance Taken at 7:01 PM. Chambers: Present, Edsall: Present, Faris-Hylen: Present, Lyons: Present, Martin: Present, Torrez: Absent, Tykocki: Present.

### I.C. Mission Statement

Nurturing Each Child · Educating All Students · Building World Citizens
Trustee Tykocki read the mission statement.

### I.D. Approval of Agenda

*Motion: 26-27/018: I move that the Board of Education approve the agenda for September 28, 2026, as presented.*

This motion, made by Faris-Hylen and seconded by Martin, Passed.

Chambers: Aye, Edsall: Aye, Faris-Hylen: Aye, Lyons: Aye, Martin: Aye, Torrez: Absent, Tykocki: Aye

Aye: 6, Nay: 0, Absent: 1

### I.E. Approval of Minutes

*Motion: 26-27/019: I move that the Board of Education approve the minutes from the September 14, 2026, regular meeting, as presented.*

I.E.1. September 14, 2026, regular meeting

This motion, made by Faris-Hylen and seconded by Chambers, Passed.

Chambers: Aye, Edsall: Abstain (With Conflict), Faris-Hylen: Aye, Lyons: Aye, Martin: Aye, Torrez: Absent, Tykocki: Aye

Aye: 5, Nay: 0, Absent: 1, Abstain (With Conflict): 1

II. **Recognition**

**Marble Elementary School** - Principal Robertson would like to recognize Erin Farver and Lauren Woods for planning and executing the I Am Me Art Show held Friday, Sep. 18. Students took a picture of themselves and used half as part of their art work. They hand drew the other half of the portrait to accompany self-created poems about themselves. Students had the opportunity to present to family and friends who came for the event!

**Glencairn Elementary School** - Principal Richardson and Glencairn School started doing "staff recognitions" through nominations from other staff, community members and students. Last Friday was their first recognition at Morning Celebration, and it was really neat to see staff members being surprised and getting to read all of the wonderful things others think about them (so far, front office staff, a custodian, a Multi-Lingual teacher and 2 classroom teachers were nominated). Nominations are done through a google form and can be anonymous or not. Recipients are recognized at Morning Celebration and presented with a certificate and the rationale for their nomination.

III. **Student Representative Report**

No report from the Student Representatives.

IV. **Superintendent's Report**

Click here for the Superintendent's Report.

V. **Public Comment**

This is an opportunity to address the Board. Speakers are limited to five minutes. Additional time may be granted after all other speakers have had an opportunity to speak. The Superintendent or designee may provide clarification when necessary to address significant misunderstandings.

- Syed Wasif – Disparate Treatment & Retaliation

VI. **Board Discussion**

No Board Discussion.

VII. **Action Items**

VII.A. **ELHS Furniture, Fixtures and Equipment (FFE) Recommendation**

*Motion: 26-27-/020:* I move that the Board of Education award the following bids for Furniture, Fixtures and Equipment at East Lansing High School.

- NBS - $203,240.43
- DBI - $4,529.26

Total - $207,769.69

This motion, made by Chambers and seconded by Faris-Hylen, Passed.

Chambers: Aye, Edsall: Aye, Faris-Hylen: Aye, Lyons: Aye, Martin: Aye, Torrez: Absent, Tykocki: Aye

Aye: 6, Nay: 0, Absent: 1

VII.B. **MASB Delegate Assembly Delegates**

*Motion: 26-27/021:* I move that the Board of Education approve Trustee Faris-Hylen and Trustee Tykocki to serve as delegates to the Michigan Association of School Boards (MASB) Delegate Assembly and Trustee Chambers to serve as an alternate.

This motion, made by Martin and seconded by Edsall, Passed.

Chambers: Aye, Edsall: Aye, Faris-Hylen: Aye, Lyons: Aye, Martin: Aye, Torrez: Absent, Tykocki: Aye

Aye: 6, Nay: 0, Absent: 1

Trustee Chambers offered to be the alternate to the Delegate Assembly.

VIII. **Committee Reports**

VIII.A. Academic and Technology Committee

- The last meeting was held on September 17.
- The committee celebrated Christian Palasty's retirement and welcomed Jacob Hampton.
- The committee discussed ongoing projects.
- The next meeting will be October 15 at 10:00 a.m. in the HUB.

VIII.B. Facilities Committee

- No report.

VIII.C. Finance Committee

- The next meeting is October 5 at 1:00 p.m.

VIII.D. Intergovernmental Relations

- No report.

VIII.E. Personnel Committee

- No report.

VIII.F. Policy Committee
- No report.
- The next meeting is October 5 at 10:30 a.m.

VIII.G. Ingham School Officers Association (ISOA)
- No report.
- The next meeting is the Legislative Breakfast on October 7.

IX. **Announcements**

IX.A. The next regular scheduled meeting of the Board of Education is October 26, 2026.

Superintendent Leyko explained that the longer-than-normal gap between regular meetings is because the next scheduled meeting falls on Indigenous Peoples' Day.

X. **Adjournment**

President Lyons adjourned the meeting at 7:19 p.m.

_____
President

_____
Secretary

II. **Recognition**

III. **Student Representative Report**

IV. **Superintendent's Report**

V. **Public Comment**
This is an opportunity to address the Board. Speakers are limited to five minutes. Additional time may be granted after all other speakers have had an opportunity to speak. The Superintendent or designee may provide clarification when necessary to address significant misunderstandings.

VI. **Presentations**
A. RJ Naughton, PFM Potential Bond Refunding
B. Dave Nielsen, Maner Costerisan Year Ended June 30, 2026, Audited Financial Statements

VII. **Board Discussion**

VIII. **Action Items**
A. **Audited Financial Statements for the Year Ended June 30, 2026** **7**
*Motion: I move that the Board of Education accept the audited financial statements for the year ended June 30, 2026, as presented.*

East Lansing
Public Schools

# MEMORANDUM

**TO:** **ELPS Board of Education, Dori Leyko, Superintendent**

**FROM:** **Richard Pugh, Assistant Superintendent of Finance and Operations**

**SUBJECT:** **Action Item – Audited Financial Statements for the Year Ended June 30, 2026**

**DATE:** **October 15, 2026**

Recommendation:

It is recommended that the Board of Education accept the audited financial statements for the year ended June 30, 2026, as presented.

Background:

Districts are required to have an annual independent audit of its year-end financial statements. The audited financial statements will be posted to the District's website per transparency reporting requirements. Dave Nielsen, Principal from Maner Costerisan, CPAs will present the audited financial statement to the Board of Education on October 26, 2026.

Page 51 of the Report on Financial Statements is a nice summary of the General Fund budget to actual results. The June 30, 2026 General Fund fund balance is $13,118,226 (22.5% of total revenues and other financing sources) or a decrease of $1,830,430 from prior year and $625,295 lower than projected in the Final Budget Revision. The large fund balance variance between the Final Budget Revision and actual resulted in a financial statement finding as described on page 84 of the Report on Financial Statements. Actual General Fund revenues were approximately $203,000 less than budgeted and expenditures were approximately $422,000 more than budgeted. Variances are not uncommon. The business office will implement more conservative budget projections.

As with the year ended June 30, 2025 the federal Office of Management and Budget has once again not release the final Compliance Supplement. The Compliance Supplement is necessary for auditors to complete the Single Audit which is the audit of Federal expenditures. To meet the November 1 State of Michigan filing deadline, the Single Audit will be issued separately once the Compliance Supplement is released.

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

October 12, 2026

To the Board of Education of the
School District of the City of East Lansing

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of East Lansing for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information orally during our discussion on July 31,2026 Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District of the City of East Lansing are described in Note 1 to the financial statements. As described in Note 10 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 103, *Financial Reporting Model Improvements* and No. 104, *Disclosure of Certain Capital Assets* during the year ended June 30, 2026. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the School District of the City of East Lansing during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities were:

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

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

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

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

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

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

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of audit procedures.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 12, 2026.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District of the City of East Lansing financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District of the City of East Lansing auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

This information is intended solely for the use of the management and members of the Board of Education of School District of the City of East Lansing and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC

Lansing, Michigan

# SCHOOL DISTRICT OF THE CITY OF EAST LANSING

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

## YEAR ENDED JUNE 30, 2026

Maner Costerisan

**TABLE OF CONTENTS**


Page

INDEPENDENT AUDITOR'S REPORT ..... 1-3

MANAGEMENT'S DISCUSSION AND ANALYSIS ..... 4-12

BASIC FINANCIAL STATEMENTS ..... 13

Government-Wide Financial Statements
Statement of Net Position ..... 14
Statement of Activities ..... 15

Fund Financial Statements
Balance Sheet - Governmental Funds ..... 16-17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds ..... 18-19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 20

Fiduciary Funds
Statement of Fiduciary Net Position ..... 21
Statement of Changes in Fiduciary Net Position ..... 22

Notes to Financial Statements ..... 23-49

REQUIRED SUPPLEMENTARY INFORMATION ..... 50

Budgetary Comparison Schedule - General Fund ..... 51

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability ..... 52
Schedule of the Reporting Unit's Pension Contributions ..... 53

Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability (Asset) ..... 54
Schedule of the Reporting Unit's OPEB Contributions ..... 55

Notes to the Required Supplementary Information ..... 56-59

ADDITIONAL SUPPLEMENTARY INFORMATION ..... 60

General Fund
Schedule of Revenues and Other Financing Sources ..... 61
Schedule of Expenditures ..... 62-66

Nonmajor Governmental Funds
Combining Balance Sheet ..... 67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 68

**TABLE OF CONTENTS**


Page

Nonmajor Special Revenue Funds
- Combining Balance Sheet ... 69
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ... 70

Nonmajor Debt Service Funds
- Combining Balance Sheet ... 71
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ... 72

Debt Service Requirements
- Schedules of Bonded Debt Service Requirements ... 73-77

Capital Projects Funds
- Sinking Fund Detail of Expenditures ... 78
- 2024 Capital Projects Fund Detail of Expenditures ... 79
- 2025 Capital Projects Fund Detail of Expenditures ... 80

Custodial Fund
- Statement of Cash Receipts, Disbursements, and Net Position by School ... 81

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* ... 82-83

Schedule of Findings and Responses ... 84

Corrective Action Plan ... 85

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the
School District of the City of East Lansing

***Opinions***

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

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

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 School District of the City of East Lansing's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about School District of the City of East Lansing's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District of the City of East Lansing's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, is presented for purposes 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2026 on our consideration of School District of the City of East Lansing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of School District of the City of East Lansing's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District of the City of East Lansing's internal control over financial reporting and compliance.

Maner Costerisan PC

Lansing, Michigan
October 12, 2026

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

If you have any questions about this report or need any additional information, please contact the Business Office, School District of the City of East Lansing, 6160 Towar Avenue, East Lansing, Michigan 48823, phone 517-333-7420.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

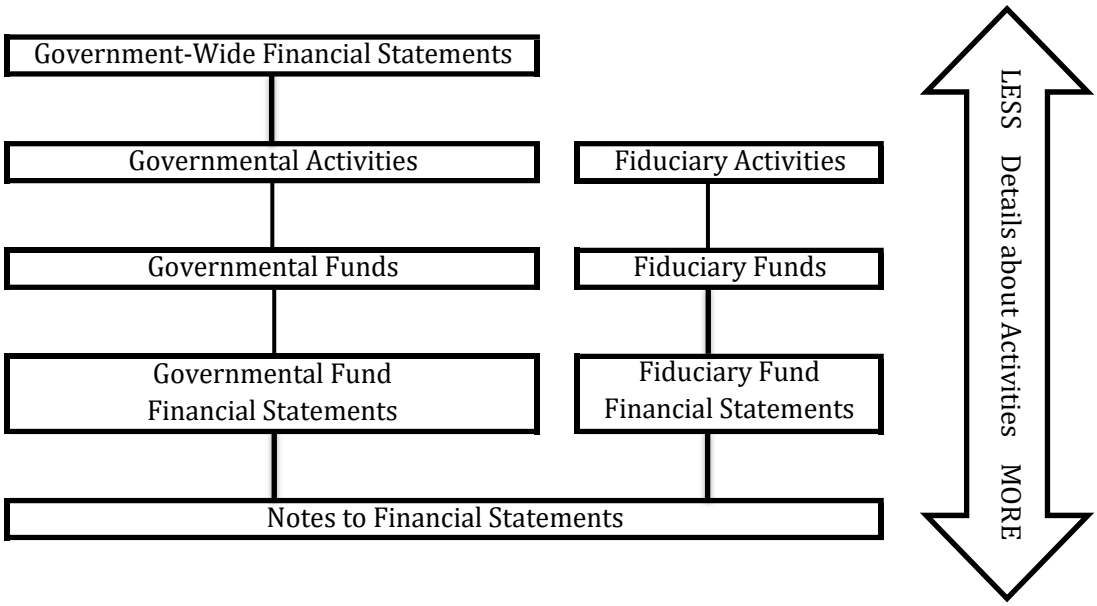
- *Governmental Activities* comprise the District's most basic functions, such as instruction, support services, and food services. Governmental activities primarily are financed by property taxes from non-personal residence exemption properties, state aid foundation, and federal grants. These statements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

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

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

- *Fiduciary Fund Financial Statements* report resources for which the District acts as a trustee or custodian. The resources in this fund do not belong to the District and cannot be used to provide services, which is why they are not included in the government-wide financial statements.

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




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

**TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS**

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

- *Assets* - resources the District controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.
- *Liabilities* - amounts the District owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.
- *Deferred Outflows of Resources and Deferred Inflows of Resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and Expenses* - inflows and outflows of economic resources, respectively, related to the current year.

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

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

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

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

## ANALYSIS OF THE DISTRICT'S FINANCES

**Table A-1**
**School District of the City of East Lansing's Net Position**

| | 2026 | 2025 | Dollar Change | Total Percentage Change |
|---|---|---|---|---|
| ASSETS | | | | |
| Current assets | $ 34,619,312 | $ 46,456,523 | $ (11,837,211) | -25.5% |
| Net other postemployment benefits asset | 14,652,342 | 10,365,026 | 4,287,316 | 41.4% |
| Capital assets | 141,504,583 | 132,560,426 | 8,944,157 | 6.7% |
| TOTAL ASSETS | 190,776,237 | 189,381,975 | 1,394,262 | 0.7% |
| DEFERRED OUTFLOWS OF RESOURCES | 20,089,890 | 25,143,096 | (5,053,206) | -20.1% |
| LIABILITIES | | | | |
| Long-term debt outstanding | 108,828,169 | 115,620,087 | (6,791,918) | -5.9% |
| Net pension liability | 48,345,165 | 58,247,901 | (9,902,736) | -17.0% |
| Other liabilities | 11,428,411 | 7,769,369 | 3,659,042 | 47.1% |
| TOTAL LIABILITIES | 168,601,745 | 181,637,357 | (13,035,612) | -7.2% |
| DEFERRED INFLOWS OF RESOURCES | 32,358,288 | 34,567,594 | (2,209,306) | -6.4% |
| NET POSITION | | | | |
| Net investment in capital assets | 42,037,730 | 40,044,985 | 1,992,745 | 5.0% |
| Restricted for debt service | - | 55,961 | (55,961) | -100.0% |
| Restricted for special revenue (food service) | 474,157 | 546,960 | (72,803) | -13.3% |
| Restricted for capital projects (sinking fund) | 1,822,640 | 1,143,335 | 679,305 | 59.4% |
| Restricted for net other postemployment benefits | 14,652,342 | 10,365,026 | 4,287,316 | 41.4% |
| Unrestricted | (49,080,775) | (53,836,147) | 4,755,372 | 8.8% |
| TOTAL NET POSITION | $ 9,906,094 | $ (1,679,880) | $ 11,585,974 | 689.7% |

Table A-1 shows that as of June 30, 2026, the District's total net position - assets and deferred outflows minus liabilities and deferred inflows - was nearly $9.91 million, an increase of $11.59 million or 689.7% compared with 2025. This increase is primarily due to a $9.90 million or 17% decrease in net pension liability. All of the increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

## GOVERNMENTAL ACTIVITIES

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

1. Decreases in grant revenues.
2. Decrease in expenses for certain programs and functions.

**Table A-2**
**Changes in School District of the City of East Lansing's Net Position**

| | 2026 | 2025 | Dollar Change | Total Percentage Change |
|---|---|---|---|---|
| REVENUES | | | | |
| Program revenues | | | | |
| Charges for services | $ 180,309 | $ 131,843 | $ 48,466 | 36.8% |
| Operating grants and contributions | 15,698,020 | 18,075,705 | (2,377,685) | -13.2% |
| General revenues | | | | |
| Property taxes | 24,487,067 | 23,677,041 | 810,026 | 3.4% |
| Investment earnings | 1,365,125 | 1,111,341 | 253,784 | 22.8% |
| State sources | 24,279,675 | 23,928,393 | 351,282 | 1.5% |
| Intermediate sources | 6,074,007 | 5,866,994 | 207,013 | 3.5% |
| Other | 672,281 | 459,852 | 212,429 | 46.2% |
| TOTAL REVENUES | 72,756,484 | 73,251,169 | (494,685) | -0.7% |
| EXPENSES | | | | |
| Instruction | 26,947,570 | 27,647,896 | (700,326) | -2.5% |
| Support services | 20,420,590 | 22,425,903 | (2,005,313) | -8.9% |
| Community services | 53,438 | 33,360 | 20,078 | 60.2% |
| Food services | 2,176,241 | 2,125,341 | 50,900 | 2.4% |
| Student / school activities | 599,946 | 614,779 | (14,833) | -2.4% |
| Interest on long-term debt | 4,674,218 | 4,177,067 | 497,151 | 11.9% |
| Loss (gain) on sale of capital assets | 1,894 | (1,039) | 2,933 | -282.3% |
| Unallocated depreciation | 6,296,613 | 6,255,729 | 40,884 | 0.7% |
| TOTAL EXPENSES | 61,170,510 | 63,279,036 | (2,108,526) | -3.3% |
| Change in net position | 11,585,974 | 9,972,133 | $ 1,613,841 | 16.2% |
| Net position - beginning of year | (1,679,880) | (11,652,013) | | 85.6% |
| Net position - end of year | $ 9,906,094 | $ (1,679,880) | | 689.7% |

## Decline in Operating Grants and Contributions

There were notable decreases in operating grants and contributions compared to the prior year, which accounts for 21.6% of overall revenues. The decrease was driven primarily by lower restricted state aid received during the current year. As operating grants and contributions are largely dependent on program-specific funding and related expenditures, revenues may vary from year to year based on funding levels and program activity.

## Decline in Expenses

Total expenses for the District dropped by 3.3% overall. The significant reduction was due to a positive pension and OPEB adjustment. The adjustment was to reduce the pension liability and increase the OPEB asset by approximately $9.9 million and $4.3 million, respectively. The adjustment was a noncash transaction, and a significant portion of the adjustment was in the instruction and support functions. Without the pension and OPEB adjustment, actual expenses would have increased by approximately $12.1 million. The District has no control over the pension and OPEB plans as they are administered by the state.

## GOVERNMENTAL FUNDS

The District reports four major funds individually in the governmental fund financial statements. These funds include the general fund, 2025 capital projects fund, 2024 capital projects fund, and 2019 sinking fund. Most of the discussion regarding governmental activities is equally applicable to the finances of this governmental fund. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide statements. The changes are shown in Table A-3 and are discussed in more detail below.

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

| | General Fund | | 2025 Capital Projects Fund | | 2024 Capital Projects Fund | | 2019 Sinking Fund | |
|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 |
| REVENUES | $ 58,307,200 | $ 57,319,760 | $ 539,135 | $ 25,082 | $ 37,404 | $ 167,142 | $ 1,557,687 | $ 1,490,510 |
| EXPENDITURES | 60,139,901 | 58,357,332 | 11,880,403 | 298,464 | 2,485,690 | 2,216,881 | 878,382 | 943,593 |
| Excess (deficiency) of revenues over expenditures | (1,832,701) | (1,037,572) | (11,341,268) | (273,382) | (2,448,286) | (2,049,739) | 679,305 | 546,917 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Proceeds from bond issuance | - | - | - | 18,240,000 | - | - | - | - |
| Premium on bond issuance | - | - | - | 708,511 | - | - | - | - |
| Proceeds from sale of capital assets | 2,271 | 25,360 | - | - | - | - | - | - |
| Net change in fund balance | (1,830,430) | (1,012,212) | (11,341,268) | 18,675,129 | (2,448,286) | (2,049,739) | 679,305 | 546,917 |
| Fund balance - beginning of year | 14,948,656 | 15,960,868 | 18,675,129 | - | 2,448,286 | 4,498,025 | 1,143,335 | 596,418 |
| Fund balance - end of year | $ 13,118,226 | $ 14,948,656 | $ 7,333,861 | $ 18,675,129 | $ - | $ 2,448,286 | $ 1,822,640 | $ 1,143,335 |

22

Fund balance represents the financial standing of a governmental fund at the end of the fiscal year from a short-term perspective.

**General Fund**

The fund balance of the District's general fund decreased by 12.2%. The decline in fund balance is attributable to (1) an increase of property tax revenues and (2) larger increase in instructional expenditures due to employee salary increases and one-time stipends paid out during the current fiscal year.

The overall fund balance at the end of June 30, 2026, represented approximately 21.8% of operating expenditures. The District aims to have a minimum fund balance of 10% of operating expenditures. Within fund balance, approximately 88% of the balance is considered unassigned. The remaining 12% is considered either restricted, committed, or assigned for other items and is not readily available for use.

**2025 Capital Projects Fund**

The fund balance of the 2025 capital projects fund decreased by 60.7%. This decrease is due to approximately $11.9 million in capital outlay spending, offset slightly by approximately $539,000 in investment earnings.

The fund balance for the 2025 capital projects fund is considered to be 100% restricted. This means that the fund balance can only be used for the restricted purpose of that fund and is not readily available for use.

**2024 Capital Projects Fund**

The fund balance of the 2024 capital projects fund decreased by 100% and was closed out in the current year. The District spent the remaining balance on capital outlay expenditures.

The fund balance for the 2024 capital projects fund is considered to be 100% restricted. This means that the fund balance can only be used for the restricted purpose of that fund and is not readily available for use.

**2019 Sinking Fund**

The fund balance of the 2019 sinking fund increased by 59.4%. The increase is attributable to (1) an increase in property tax revenue of approximately $68,000 as a result of taxable value year-over-year increases and (2) a decrease of approximately $65,000 in capital outlay expenditures.

The fund balance for the 2019 sinking fund is considered to be 100% restricted. This means that the fund balance can only be used for the restricted purpose of that fund and is not readily available for use.

## SIGNIFICANT CAPITAL ASSET AND LONG-TERM OBLIGATIONS

### Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets - original cost minus accumulated depreciation - increased 6.7% over 2025. See Table A-4 for the carrying value of capital assets.

**Table A-4**
**School District of the City of East Lansing's Capital Assets**

| | 2026 | | | 2025 | Total |
|---|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Net Book Value | Net Book Value | Percentage Change |
| Land | $ 480,535 | $ - | $ 480,535 | $ 480,535 | 0.0% |
| Construction in progress | 9,239,781 | - | 9,239,781 | 2,343,065 | 294.3% |
| Buildings and additions | 170,037,462 | 55,439,017 | 114,598,445 | 111,947,507 | 2.4% |
| Land improvements | 26,526,057 | 13,946,996 | 12,579,061 | 13,689,971 | -8.1% |
| Furniture and equipment | 11,233,752 | 6,886,154 | 4,347,598 | 3,899,753 | 11.5% |
| Right to use - subscription-based IT | 567,912 | 378,174 | 189,738 | 110,554 | 71.6% |
| Vehicles | 377,008 | 307,583 | 69,425 | 89,041 | -22.0% |
| Total | $218,462,507 | $ 76,957,924 | $141,504,583 | $132,560,426 | 6.7% |

A significant reason for the increase in the net capital assets relates to the buildings and additions category. During 2026, the District completed and placed in service approximately $15.2 million for a new administration building and renovations to existing buildings. The administration building project was started in 2025 and was completed in 2026. The increase in construction in progress is primarily related to the ongoing renovation of the addition at the high school and roofing renovations at the middle school. Both of those projects are scheduled to be completed in 2027. The additions of capital assets outpaced the depreciation during the year, resulting in a net increase in capital assets.

### Long-term Obligations

Overall, the carrying value of the District's long-term obligations decreased by 5.9% from the prior year. See Table A-5 for the carrying value of the District's long-term obligations.

**Table A-5**
**School District of the City of East Lansing's**
**Outstanding Long-Term Obligations**

| | 2026 | 2025 | Total Percentage Change |
|---|---|---|---|
| General obligation bonds - net | $106,754,152 | $113,549,323 | -6.0% |
| Compensated absences | 2,027,455 | 1,981,231 | 2.3% |
| Notes from direct borrowings and direct placements | 46,562 | 89,533 | -48.0% |
| | $108,828,169 | $115,620,087 | -5.9% |

**Long-term Obligations (continued)**

During 2026, the District continued to make scheduled debt payments on existing outstanding obligations. The total amount of principal paid in the current year was approximately $6.1 million. This is the primary reason for the decrease in the total carrying value of the District's long-term obligations.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

There are several factors that could significantly affect the financial health of the District in the future.

- **Student Enrollment:** State Aid Foundation revenue received is driven by the District's blended student count. For fiscal year 2026-2027 a change was made by the State of Michigan to use a 3-year average blended count. Part of that 3-year average will use the unknown first Wednesday of October 2026. The District is projecting an enrollment increase of 6 students for fiscal year 2026-2027.

- **Foundation Allowance:** Prior to the District adopting its 2026-2027 budget the State of Michigan had not passed a School Aid Fund budget for the fiscal year 2026-2027. The District's 2026-2027 Original Budget included a $250 per pupil increase in the foundation allowance.

- **Retirement Rate:** The State retirement rate that is most applicable to District employees is 27.51%, effective October 1, 2026, which is charged to districts to fund the retirement system. Additionally, the State charges and funds a stabilization rate, projected to be 13.51% for fiscal year 2026-2027. The state's ability to continue subsidizing the stabilization rate remains a concern.

- **Fund Balance:** The District's General Fund fund balance is healthy at 21.8% of total General Fund expenditures. However, the fund balance has declined the last two fiscal years by $1.0 million in 2024-2025 and $1.8 million in 2025-2026. The Original Budget for fiscal year 2026-2027 estimates another decline in fund balance by $1.1 million. The District's is operating under a structural deficit.

- **Employee Contracts:** The District has three collectively bargained agreements (CBAs). The most significant, from a financial perspective, is the East Lansing Education Association (ELEA). The ELEA's CBA expires June 30, 2028 with a reopener for compensation for fiscal year 2027-2028.

# BASIC FINANCIAL STATEMENTS

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**STATEMENT OF NET POSITION**
**JUNE 30, 2026**

| | Governmental Activities |
|---|---|
| ASSETS | |
| Cash and cash equivalents | $ 17,240,823 |
| Receivables | |
| Accounts receivable | 6,906 |
| Interest receivable | 40,886 |
| Taxes receivable | 11,811 |
| Intergovernmental | 6,923,796 |
| Inventories | 52,463 |
| Prepaids | 559,625 |
| Restricted cash - capital projects | 9,783,002 |
| Net other postemployment benefits asset | 14,652,342 |
| Capital assets not being depreciated | 9,720,316 |
| Capital assets, net of accumulated depreciation/amortization | 131,784,267 |
| TOTAL ASSETS | 190,776,237 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to other postemployment benefits | 2,933,831 |
| Related to pensions | 17,156,059 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 20,089,890 |
| LIABILITIES | |
| Accounts payable | 2,051,321 |
| Retainage payable | 1,014,512 |
| Accrued salaries and related items | 3,708,804 |
| Accrued retirement | 2,354,637 |
| Accrued interest | 743,525 |
| Unearned revenue | 1,555,612 |
| Noncurrent obligations | |
| Due within one year | 6,454,308 |
| Due in more than a year | 102,373,861 |
| Net pension liability | 48,345,165 |
| TOTAL LIABILITIES | 168,601,745 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to other postemployment benefits | 12,279,517 |
| Related to pensions | 14,669,025 |
| Related to state aid funding for pension | 3,959,584 |
| Related to gain on refunding | 1,450,162 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 32,358,288 |
| NET POSITION | |
| Net investment in capital assets | 42,037,730 |
| Restricted for food service | 474,157 |
| Restricted for capital projects (sinking fund) | 1,822,640 |
| Restricted for net other postemployment benefits | 14,652,342 |
| Unrestricted | (49,080,775) |
| TOTAL NET POSITION | $ 9,906,094 |



See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**STATEMENT OF ACTIVITIES**
**YEAR ENDED JUNE 30, 2026**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Governmental Activities: Net (expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| Governmental activities | | | | |
| Instruction | $ 26,947,570 | $ - | $ 12,659,573 | $ (14,287,997) |
| Support services | 20,420,590 | 136,021 | 280,599 | (20,003,970) |
| Community services | 53,438 | - | 52,525 | (913) |
| Food services | 2,176,241 | 44,288 | 2,090,364 | (41,589) |
| Student/school activities | 599,946 | - | 614,959 | 15,013 |
| Interest on long-term debt | 4,674,218 | - | - | (4,674,218) |
| Loss on disposal of capital assets | 1,894 | - | - | (1,894) |
| Unallocated depreciation | 6,296,613 | - | - | (6,296,613) |
| Total governmental activities | $ 61,170,510 | $ 180,309 | $ 15,698,020 | (45,292,181) |
| General revenues | | | | |
| Property taxes, levied for general purposes | | | | 12,712,419 |
| Property taxes, levied for debt service | | | | 10,216,961 |
| Property taxes, levied for sinking fund | | | | 1,557,687 |
| Investment earnings | | | | 1,365,125 |
| State sources | | | | 24,279,675 |
| Intermediate sources | | | | 6,074,007 |
| Other | | | | 672,281 |
| Total general revenues | | | | 56,878,155 |
| CHANGE IN NET POSITION | | | | 11,585,974 |
| NET POSITION, beginning of year | | | | (1,679,880) |
| NET POSITION, end of year | | | | $ 9,906,094 |

See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2026**

| | General Fund | 2025 Capital Projects Fund | 2024 Capital Projects Fund | 2019 Sinking Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | $ 13,874,377 | $ - | $ - | $ 2,002,728 | $ 1,363,718 | $ 17,240,823 |
| Receivables | | | | | | |
| Accounts receivable | 1,546 | - | - | - | 5,360 | 6,906 |
| Interest receivable | 40,886 | - | - | - | - | 40,886 |
| Taxes receivable | 5,264 | - | - | 875 | 5,672 | 11,811 |
| Intergovernmental | 6,804,270 | - | - | - | 119,526 | 6,923,796 |
| Due from other funds | - | - | - | - | 432 | 432 |
| Inventories | 8,592 | - | - | - | 43,871 | 52,463 |
| Prepaids | 457,381 | - | - | - | 102,244 | 559,625 |
| Restricted cash | - | 9,783,002 | - | - | - | 9,783,002 |
| TOTAL ASSETS | $ 21,192,316 | $ 9,783,002 | $ - | $ 2,003,603 | $ 1,640,823 | $ 34,619,744 |
| LIABILITIES, DEFERRED INFLOWS | | | | | | |
| OF RESOURCES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | $ 384,898 | $ 1,434,629 | $ - | $ 180,963 | $ 50,831 | $ 2,051,321 |
| Retainage payable | - | 1,014,512 | - | - | - | 1,014,512 |
| Accrued salaries and related items | 3,708,804 | - | - | - | - | 3,708,804 |
| Accrued retirement | 2,354,637 | - | - | - | - | 2,354,637 |
| Due to other funds | - | - | - | - | 432 | 432 |
| Unearned revenue | 1,525,751 | - | - | - | 29,861 | 1,555,612 |
| TOTAL LIABILITIES | 7,974,090 | 2,449,141 | - | 180,963 | 81,124 | 10,685,318 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue | 100,000 | - | - | - | - | 100,000 |
| FUND BALANCES | | | | | | |
| Nonspendable | | | | | | |
| Inventories | 8,592 | - | - | - | 43,871 | 52,463 |
| Prepaids | 457,381 | - | - | - | 102,244 | 559,625 |

See notes to financial statements.

| | General Fund | 2025 Capital Projects Fund | 2024 Capital Projects Fund | 2019 Sinking Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| FUND BALANCES (continued) | | | | | | |
| Restricted for: | | | | | | |
| Debt service | $ - | $ - | $ - | $ - | $ 417,158 | $ 417,158 |
| Capital projects | - | 7,333,861 | - | 1,822,640 | - | 9,156,501 |
| Food service | - | - | - | - | 489,882 | 489,882 |
| Committed | | | | | | |
| Student/school activities | - | - | - | - | 506,544 | 506,544 |
| Assigned for subsequent year expenditures | 1,126,615 | - | - | - | - | 1,126,615 |
| Unassigned general fund | 11,525,638 | - | - | - | - | 11,525,638 |
| TOTAL FUND BALANCES | 13,118,226 | 7,333,861 | - | 1,822,640 | 1,559,699 | 23,834,426 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | $ 21,192,316 | $ 9,783,002 | $ - | $ 2,003,603 | $ 1,640,823 | $ 34,619,744 |

| | | |
|---|---|---|
| **Total governmental fund balances** | | $ 23,834,426 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Deferred outflows of resources - related to pensions | | 17,156,059 |
| Deferred outflows of resources - related to other postemployment benefits | | 2,933,831 |
| Deferred inflows of resources - related to pensions | | (14,669,025) |
| Deferred inflows of resources - related to other postemployment benefits | | (12,279,517) |
| Deferred inflows of resources - related to state funding for pension | | (3,959,584) |
| Deferred inflows of resources - related to gain on refunding | | (1,450,162) |
| Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. | | |
| Noncurrent assets at year-end consist of: | | |
| Net other postemployment benefits asset | | 14,652,342 |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds: | | |
| The cost of the capital assets is | $ 218,462,507 | |
| Accumulated depreciation/amortization is | (76,957,924) | |
| | | 141,504,583 |
| Revenue not recorded in the funds due to not being collected until after September 1st: | | |
| Deferred inflows - Special education payment due from IISD | | 100,000 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | | |
| General obligation bonds | | (106,754,152) |
| Direct borrowings and direct placements | | (46,562) |
| Compensated absences and termination benefits | | (2,027,455) |
| Accrued interest is not included as a liability in government funds, it is recorded when paid | | (743,525) |
| Net pension liability | | (48,345,165) |
| **Net position of governmental activities** | | $ 9,906,094 |

See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**YEAR ENDED JUNE 30, 2026**

| | General Fund | 2025 Capital Projects Fund | 2024 Capital Projects Fund | 2019 Sinking Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Local sources | | | | | | |
| Property taxes | $ 12,825,774 | $ - | $ - | $ 1,557,687 | $ 10,226,795 | $ 24,610,256 |
| Investment earnings | 631,221 | 539,135 | 37,404 | - | 157,365 | 1,365,125 |
| Food sales and athletics | 136,021 | - | - | - | 44,288 | 180,309 |
| Student/school activities | - | - | - | - | 614,959 | 614,959 |
| Other | 662,447 | - | - | - | - | 662,447 |
| Total local sources | 14,255,463 | 539,135 | 37,404 | 1,557,687 | 11,043,407 | 27,433,096 |
| State sources | 37,143,842 | - | - | - | 817,292 | 37,961,134 |
| Federal sources | 833,888 | - | - | - | 1,273,072 | 2,106,960 |
| Incoming transfers and other | 6,074,007 | - | - | - | - | 6,074,007 |
| TOTAL REVENUES | 58,307,200 | 539,135 | 37,404 | 1,557,687 | 13,133,771 | 73,575,197 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | 34,537,233 | - | - | - | - | 34,537,233 |
| Supporting services | 25,502,678 | - | - | - | - | 25,502,678 |
| Food service activities | - | - | - | - | 2,203,689 | 2,203,689 |
| Student/school activities | - | - | - | - | 599,946 | 599,946 |
| Community service activities | 53,438 | - | - | - | - | 53,438 |
| Capital outlay | - | 11,878,786 | 2,485,690 | 876,039 | 6,450 | 15,246,965 |



See notes to financial statements.

| | General Fund | 2025 Capital Projects Fund | 2024 Capital Projects Fund | 2019 Sinking Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| EXPENDITURES (continued) | | | | | | |
| Debt service | | | | | | |
| Principal repayment | $ 42,971 | $ - | $ - | $ - | $ 6,065,000 | $ 6,107,971 |
| Interest | 3,581 | - | - | - | 4,505,517 | 4,509,098 |
| Other costs | - | 1,617 | - | 2,343 | 27,155 | 31,115 |
| TOTAL EXPENDITURES | 60,139,901 | 11,880,403 | 2,485,690 | 878,382 | 13,407,757 | 88,792,133 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,832,701) | (11,341,268) | (2,448,286) | 679,305 | (273,986) | (15,216,936) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from sale of capital assets | 2,271 | - | - | - | - | 2,271 |
| NET CHANGE IN FUND BALANCES | (1,830,430) | (11,341,268) | (2,448,286) | 679,305 | (273,986) | (15,214,665) |
| FUND BALANCES | | | | | | |
| Beginning of year | 14,948,656 | 18,675,129 | 2,448,286 | 1,143,335 | 1,833,685 | 39,049,091 |
| End of year | $ 13,118,226 | $ 7,333,861 | $ - | $ 1,822,640 | $ 1,559,699 | $ 23,834,426 |



See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**YEAR ENDED JUNE 30, 2026**

| | |
|---|---|
| **Net change in fund balances total governmental funds** | $ (15,214,665) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization: | |
| Depreciation/amortization expense | (6,296,613) |
| Capital outlay | 15,244,935 |
| Net book value of assets disposed | (4,165) |
| Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid: | |
| Accrued interest payable, beginning of the year | 575,292 |
| Accrued interest payable, end of the year | (743,525) |
| The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows: | |
| Payments on debt | 6,107,971 |
| Amortization of deferred charges on refunding | 362,540 |
| Amortization of bond premium | 730,171 |
| Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available: | |
| Deferred inflows - unavailable revenue, beginning of the year | (213,355) |
| Deferred inflows - unavailable revenue, end of the year | 100,000 |
| Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds: | |
| Accrued compensated absences and termination benefits, as restated, beginning of the year | 1,981,231 |
| Accrued compensated absences and termination benefits, end of the year | (2,027,455) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: | |
| Other postemployment benefits related items | 5,034,639 |
| Pension related items | 6,654,331 |
| Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period: | |
| State aid funding for pension, beginning of year | 3,254,226 |
| State aid funding for pension, end of year | (3,959,584) |
| **Change in net position of governmental activities** | $ 11,585,974 |



See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**STATEMENT OF FIDUCIARY NET POSITION**
**JUNE 30, 2026**

| | Custodial |
|---|---|
| ASSETS | |
| Cash | $ 54,475 |
| NET POSITION | |
| Restricted for student organizations | $ 54,475 |



See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**
**YEAR ENDED JUNE 30, 2026**

| | Custodial |
|---|---|
| DEDUCTIONS | |
| Payments made on behalf of student organizations | $ 2,037 |
| NET POSITION | |
| Beginning of year | 56,512 |
| End of year | $ 54,475 |



See notes to financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues and other nonexchange transactions.

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *2025 Capital Projects Fund* accounts for the receipt of debt proceeds and the acquisition of capital assets or construction of major capital projects. The fund is not yet considered substantially complete, and a subsequent year audit is expected.

The *2024 Capital Projects Fund* accounts for the receipt of debt proceeds and the acquisition of capital assets or construction of major capital projects.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation - Fund Financial Statements (continued)

*Major Governmental Funds (continued):*

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the 2024 Capital Projects Fund. The project for which the 2024 School Building and Site Bonds, Series I were issued was considered complete on June 30, 2026 (June 30 immediately following date of Certificate of Substantial Completion or 95% of proceeds expended).

The *2019 Sinking Fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

| | 2025 Capital Projects | 2024 Capital Projects |
|---|---|---|
| Revenue, not including proceeds | $ 564,217 | $ 207,550 |
| Expenditures and transfers | $ 12,178,867 | $ 4,850,480 |

The above revenue figures do not include total 2025 and 2024 bond proceeds and premiums of $18,948,511 and $4,642,930, respectively.

The District reports the following *Other Nonmajor Funds*:

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

The *2015 Refunding Debt Service Fund, 2017 Debt Service Fund, 2020 Debt Service Fund, 2024 Debt Service Fund* and *2025 Debt Service Fund* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The custodial fund consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation - Fund Financial Statements (continued)

While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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

Measurement Focus and Basis of Accounting

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

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

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

The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of the fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases and subscription based IT arrangements are reported as other financing sources.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

*Cash and Cash Equivalents*

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

*Investments*

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*Investments (continued)*

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

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

e. Bankers acceptances of United States banks.

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

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

*Inventories and Prepaid Items*

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

*Capital Assets*

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of 2 years. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*Capital Assets (continued)*

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

| Capital Asset Classes | Lives |
|---|---|
| Buildings and additions | 20 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Land improvements | 15 - 20 years |
| Right to use - subscription-based IT | 6 years |
| Vehicles | 8 years |

*Defined Benefit Plans*

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

*Deferred Outflows*

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*Deferred Inflows*

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has five items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability (asset) and the actual results. The amounts are amortized over a period determined by the actuary. The fourth item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year-end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. The fifth item is deferred gain on refunding which represents the difference between the net proceeds from the refunding bonds issued and the amounts refunded that were removed from the District's financial statements.

*Net Position Flow Assumption*

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

*Fund Balance Flow Assumptions*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*Fund Balance Policies (continued)*

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District has committed and adopted a minimum fund balance policy. In the general fund, the District strives to maintain a fund balance to be 10% of the actual GAAP basis expenditures and other financing uses.

*Subscription-based IT Arrangements (SBITA)*

Subscriber: The District is a subscriber for a noncancelable subscription of an IT arrangement. The District recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements.

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

Key estimates and judgements related to leases included how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITA.

- The SBITA term includes the noncancelable period of the subscription. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term obligations on the statement of net position.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenues and Expenditures/Expenses

*Program Revenues*

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

*Property Taxes*

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

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

| Fund | Mills |
|---|---|
| General fund | |
| Non-Principal Residence Exemption (PRE) | 18.0000 |
| Commercial Personal Property | 6.0000 |
| Debt service fund | |
| PRE, Non-PRE, Commercial Personal Property | 6.3000 |
| Sinking fund | |
| PRE, Non-PRE, Commercial Personal Property | 0.9956 |

*Compensated Absences*

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

*Long-term Obligations*

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

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

## NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2026, $26,922,075 of the District's bank balance of $27,172,075 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $27,077,020. The District also holds petty cash of $1,280.

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Fair Value Measurement

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

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

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

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

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

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

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

| | Primary Government | Custodial Fund | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 17,240,823 | $ 54,475 | $ 17,295,298 |
| Restricted cash - capital projects | 9,783,002 | - | 9,783,002 |
| | $ 27,023,825 | $ 54,475 | $ 27,078,300 |

## NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2026 consist of the following:

| | |
|---|---|
| Intergovernmental | |
| State aid | $ 6,577,585 |
| Federal revenue | 87,702 |
| Ingham Intermediate School District | 258,509 |
| | $ 6,923,796 |

No allowance for doubtful accounts is considered necessary.

## NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets at June 30, 2026 is as follows:

| | Balance July 1, 2025 | Additions/ Reclassifications | Deletions/ Reclassifications | Balance June 30, 2026 |
|---|---|---|---|---|
| Capital assets not being depreciated/amortized | | | | |
| Land | $ 480,535 | $ - | $ - | $ 480,535 |
| Construction in progress | 2,343,065 | 8,474,212 | 1,577,496 | 9,239,781 |
| Total capital assets not being depreciated/amortized | 2,823,600 | 8,474,212 | 1,577,496 | 9,720,316 |
| Capital assets being depreciated/amortized | | | | |
| Land improvements | 26,514,557 | 11,500 | - | 26,526,057 |
| Buildings and additions | 162,924,893 | 7,121,825 | 9,256 | 170,037,462 |
| Furniture and equipment | 10,223,610 | 1,052,606 | 42,464 | 11,233,752 |
| Right to use - subscription-based IT | 405,624 | 162,288 | - | 567,912 |
| Vehicles | 405,135 | - | 28,127 | 377,008 |
| Total capital assets being depreciated/amortized | 200,473,819 | 8,348,219 | 79,847 | 208,742,191 |
| Accumulated depreciation/amortization | | | | |
| Land improvements | 12,824,586 | 1,122,410 | - | 13,946,996 |
| Building and additions | 50,977,386 | 4,466,722 | 5,091 | 55,439,017 |
| Furniture and equipment | 6,323,857 | 604,761 | 42,464 | 6,886,154 |
| Right to use - subscription-based IT | 295,070 | 83,104 | - | 378,174 |
| Vehicles | 316,094 | 19,616 | 28,127 | 307,583 |
| Total accumulated depreciation/amortization | 70,736,993 | 6,296,613 | 75,682 | 76,957,924 |
| Net capital assets being depreciated/amortized | 129,736,826 | 2,051,606 | 4,165 | 131,784,267 |
| Net governmental capital assets | $ 132,560,426 | $ 10,525,818 | $ 1,581,661 | $ 141,504,583 |

Depreciation/amortization for the fiscal year ended June 30, 2026 amounted to $6,296,613. The District determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

## NOTE 5 - LONG-TERM OBLIGATIONS

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

| | General Obligation Bonds | Compensated Absences* | Direct Borrowings and Direct Placements | Total |
|---|---|---|---|---|
| Balance, July 1, 2025 | $ 113,549,323 | $ 1,981,231 | $ 89,533 | $ 115,620,087 |
| Additions | - | 46,224 | - | 46,224 |
| Deletions | (6,795,171) | - | (42,971) | (6,838,142) |
| Balance, June 30, 2026 | 106,754,152 | 2,027,455 | 46,562 | 108,828,169 |
| Due within one year | (6,205,000) | (202,746) | (46,562) | (6,454,308) |
| Due in more than one year | $ 100,549,152 | $ 1,824,709 | $ - | $ 102,373,861 |

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

The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations at June 30, 2026 are comprised of the following issues:

General Obligation Bonds

| | |
|---|---|
| 2017 Building and site bonds due in annual installments of $2,450,000 to $2,920,000 through May 1, 2042, with interest rates from 4% to 5%. | $ 45,475,000 |
| 2020 Building and site bonds due in annual installments of $1,000,000 to $1,045,000 through May 1, 2044, with interest rates from 4% to 5%. | 18,270,000 |
| 2024 Building and site bonds due in annual installments of $340,000 to $820,000 through May 1, 2033, with an interest rate of 4%. | 4,205,000 |
| 2025 Building and site bonds due in annual installments of $2,415,000 to $5,740,000 through May 1, 2033, with an interest rate of 4%. | 27,755,000 |
| Plus issuance premium | 11,049,152 |
| Total general obligation bonds | 106,754,152 |

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

Direct Borrowing and Direct Placement

| | |
|---|---|
| SBITA - During the 2024 fiscal year, the District entered into a SBITA agreement. An initial liability was recorded in the amount of $206,933 during the current fiscal year. Due in annual installments of $46,562 with an imputed interest rate of 4%. | $ 46,562 |
| Compensated Absences | 2,027,455 |
| Total general long-term obligations | $ 108,828,169 |

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2026, $22,225,000 of bonds outstanding are considered defeased.

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

| Year Ending June 30, | General Obligation Bonds Principal | General Obligation Bonds Interest | Direct Borrowing and Direct Placements Principal | Direct Borrowing and Direct Placements Interest | Compensated Absences | Total |
|---|---|---|---|---|---|---|
| 2027 | $ 6,205,000 | $ 4,421,150 | $ 46,562 | $ 1,862 | $ - | $ 10,674,574 |
| 2028 | 6,865,000 | 4,172,950 | - | - | - | 11,037,950 |
| 2029 | 7,565,000 | 3,873,700 | - | - | - | 11,438,700 |
| 2030 | 8,335,000 | 3,533,100 | - | - | - | 11,868,100 |
| 2031 | 9,015,000 | 3,161,700 | - | - | - | 12,176,700 |
| 2032-2036 | 31,950,000 | 10,139,000 | - | - | - | 42,089,000 |
| 2037-2041 | 19,720,000 | 4,472,000 | - | - | - | 24,192,000 |
| 2042-2044 | 6,050,000 | 459,250 | - | - | - | 6,509,250 |
| | 95,705,000 | 34,232,850 | 46,562 | 1,862 | - | 129,986,274 |
| Issuance premium | 11,049,152 | - | - | - | - | 11,049,152 |
| Compensated absences and termination benefits | - | - | - | - | 2,027,455 | 2,027,455 |
| | $ 106,754,152 | $ 34,232,850 | $ 46,562 | $ 1,862 | $ 2,027,455 | $ 143,062,881 |

Interest expense (all funds) for the year ended June 30, 2026 was approximately $4,509,000.

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $46,562 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

## NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

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

Pension Reform of 2023

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Employer Contributions

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

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

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

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

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

The District's pension contributions for the year ended June 30, 2026 were equal to the required contribution total. Total pension contributions were approximately $11,087,000. Of the total pension contributions approximately $10,642,000 was contributed to fund the Defined Benefit Plan and approximately $445,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2026 were equal to the required contribution total. Total OPEB contributions were approximately $734,000. Of the total OPEB contributions approximately $474,000 was contributed to fund the Defined Benefit Plan and approximately $260,000 was contributed to fund the Defined Contribution Plan.

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

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

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

| *MPSERS (Plan) Non-university Employers* | September 30, 2025 | September 30, 2024 |
|---|---|---|
| Total Pension Liability | $ 97,436,103,863 | $ 95,765,499,515 |
| Plan Fiduciary Net Position | $ 77,403,114,236 | $ 71,283,482,728 |
| Net Pension Liability | $ 20,032,989,627 | $ 24,482,016,787 |
| Proportionate Share | 0.24133% | 0.23792% |
| Net Pension Liability for the District | $ 48,345,165 | $ 58,247,901 |

For the year ended June 30, 2026, the District recognized pension expense of $3,987,171.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes of assumptions | $ 1,735,247 | $ 2,555,158 |
| Net difference between projected and actual pension plan investments earnings | - | 11,553,459 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,602,424 | 129,802 |
| Differences between expected and actual experience | 1,872,547 | 430,606 |
| Reporting Unit's contributions subsequent to the measurement date | 9,945,841 | - |
| | $ 17,156,059 | $ 14,669,025 |

$9,945,841, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

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

| June 30, | Amount |
|---|---|
| 2027 | $ 1,013,377 |
| 2028 | (3,958,582) |
| 2029 | (3,434,050) |
| 2030 | (1,079,552) |
| | $ (7,458,807) |

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

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

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

| *MPSERS (Plan) Non-university Employers* | September 30, 2025 | September 30, 2024 |
|---|---|---|
| Total other postemployment benefit liability | $ 9,360,649,860 | $ 9,991,545,923 |
| Plan fiduciary net position | $ 15,439,767,833 | $ 14,295,943,589 |
| Net other postemployment benefit liability (asset) | $ (6,079,117,973) | $ (4,304,397,666) |
| Proportionate share | 0.24103% | 0.24080% |
| Net other postemployment benefit liability (asset) for the District | $ (14,652,342) | $ (10,365,026) |

For the year ended June 30, 2026, the District recognized OPEB benefit of $4,560,366.

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 10,031,688 |
| Changes of assumptions | 1,955,512 | 155,401 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 2,058,974 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 559,963 | 33,454 |
| Employer contributions subsequent to the measurement date | 418,356 | - |
| | $ 2,933,831 | $ 12,279,517 |

$418,356, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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

| Year Ending June 30, | Amount |
|---|---|
| 2027 | $ (2,562,118) |
| 2028 | (2,545,218) |
| 2029 | (2,364,132) |
| 2030 | (1,551,267) |
| 2031 | (565,621) |
| 2032 | (175,686) |
| | $ (9,764,042) |

Actuarial Assumptions

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

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

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

**Inflation** - 3.0%.

**Mortality Assumptions -**

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

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

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

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

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

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

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

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

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

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

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

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

| | Target Allocation | | |
|---|---|---|---|
| Investment Category | Pension | OPEB | Long-term Expected Real Rate of Return* |
| Domestic Equity Pools | 21.0% | 16.0% | 5.8% |
| International Equity Pools | 14.0% | 11.0% | 5.6% |
| Private Equity Pools | 16.0% | 16.0% | 9.3% |
| Real Estate and Infrastructure Pools | 8.0% | 5.0% | 7.0% |
| Fixed Income Pools | 15.0% | 26.0% | 2.5% |
| Absolute Return Pools | 13.0% | 15.0% | 4.4% |
| Real Return/Opportunistic Pools | 9.0% | 7.0% | 7.0% |
| Short Term Investment Pools | 4.0% | 4.0% | 1.3% |
| | 100.00% | 100.00% | |

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

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

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

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

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

| | Pension | | |
|---|---|---|---|
| | 1% Decrease | Discount Rate | 1% Increase |
| Reporting Unit's proportionate share of the net pension liability | $ 76,291,337 | $ 48,345,165 | $ 25,069,581 |

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

| | Other Postemployment Benefits | | |
|---|---|---|---|
| | 1% Decrease | Discount Rate | 1% Increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) | $ (12,623,920) | $ (14,652,342) | $ (16,427,651) |

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

| | Other Postemployment Benefits | | |
|---|---|---|---|
| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) | $ (16,411,452) | $ (14,652,342) | $ (12,805,335) |

Pension and OPEB Plan Fiduciary Net Position

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

## NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position (continued)

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

## NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage.

In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2026 or any of the prior 3 years.

## NOTE 8 - TAX ABATEMENTS

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

| Municipality | Taxes Abated |
|---|---|
| City of East Lansing | $ 1,045,523 |
| City of Lansing | 30,567 |
| Total | $ 1,076,090 |

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

## NOTE 9 - CONTINGENT LIABILITIES

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

## NOTE 10 - CHANGES IN ACCOUNTING PRINCIPLES

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

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

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

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

## NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

# REQUIRED SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**YEAR ENDED JUNE 30, 2026**

| | Budgeted Amounts | | Variance with Original and Final Budget | Actual | Variance with Final Budget and Actual |
|---|---|---|---|---|---|
| | Original | Final | | | |
| REVENUES | | | | | |
| Local sources | $ 13,603,263 | $ 14,074,676 | $ 471,413 | $ 14,255,463 | $ 180,787 |
| State sources | 36,296,044 | 37,661,187 | 1,365,143 | 37,143,842 | (517,345) |
| Federal sources | 1,001,545 | 860,149 | (141,396) | 833,888 | (26,261) |
| Incoming transfers and other | 5,762,241 | 5,914,612 | 152,371 | 6,074,007 | 159,395 |
| TOTAL REVENUES | 56,663,093 | 58,510,624 | 1,847,531 | 58,307,200 | (203,424) |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | | | | | |
| Basic programs | 24,329,735 | 25,304,177 | 974,442 | 25,425,445 | (121,268) |
| Added needs | 8,700,603 | 9,031,145 | 330,542 | 9,111,788 | (80,643) |
| Total instruction | 33,030,338 | 34,335,322 | 1,304,984 | 34,537,233 | (201,911) |
| Supporting services | | | | | |
| Pupil | 5,176,362 | 5,078,879 | (97,483) | 5,236,159 | (157,280) |
| Instructional staff | 3,919,255 | 3,796,867 | (122,388) | 3,658,395 | 138,472 |
| General administration | 640,139 | 644,325 | 4,186 | 645,448 | (1,123) |
| School administration | 3,175,149 | 3,231,181 | 56,032 | 3,252,351 | (21,170) |
| Business | 981,048 | 1,053,345 | 72,297 | 994,263 | 59,082 |
| Operation/maintenance | 6,808,894 | 7,073,775 | 264,881 | 7,155,810 | (82,035) |
| Pupil transportation | 1,816,800 | 1,986,585 | 169,785 | 2,057,467 | (70,882) |
| Central | 1,418,079 | 1,455,676 | 37,597 | 1,351,951 | 103,725 |
| Athletics | 1,111,038 | 995,596 | (115,442) | 1,150,834 | (155,238) |
| Total supporting services | 25,046,764 | 25,316,229 | 269,465 | 25,502,678 | (186,449) |
| Community services | 50,025 | 44,838 | (5,187) | 53,438 | (8,600) |
| Debt service | 21,670 | 21,670 | - | 46,552 | (24,882) |
| TOTAL EXPENDITURES | 58,148,797 | 59,718,059 | 1,569,262 | 60,139,901 | (421,842) |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,485,704) | (1,207,435) | 278,269 | (1,832,701) | (625,266) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from sale of capital assets | 30,000 | 2,300 | (27,700) | 2,271 | (29) |
| NET CHANGE IN FUND BALANCE | (1,455,704) | (1,205,135) | 250,569 | (1,830,430) | (625,295) |
| FUND BALANCE | | | | | |
| Beginning of year | 14,948,656 | 14,948,656 | - | 14,948,656 | - |
| End of year | $ 13,492,952 | $ 13,743,521 | $ 250,569 | $ 13,118,226 | $ (625,295) |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE**
**OF THE NET PENSION LIABILITY**
**MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN**
**LAST TEN FISCAL YEARS (DETERMINED AS OF**
**PLAN YEAR ENDED SEPTEMBER 30)**

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Reporting Unit's proportion of net pension liability (%) | 0.24133% | 0.23792% | 0.22811% | 0.21601% | 0.21723% | 0.21488% | 0.21167% | 0.21426% | 0.21939% | 0.21837% |
| Reporting Unit's proportionate share of net pension liability | $ 48,345,165 | $ 58,247,901 | $ 73,829,250 | $ 81,239,738 | $ 51,430,885 | $ 73,813,387 | $ 70,097,391 | $ 64,411,434 | $ 56,853,910 | $ 54,481,960 |
| Reporting Unit's covered-employee payroll | $ 26,751,785 | $ 25,440,824 | $ 23,568,798 | $ 21,472,220 | $ 19,768,312 | $ 19,238,765 | $ 18,626,250 | $ 17,883,246 | $ 18,372,230 | $ 18,594,479 |
| Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll | 180.72% | 228.95% | 313.25% | 378.35% | 260.17% | 383.67% | 376.34% | 360.18% | 309.46% | 293.00% |
| Plan fiduciary net position as a percentage of total pension liability (Non-university employee) | 79.44% | 74.44% | 65.91% | 60.77% | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS**
**MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN**
**LAST TEN FISCAL YEARS (DETERMINED AS OF**
**THE YEAR ENDED JUNE 30)**

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contributions | $ 10,641,502 | $ 10,732,688 | $ 9,757,786 | $ 10,227,898 | $ 7,224,865 | $ 6,300,939 | $ 5,834,186 | $ 5,549,581 | $ 5,700,705 | $ 5,129,913 |
| Contributions in relation to statutorily required contributions | 10,641,502 | 10,732,688 | 9,757,786 | 10,227,898 | 7,224,865 | 6,300,939 | 5,834,186 | 5,549,581 | 5,700,705 | 5,129,913 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Reporting Unit's covered-employee payroll | $ 27,958,859 | $ 26,699,052 | $ 25,100,644 | $ 23,721,775 | $ 21,142,037 | $ 19,193,974 | $ 19,166,115 | $ 18,410,181 | $ 17,992,654 | $ 18,395,718 |
| Contributions as a percentage of covered-employee payroll | 38.06% | 40.20% | 38.87% | 43.12% | 34.17% | 32.83% | 30.44% | 30.14% | 31.68% | 27.89% |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE**
**OF THE NET OPEB LIABILITY (ASSET)**
**MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN**
**LAST TEN FISCAL YEARS (DETERMINED**
**AS OF PLAN YEAR ENDED SEPTEMBER 30)**

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Reporting Unit's proportion of net OPEB liability/asset (%) | 0.24103% | 0.24080% | 0.23565% | 0.22062% | 0.21883% | 0.21683% | 0.21337% | 0.21015% | 0.21979% |
| Reporting Unit's proportionate share of net OPEB liability (asset) | $ (14,652,342) | $ (10,365,026) | $ (1,333,059) | $ 4,672,777 | $ 3,340,181 | $ 11,616,267 | $ 15,315,292 | $ 16,704,498 | $ 19,463,607 |
| Reporting Unit's covered-employee payroll | $ 26,751,785 | $ 25,440,824 | $ 23,568,798 | $ 21,472,220 | $ 19,768,312 | $ 19,238,765 | $ 18,626,250 | $ 17,883,246 | $ 18,372,230 |
| Reporting Unit's proportionate share of net OPEB liability/asset as a percentage of its covered-employee payroll | 54.77% | 40.74% | 5.66% | 21.76% | 16.90% | 60.38% | 82.22% | 93.41% | 105.94% |
| Plan fiduciary net position as a percentage of total OPEB liability (Non-university employee) | 164.94% | 143.08% | 105.04% | 83.09% | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS**
**MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN**
**LAST TEN FISCAL YEARS (DETERMINED AS OF**
**THE YEAR ENDED JUNE 30)**

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contributions | $ 474,273 | $ 138,285 | $ 2,100,960 | $ 1,875,794 | $ 1,747,015 | $ 1,651,425 | $ 1,647,518 | $ 1,541,169 | $ 1,599,006 |
| Contributions in relation to statutorily required contributions | 474,273 | 138,285 | 2,100,960 | 1,875,794 | 1,747,015 | 1,651,425 | 1,647,518 | 1,541,169 | 1,599,006 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Reporting Unit's covered-employee payroll | $ 27,958,859 | $ 26,699,052 | $ 25,100,644 | $ 23,721,775 | $ 21,142,037 | $ 19,193,974 | $ 19,166,115 | $ 18,410,181 | $ 17,992,654 |
| Contributions as a percentage of covered-employee | 1.70% | 0.52% | 8.37% | 7.91% | 8.26% | 8.60% | 8.60% | 8.37% | 8.89% |

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten- year trend is compiled, the District presents information for those years for which information is available.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**
**FOR THE YEAR ENDED JUNE 30, 2026**

## NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

b. Public hearings are conducted to obtain taxpayer comments.

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

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

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

## NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between Original and Final Budget

| | Variance | Explanation |
|---|---|---|
| REVENUES | | |
| Local sources | $ 471,413 | The District received a refund from the City of East Lansing for 5% franchise fees assessed against the District's Board of Water and Light electrical bills over multiple years. The franchise fee was litigated and not included at the time of the Original Budget planning. |
| State sources | 1,365,143 | The State of Michigan School Aid Fund budget was not passed at the time of the requirement to adopt its Original Budget. Subsequently, additional revenue was received for Mental Health Grants (section 31aa and 31aa(5) - $479k) and Educator Compensation Program (section 27I(2) - $538k). The District's also received approximately $285k of additional revenue in Great Start Readiness Program as the allocation wasn't finalized until late October 2025. |
| EXPENDITURES | | |
| Instruction - Basic | 974,442 | Contract settlements with the teacher (September 8, 2025) and paraprofessional (January 16, 2026) associations and the State Educator Compensation Program increased instructional expenditures over original planning. |

Significant Variances Between Final Budget and Actual

| | Variance | Explanation |
|---|---|---|
| REVENUES | | |
| State sources | $ (517,345) | The District overestimated revenue for section 31a At-Risk ($335k) and section 147a MPSERS Normal Cost Offset ($107k). |

## NOTE 3 - PENSION INFORMATION

Benefit Changes

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

Changes in Assumptions

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

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

## NOTE 3 - PENSION INFORMATION (continued)

Changes in Assumptions (continued)

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

## NOTE 4 - OPEB INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

- 2024 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage point for members over 65.

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

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

**NOTE 4 - OPEB INFORMATION (continued)**

Changes in Assumptions (continued)

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

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

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

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

# ADDITIONAL SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**GENERAL FUND**
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**
**YEAR ENDED JUNE 30, 2026**

| | |
|---|---|
| LOCAL SOURCES | |
| Property taxes | $ 12,825,774 |
| Investment earnings | 631,221 |
| Other local revenue | 662,447 |
| Athletics | 136,021 |
| TOTAL LOCAL SOURCES | 14,255,463 |
| STATE SOURCES | |
| Foundation grant | 11,126,949 |
| Special education | 2,657,972 |
| Other state revenue | 23,358,921 |
| TOTAL STATE SOURCES | 37,143,842 |
| FEDERAL SOURCES | |
| Title I | 505,416 |
| Title II | 87,035 |
| Title III | 53,072 |
| Other federal revenue | 188,365 |
| TOTAL FEDERAL SOURCES | 833,888 |
| INCOMING TRANSFERS AND OTHER TRANSACTIONS | |
| Special education | 5,771,007 |
| Other | 303,000 |
| TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS | 6,074,007 |
| TOTAL REVENUES | 58,307,200 |
| OTHER FINANCING SOURCES | |
| Proceeds from sale of capital assets | 2,271 |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | $ 58,309,471 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**GENERAL FUND**
**SCHEDULE OF EXPENDITURES**
**YEAR ENDED JUNE 30, 2026**

| | |
|---|---|
| INSTRUCTION | |
| Basic programs | |
| Elementary | |
| Salaries | $ 6,362,806 |
| Benefits | 4,441,464 |
| Purchased services | 34,315 |
| Supplies and materials | 159,294 |
| Capital outlay | 184,217 |
| Other expenses | 552,339 |
| Total elementary | 11,734,435 |
| Middle school | |
| Salaries | 2,780,242 |
| Benefits | 1,923,372 |
| Purchased services | 23,852 |
| Supplies and materials | 63,610 |
| Capital outlay | 17,573 |
| Other expenses | 126,698 |
| Total middle school | 4,935,347 |
| High school | |
| Salaries | 4,148,682 |
| Benefits | 2,829,257 |
| Purchased services | 357,666 |
| Supplies and materials | 158,716 |
| Capital outlay | 63,184 |
| Other expenses | 449,852 |
| Total high school | 8,007,357 |
| Pre-school | |
| Salaries | 375,530 |
| Benefits | 305,725 |
| Supplies and materials | 16,834 |
| Other expenses | 6,508 |
| Total pre-school | 704,597 |
| Summer school | |
| Salaries | 26,282 |
| Benefits | 17,427 |
| Total summer school | 43,709 |
| Total basic programs | 25,425,445 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**GENERAL FUND**
**SCHEDULE OF EXPENDITURES**
**YEAR ENDED JUNE 30, 2026**

| | |
|---|---|
| INSTRUCTION (continued) | |
| Added needs | |
| Special education | |
| Salaries | $ 3,093,635 |
| Benefits | 2,216,429 |
| Purchased services | 193,809 |
| Supplies and materials | 23,232 |
| Capital outlay | 1,652 |
| Other expenses | 927,491 |
| Total special education | 6,456,248 |
| Compensatory education | |
| Salaries | 1,504,321 |
| Benefits | 1,142,554 |
| Purchased services | 3,464 |
| Supplies and materials | 2,424 |
| Other expenses | 2,777 |
| Total compensatory education | 2,655,540 |
| Total added needs | 9,111,788 |
| TOTAL INSTRUCTION | 34,537,233 |
| SUPPORTING SERVICES | |
| Pupil services | |
| Salaries | 2,742,033 |
| Benefits | 1,853,080 |
| Purchased services | 34,059 |
| Supplies and materials | 31,610 |
| Capital outlay | 29,937 |
| Other expenses | 545,440 |
| Total pupil services | 5,236,159 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**GENERAL FUND**
**SCHEDULE OF EXPENDITURES**
**YEAR ENDED JUNE 30, 2026**

| | |
|---|---|
| SUPPORTING SERVICES (continued) | |
| Instructional staff services | |
| Salaries | $ 1,806,123 |
| Benefits | 1,298,833 |
| Purchased services | 166,379 |
| Supplies and materials | 217,527 |
| Other expenses | 169,533 |
| Total instructional staff services | 3,658,395 |
| General administration | |
| Salaries | 315,881 |
| Benefits | 210,057 |
| Purchased services | 91,581 |
| Supplies and materials | 17,825 |
| Other expenses | 10,104 |
| Total general administration | 645,448 |
| School administration | |
| Salaries | 1,840,412 |
| Benefits | 1,331,362 |
| Purchased services | 29,416 |
| Supplies and materials | 39,515 |
| Capital outlay | 1,051 |
| Other expenses | 10,595 |
| Total school administration | 3,252,351 |
| Business services | |
| Salaries | 460,157 |
| Benefits | 281,170 |
| Purchased services | 121,779 |
| Supplies and materials | 16,720 |
| Capital outlay | 11,048 |
| Other expenses | 103,389 |
| Total business services | 994,263 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**GENERAL FUND**
**SCHEDULE OF EXPENDITURES**
**YEAR ENDED JUNE 30, 2026**

| | |
|---|---|
| SUPPORTING SERVICES (continued) | |
| Operations and maintenance | |
| Salaries | $ 2,045,442 |
| Benefits | 1,430,205 |
| Purchased services | 1,370,829 |
| Supplies and materials | 2,085,918 |
| Capital outlay | 119,738 |
| Other expenses | 103,678 |
| Total operations and maintenance | 7,155,810 |
| Transportation | |
| Salaries | 37,563 |
| Benefits | 2,963 |
| Purchased services | 32,201 |
| Supplies and materials | 90,702 |
| Other expenses | 1,894,038 |
| Total transportation | 2,057,467 |
| Central services | |
| Salaries | 548,145 |
| Benefits | 369,973 |
| Purchased services | 367,316 |
| Supplies and materials | 5,393 |
| Capital outlay | 36,089 |
| Other expenses | 25,035 |
| Total central services | 1,351,951 |
| Athletics | |
| Salaries | 554,016 |
| Benefits | 322,002 |
| Purchased services | 107,514 |
| Supplies and materials | 107,757 |
| Capital outlay | 27,035 |
| Other expenses | 32,510 |
| Total athletics | 1,150,834 |
| TOTAL SUPPORTING SERVICES | $ 25,502,678 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**GENERAL FUND**
**SCHEDULE OF EXPENDITURES**
**YEAR ENDED JUNE 30, 2026**

| | | |
|---|---|---|
| COMMUNITY SERVICES | | |
| Salaries | $ | 16,700 |
| Benefits | | 13,061 |
| Purchased services | | 19,945 |
| Supplies and materials | | 1,797 |
| Capital outlay | | 1,800 |
| Other expenses | | 135 |
| TOTAL COMMUNITY SERVICES | | 53,438 |
| DEBT SERVICE | | 46,552 |
| TOTAL EXPENDITURES | $ | 60,139,901 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**COMBINING BALANCE SHEET**
**NONMAJOR GOVERNMENTAL FUND TYPES**
**JUNE 30, 2026**

| | Special Revenue | Debt Service | Total Nonmajor Funds |
|---|---|---|---|
| ASSETS | | | |
| Cash and cash equivalents | $ 952,232 | $ 411,486 | $ 1,363,718 |
| Accounts receivable | 5,360 | - | 5,360 |
| Taxes receivable | - | 5,672 | 5,672 |
| Intergovernmental | 119,526 | - | 119,526 |
| Due from other funds | - | 432 | 432 |
| Prepaids | 100,495 | 1,749 | 102,244 |
| Inventories | 43,871 | - | 43,871 |
| TOTAL ASSETS | $ 1,221,484 | $ 419,339 | $ 1,640,823 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | $ 50,831 | $ - | $ 50,831 |
| Due to other funds | - | 432 | 432 |
| Unearned revenue | 29,861 | - | 29,861 |
| TOTAL LIABILITIES | 80,692 | 432 | 81,124 |
| FUND BALANCES | | | |
| Nonspendable | | | |
| Prepaids | 100,495 | 1,749 | 102,244 |
| Inventories | 43,871 | - | 43,871 |
| Restricted for | | | |
| Debt service | - | 417,158 | 417,158 |
| Food service | 489,882 | - | 489,882 |
| Committed | 506,544 | - | 506,544 |
| TOTAL FUND BALANCES | 1,140,792 | 418,907 | 1,559,699 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 1,221,484 | $ 419,339 | $ 1,640,823 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**
**AND CHANGES IN FUND BALANCES**
**NONMAJOR GOVERNMENTAL FUND TYPES**
**YEAR ENDED JUNE 30, 2026**

| | Special Revenue | Debt Service | Total Nonmajor Funds |
|---|---|---|---|
| REVENUES | | | |
| Local sources | | | |
| Property taxes | $ - | $ 10,226,795 | $ 10,226,795 |
| Investment earnings | - | 157,365 | 157,365 |
| Food sales | 44,288 | - | 44,288 |
| Student/school activities | 614,959 | - | 614,959 |
| Total local sources | 659,247 | 10,384,160 | 11,043,407 |
| State sources | 817,292 | - | 817,292 |
| Federal sources | 1,273,072 | - | 1,273,072 |
| TOTAL REVENUES | 2,749,611 | 10,384,160 | 13,133,771 |
| EXPENDITURES | | | |
| Current | | | |
| Food service activities | 2,203,689 | - | 2,203,689 |
| Student/school activities | 599,946 | - | 599,946 |
| Capital outlay | 6,450 | - | 6,450 |
| Debt service | | | |
| Principal repayment | - | 6,065,000 | 6,065,000 |
| Interest expense | - | 4,505,517 | 4,505,517 |
| Other costs | - | 27,155 | 27,155 |
| TOTAL EXPENDITURES | 2,810,085 | 10,597,672 | 13,407,757 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (60,474) | (213,512) | (273,986) |
| FUND BALANCES | | | |
| Beginning of year | 1,201,266 | 632,419 | 1,833,685 |
| End of year | $ 1,140,792 | $ 418,907 | $ 1,559,699 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**NONMAJOR SPECIAL REVENUE FUNDS**
**COMBINING BALANCE SHEET**
**JUNE 30, 2026**

| | Food Service | Student/School Activities | Total Nonmajor Special Revenue |
|---|---|---|---|
| ASSETS | | | |
| Cash and cash equivalents | $ 431,523 | $ 520,709 | $ 952,232 |
| Accounts receivable | - | 5,360 | 5,360 |
| Intergovernmental | 119,526 | - | 119,526 |
| Prepaids | 100,495 | - | 100,495 |
| Inventories | 43,871 | - | 43,871 |
| TOTAL ASSETS | $ 695,415 | $ 526,069 | $ 1,221,484 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | $ 31,306 | $ 19,525 | $ 50,831 |
| Unearned revenue | 29,861 | - | 29,861 |
| TOTAL LIABILITIES | 61,167 | 19,525 | 80,692 |
| FUND BALANCES | | | |
| Nonspendable | | | |
| Prepaid expenditures | 100,495 | - | 100,495 |
| Inventories | 43,871 | - | 43,871 |
| Restricted | 489,882 | - | 489,882 |
| Committed | - | 506,544 | 506,544 |
| TOTAL FUND BALANCES | 634,248 | 506,544 | 1,140,792 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 695,415 | $ 526,069 | $ 1,221,484 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**NONMAJOR SPECIAL REVENUE FUNDS**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**
**AND CHANGES IN FUND BALANCES**
**YEAR ENDED JUNE 30, 2026**

| | Food Service | Student/School Activities | Total Nonmajor Special Revenue |
|---|---|---|---|
| REVENUES | | | |
| Food sales | $ 44,288 | $ - | $ 44,288 |
| State sources | 817,292 | - | 817,292 |
| Federal sources | 1,273,072 | - | 1,273,072 |
| Student/school activities | - | 614,959 | 614,959 |
| TOTAL REVENUES | 2,134,652 | 614,959 | 2,749,611 |
| EXPENDITURES | | | |
| Salaries | 87,731 | - | 87,731 |
| Benefits | 42,428 | - | 42,428 |
| Purchased services | 280,887 | - | 280,887 |
| Supplies and materials | 1,087,353 | - | 1,087,353 |
| Capital outlay | 6,450 | - | 6,450 |
| Other expenses | 705,290 | 599,946 | 1,305,236 |
| TOTAL EXPENDITURES | 2,210,139 | 599,946 | 2,810,085 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (75,487) | 15,013 | (60,474) |
| FUND BALANCES | | | |
| Beginning of year | 709,735 | 491,531 | 1,201,266 |
| End of year | $ 634,248 | $ 506,544 | $ 1,140,792 |

# SCHOOL DISTRICT OF THE CITY OF EAST LANSING
# NONMAJOR DEBT SERVICE FUNDS
# COMBINING BALANCE SHEET
# JUNE 30, 2026

| | 2015 Refunding | 2017 Debt | 2020 Debt | 2024 Debt | 2025 Debt | Total Nonmajor Debt Service |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | $ - | $ 147,067 | $ 70,883 | $ 69,294 | $ 124,242 | $ 411,486 |
| Prepaids | - | 500 | 333 | 458 | 458 | 1,749 |
| Due from other funds | - | - | - | - | 432 | 432 |
| Taxes receivable | - | 4,382 | 959 | 74 | 257 | 5,672 |
| TOTAL ASSETS | $ - | $ 151,949 | $ 72,175 | $ 69,826 | $ 125,389 | $ 419,339 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Due to other funds | $ - | $ 432 | $ - | $ - | $ - | $ 432 |
| FUND BALANCES | | | | | | |
| Nonspendable | | | | | | |
| Prepaids | - | 500 | 333 | 458 | 458 | 1,749 |
| Restricted for debt service | - | 151,017 | 71,842 | 69,368 | 124,931 | 417,158 |
| TOTAL FUND BALANCES | - | 151,517 | 72,175 | 69,826 | 125,389 | 418,907 |
| TOTAL LIABILITIES AND FUND BALANCES | $ - | $ 151,949 | $ 72,175 | $ 69,826 | $ 125,389 | $ 419,339 |

# SCHOOL DISTRICT OF THE CITY OF EAST LANSING
# NONMAJOR DEBT SERVICE FUNDS
# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
# YEAR ENDED JUNE 30, 2026

| | 2015 Refunding | 2017 Debt | 2020 Debt | 2024 Debt | 2025 Debt | Total Nonmajor Debt Service |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Local sources | | | | | | |
| Property taxes | $ - | $ 4,186,149 | $ 1,783,882 | $ 583,575 | $ 3,673,189 | $ 10,226,795 |
| Investment earnings | - | 64,980 | 27,511 | 8,121 | 56,753 | 157,365 |
| TOTAL REVENUES | - | 4,251,129 | 1,811,393 | 591,696 | 3,729,942 | 10,384,160 |
| EXPENDITURES | | | | | | |
| Principal repayment | - | 2,200,000 | 980,000 | 340,000 | 2,545,000 | 6,065,000 |
| Interest expense | - | 2,337,250 | 932,700 | 181,800 | 1,053,767 | 4,505,517 |
| Other costs | 10,282 | 6,577 | 3,110 | 1,400 | 5,786 | 27,155 |
| TOTAL EXPENDITURES | 10,282 | 4,543,827 | 1,915,810 | 523,200 | 3,604,553 | 10,597,672 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (10,282) | (292,698) | (104,417) | 68,496 | 125,389 | (213,512) |
| FUND BALANCES | | | | | | |
| Beginning of year | 10,282 | 444,215 | 176,592 | 1,330 | - | 632,419 |
| End of year | $ - | $ 151,517 | $ 72,175 | $ 69,826 | $ 125,389 | $ 418,907 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**COMBINED DEBT SERVICE REQUIREMENTS**
**JUNE 30, 2026**

| Fiscal Year Ending June 30, | 2017 Debt | 2020 Debt | 2024 Debt | 2025 Debt | Combined |
|---|---|---|---|---|---|
| 2027 | $ 4,699,250 | $ 1,893,500 | $ 508,200 | $ 3,525,200 | $ 10,626,150 |
| 2028 | 4,616,250 | 1,853,500 | 544,600 | 4,023,600 | 11,037,950 |
| 2029 | 4,828,000 | 1,813,500 | 549,000 | 4,248,200 | 11,438,700 |
| 2030 | 4,688,000 | 1,763,500 | 827,600 | 4,589,000 | 11,868,100 |
| 2031 | 4,648,000 | 1,713,500 | 814,400 | 5,000,800 | 12,176,700 |
| 2032 | 4,503,000 | 1,663,500 | 885,600 | 5,440,000 | 12,492,100 |
| 2033 | 4,358,000 | 1,613,500 | 852,800 | 5,969,600 | 12,793,900 |
| 2034 | 4,213,000 | 1,563,500 | - | - | 5,776,500 |
| 2035 | 4,088,000 | 1,523,500 | - | - | 5,611,500 |
| 2036 | 3,942,000 | 1,473,000 | - | - | 5,415,000 |
| 2037 | 3,796,000 | 1,432,500 | - | - | 5,228,500 |
| 2038 | 3,650,000 | 1,381,500 | - | - | 5,031,500 |
| 2039 | 3,504,000 | 1,330,500 | - | - | 4,834,500 |
| 2040 | 3,358,000 | 1,289,500 | - | - | 4,647,500 |
| 2041 | 3,212,000 | 1,238,000 | - | - | 4,450,000 |
| 2042 | 3,066,000 | 1,196,500 | - | - | 4,262,500 |
| 2043 | - | 1,149,500 | - | - | 1,149,500 |
| 2044 | - | 1,097,250 | - | - | 1,097,250 |
| | $ 65,169,500 | $ 26,989,750 | $ 4,982,200 | $ 32,796,400 | $ 129,937,850 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS**
**2017 DEBT SERIES**
**JUNE 30, 2026**

2017 Debt Series

| Fiscal Year | Principal Due May 1 | Interest Due November 1 | Interest Due May 1 | Total Due Annually |
|---|---|---|---|---|
| 2027 | $ 2,450,000 | $ 1,124,625 | $ 1,124,625 | $ 4,699,250 |
| 2028 | 2,465,000 | 1,075,625 | 1,075,625 | 4,616,250 |
| 2029 | 2,800,000 | 1,014,000 | 1,014,000 | 4,828,000 |
| 2030 | 2,800,000 | 944,000 | 944,000 | 4,688,000 |
| 2031 | 2,900,000 | 874,000 | 874,000 | 4,648,000 |
| 2032 | 2,900,000 | 801,500 | 801,500 | 4,503,000 |
| 2033 | 2,900,000 | 729,000 | 729,000 | 4,358,000 |
| 2034 | 2,900,000 | 656,500 | 656,500 | 4,213,000 |
| 2035 | 2,920,000 | 584,000 | 584,000 | 4,088,000 |
| 2036 | 2,920,000 | 511,000 | 511,000 | 3,942,000 |
| 2037 | 2,920,000 | 438,000 | 438,000 | 3,796,000 |
| 2038 | 2,920,000 | 365,000 | 365,000 | 3,650,000 |
| 2039 | 2,920,000 | 292,000 | 292,000 | 3,504,000 |
| 2040 | 2,920,000 | 219,000 | 219,000 | 3,358,000 |
| 2041 | 2,920,000 | 146,000 | 146,000 | 3,212,000 |
| 2042 | 2,920,000 | 73,000 | 73,000 | 3,066,000 |
| Total 2017 bonded debt | $ 45,475,000 | $ 9,847,250 | $ 9,847,250 | $ 65,169,500 |

The amount of the original bond issue was $57,960,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS**
**2020 DEBT SERIES**
**JUNE 30, 2026**

2020 Debt Series

| Fiscal Year | Principal Due May 1 | Interest Due November 1 | Interest Due May 1 | Total Due Annually |
|---|---|---|---|---|
| 2027 | $ 1,000,000 | $ 446,750 | $ 446,750 | $ 1,893,500 |
| 2028 | 1,000,000 | 426,750 | 426,750 | 1,853,500 |
| 2029 | 1,000,000 | 406,750 | 406,750 | 1,813,500 |
| 2030 | 1,000,000 | 381,750 | 381,750 | 1,763,500 |
| 2031 | 1,000,000 | 356,750 | 356,750 | 1,713,500 |
| 2032 | 1,000,000 | 331,750 | 331,750 | 1,663,500 |
| 2033 | 1,000,000 | 306,750 | 306,750 | 1,613,500 |
| 2034 | 1,000,000 | 281,750 | 281,750 | 1,563,500 |
| 2035 | 1,010,000 | 256,750 | 256,750 | 1,523,500 |
| 2036 | 1,010,000 | 231,500 | 231,500 | 1,473,000 |
| 2037 | 1,020,000 | 206,250 | 206,250 | 1,432,500 |
| 2038 | 1,020,000 | 180,750 | 180,750 | 1,381,500 |
| 2039 | 1,020,000 | 155,250 | 155,250 | 1,330,500 |
| 2040 | 1,030,000 | 129,750 | 129,750 | 1,289,500 |
| 2041 | 1,030,000 | 104,000 | 104,000 | 1,238,000 |
| 2042 | 1,040,000 | 78,250 | 78,250 | 1,196,500 |
| 2043 | 1,045,000 | 52,250 | 52,250 | 1,149,500 |
| 2044 | 1,045,000 | 26,125 | 26,125 | 1,097,250 |
| Total 2020 bonded debt | $ 18,270,000 | $ 4,359,875 | $ 4,359,875 | $ 26,989,750 |

The amount of the original bond issue was $21,160,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS**
**2024 DEBT SERIES**
**JUNE 30, 2026**

2024 Debt Series

| Fiscal Year | Principal Due May 1 | Interest Due November 1 | Interest Due May 1 | Total Due Annually |
|---|---|---|---|---|
| 2027 | $ 340,000 | $ 84,100 | $ 84,100 | $ 508,200 |
| 2028 | 390,000 | 77,300 | 77,300 | 544,600 |
| 2029 | 410,000 | 69,500 | 69,500 | 549,000 |
| 2030 | 705,000 | 61,300 | 61,300 | 827,600 |
| 2031 | 720,000 | 47,200 | 47,200 | 814,400 |
| 2032 | 820,000 | 32,800 | 32,800 | 885,600 |
| 2033 | 820,000 | 16,400 | 16,400 | 852,800 |
| Total 2024 bonded debt | $ 4,205,000 | $ 388,600 | $ 388,600 | $ 4,982,200 |

The amount of the original bond issue was $4,545,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS**
**2025 DEBT SERIES**
**JUNE 30, 2026**

2025 Debt Series

| Fiscal Year | Principal Due May 1 | Interest Due November 1 | Interest Due May 1 | Total Due Annually |
|---|---|---|---|---|
| 2027 | $ 2,415,000 | $ 555,100 | $ 555,100 | $ 3,525,200 |
| 2028 | 3,010,000 | 506,800 | 506,800 | 4,023,600 |
| 2029 | 3,355,000 | 446,600 | 446,600 | 4,248,200 |
| 2030 | 3,830,000 | 379,500 | 379,500 | 4,589,000 |
| 2031 | 4,395,000 | 302,900 | 302,900 | 5,000,800 |
| 2032 | 5,010,000 | 215,000 | 215,000 | 5,440,000 |
| 2033 | 5,740,000 | 114,800 | 114,800 | 5,969,600 |
| Total 2026 bonded debt | $ 27,755,000 | $ 2,520,700 | $ 2,520,700 | $ 32,796,400 |

The amount of the original bond issue was $30,300,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**CAPITAL PROJECTS FUND - SINKING FUND**
**DETAIL OF EXPENDITURES**
**YEAR ENDED JUNE 30, 2026**

| | | |
|---|---|---|
| 2019 SINKING FUND EXPENDITURES | | |
| Donley Elementary | $ | 6,300 |
| Glencairn Elementary | | 6,249 |
| Marble Elementary | | 2,998 |
| Robert L. Green Elementary | | 7,322 |
| Red Cedar Elementary | | 37,344 |
| Whitehills Elementary | | 26,108 |
| MacDonald Middle School | | 296,696 |
| East Lansing High School | | 427,877 |
| Towar/Administration Building | | 65,145 |
| Other | | 2,343 |
| TOTAL EXPENDITURES | $ | 878,382 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**2024 CAPITAL PROJECTS FUND**
**DETAIL OF EXPENDITURES**
**YEAR ENDED JUNE 30, 2026**

| | |
|---|---|
| 2024 CAPITAL PROJECTS FUND EXPENDITURES | |
| MacDonald Middle School | $ 47,017 |
| East Lansing High School | 455,782 |
| Towar/Administration Building | 1,982,891 |
| TOTAL EXPENDITURES | $ 2,485,690 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**2025 CAPITAL PROJECTS FUND**
**DETAIL OF EXPENDITURES**
**YEAR ENDED JUNE 30, 2026**

| | |
|---|---|
| 2025 CAPITAL PROJECTS FUND EXPENDITURES | |
| MacDonald Middle School | $ 364,322 |
| East Lansing High School | 7,723,669 |
| Towar/Administration Building | 3,792,412 |
| TOTAL EXPENDITURES | $ 11,880,403 |

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**
**AND NET POSITION BY SCHOOL - CUSTODIAL FUND**
**YEAR ENDED JUNE 30, 2026**

| | Net Position 7/1/25 | Additions | Deductions | Net Position 6/30/26 |
|---|---|---|---|---|
| East Lansing High School | $ 56,512 | $ - | $ 2,037 | $ 54,475 |

Maner Costerisan

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Grand Rapids, MI 49546

517.323.7500

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of the
School District of the City of East Lansing

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 School District of the City of East Lansing, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise School District of the City of East Lansing's basic financial statements, and have issued our report thereon dated October 12, 2026.

**Report on Internal Control Over Financial Reporting**

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether School District of the City of East Lansing's 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 one instance 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 responses as item 2026-001.

**School District of the City of East Lansing's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on School District of the City of East Lansing's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. School District of the City of East Lansing's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**Purpose of This Report**

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

Maner Costerisan PC

Lansing, Michigan
October 12, 2026

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**SCHEDULE OF FINDINGS AND RESPONSES**
**YEAR ENDED JUNE 30, 2026**

**Financial Statement Finding**

**Finding 2026-001:** Considered a significant deficiency and noncompliance.

**Criteria:** Compliance with the Uniform Budgeting and Accounting Act. MCL (Michigan Compile Laws) 141.437 states that if it becomes apparent during the year that the probable expenses will be more than the budgeted expenditures an amendment should be adopted to prevent expenditures from exceeding available revenues including prior year fund balance.

**Condition:** The District's budget reflects an estimated usage of fund balance less than actual usage of fund balance.

**Effect:** At June 30, 2026, the District's final budget anticipated drawing $1,205,135 from the District's fund balance. The actual result had the District using up $1,830,430 of fund balance. This created a negative budget to actual variance of $625,295 and was a result of expenditures exceeding the budget by $421,842 combined with a revenue shortfall of $203,424.

**Cause:** The primary reason was due to using aggressive assumptions in the underlying data used to prepare the final budget amendment.

**Recommendation:** The District should implement budgeting procedures more conservatively for expenditures and revenues. The District should also implement procedures to schedule emergency board meetings for budget amendments, if needed.

**District's Response:** The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

East Lansing Public Schools Board Office, 501 Burcham Drive, East Lansing, MI 48823

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**
**CORRECTIVE ACTION PLAN**
**YEAR ENDED JUNE 30, 2026**

School District of the City of East Lansing respectfully submits the following corrective action plan for the year ended June 30, 2026.

**Auditor:** Maner Costerisan
2425 E. Grand River Avenue, Suite 1
Lansing, MI 48912

**Audit period:** Year ended June 30, 2026.

**District Contact Person:** Dori Leyko, Superintendent

The findings from the June 30, 2026 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

**Finding: Financial statement audit**

**Finding 2026-001**

**Recommendation:** The District should implement budgeting procedures more conservatively for expenditures and revenues. The District should also implement procedures to schedule emergency board meetings for budget amendments, if needed.

**Action to be taken:** The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

B. **PA 152 Resolution (80/20 vs Hard Cap) Resolution**
*Motion: I move that the Board of Education adopt the Resolution to Comply with PA 152 of 2011, as presented.*

C. **31 aa Resolution** **100**
*Motion: I move that the Board of Education approve the resolution ("Resolution A") to accept 31aa Mental Health Funding and 31aa Student Safety Funding.*

East Lansing
Public Schools

# MEMORANDUM

**TO:** ELPS Board of Education members

**FROM:** Dori Leyko, Superintendent

**SUBJECT:** 31aa Resolution

**DATE:** October 26, 2026

**Recommended motion:**

The Board of Education approve the resolution ("Resolution A") to accept 31aa Mental Health Funding and 31aa Student Safety Funding.

**Background information:**

I have attached a Q & A document regarding common questions on 2026-27 31aa funding and the proposed resolution, both from Thrun Law Firm.

ELPS accepted these funds in 2025-26 and have budgeted for continued use of these funds in 2026-27. These are restricted funds with specific allowable expenses – I am meeting with State Superintendent Glenn Maleyko and am in communication with State Representative Penelope Tsernoglou's office to advocate for expenses that were allowed under previous 31aa legislation to continue to be allowed by the Michigan Department of Education. This grant provides significant funding for ELPS – approximately $270,000 to improve student mental health and approximately $540,000 to improve student safety. I am requesting action on this item at the October 26, 2026, Board of Education meeting so that ELPS can opt in to the funding by the first deadline of November 9, 2026, and receive funds in the following month's state aid payment.

Please see attached Q & A from Thrun Law Firm.

***Resolution A:***
***Opt-In and Waiver***

East Lansing Public Schools, Michigan (the "District")

A regular meeting of the board of education of the District (the "Board") was held in the Board of Education Room at 6160 Towar Ave., East Lansing, MI 48823, within the boundaries of the District, on the 26th day of October, 2026, at 7:00 o'clock in the p.m. (the "Meeting")

The Meeting was called to order by _____, President.

Present: Members

Absent: Members

The following preamble and resolution were offered by Member _____ and supported by Member _____:

**WHEREAS:**

1. Public Act 25 of 2026 amends State School Aid Act Section 31aa, MCL 388.1631aa, to allocate for fiscal year 2026/27: (1) up to $73.53 per pupil to improve student mental health ("31aa Mental Health Funding") and (2) up to $147.06 per pupil to improve student safety ("31aa Student Safety Funding") (collectively, the "31aa Funding"); and

2. To receive either or both components of the 31aa Funding, the District must agree to receive the funding in the form and manner established by the Michigan Department of Education ("MDE"); and

3. As a condition of receiving the 31aa Student Safety Funding, the District must agree in advance that, in the event of a "mass casualty event," as defined in MCL 388.1631aa: (1) the District will be subject to and comply with a comprehensive investigation following such an event, and (2) the District will waive any privilege that may otherwise protect related information from disclosure; and

4. The Board has been advised of and fully informed regarding the potential legal and practical implications of this waiver requirement, including that it may affect the confidentiality of communications otherwise protected by the attorney-client privilege or other applicable privileges related to a "mass casualty event"; and

5. The Board acknowledges the concerns and implications of the 31aa Student Safety Funding waiver requirements and has determined that it is in the District's best interest to make an informed election regarding whether to accept or decline the 31aa Student Safety Funding; and

6. The Board desires to authorize and direct Dori Leyko, Superintendent of Schools (the "Superintendent"), or designee, to complete any documentation necessary to implement the Board's election below.

**NOW, THEREFORE, BE IT RESOLVED THAT:**

1. The Board hereby resolves to opt in and accept the Section 31aa Mental Health Funding for fiscal year 2026/27.

2. The Board hereby resolves to opt in and accept the Section 31aa Student Safety Funding for fiscal year 2026/27, subject to the conditions provided in MCL 388.1631aa. The Board acknowledges and affirms that it has been advised of the potential risks and consequences associated with waiving the attorney-client or other applicable privileges related to a "mass casualty event". Subject to Paragraph 3 below, the Board affirmatively waives any privilege that may otherwise protect information from disclosure in the event of a "mass casualty event" and consents to be subject to and comply with a comprehensive investigation following such an event, as described in MCL 388.1631aa, but only to the minimal extent legally required to obtain such funding.

3. To the extent allowed by law, any waiver or consent authorized by Paragraph 2 above shall: (a) be limited in time to State fiscal year 2026/27 or any shorter duration consistent with applicable law, and (b) not be effective unless or until a "mass casualty event" as described in MCL 388.1631aa occurs, and (c) apply only to information related to that "mass casualty event."

4. This Board authorizes and directs the Superintendent, or designee, to notify MDE as necessary of the District's elections consistent with this resolution and to take any actions necessary to effectuate the Board's decision, including the preparation and submission of any opt-in forms required by MDE.

5. Nothing within this resolution, nor by the District's participation in or acceptance of any funding under MCL 388.1631aa, shall be construed as a waiver or relinquishment of the Board's or the District's rights to question, dispute, or challenge the validity, legality, or enforceability of any condition, requirement, or limitation imposed by that section or related administrative guidance or the breadth and validity of the related waiver referenced in Paragraph 2 above.

6. In the event the MCL 388.1631aa requirement to waive privilege is modified or removed by the Legislature, or if a court of competent jurisdiction determines that such a requirement is unlawful, it is the Board's intent that the waiver contained in this resolution will, without action by the Board, be immediately rescinded and no longer have any legal effect.

7. This resolution and waiver stated in Paragraph 2 do not apply to any "mass casualty event" occurring before the date of this resolution.

8. The Board reserves the right to rescind or modify this resolution prior to a "mass casualty event" to conform to any subsequent change in law or interpretation by a court of competent jurisdiction or MDE.

THRUN LAW FIRM, P.C.

9. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same are hereby rescinded.

Ayes: Members

Nays: Members

Resolution declared adopted.

_____
Secretary, Board of Education

The undersigned duly qualified and acting Secretary of the Board of Education of the District, Michigan, hereby certifies that the foregoing constitutes a true and complete copy of a resolution adopted by the Board at the Meeting, the original of which is part of the Board's minutes. The undersigned further certifies that notice of the Meeting was given to the public pursuant to the provisions of the "Open Meetings Act" (Act 267, Public Acts of Michigan, 1976, as amended).

_____
Secretary, Board of Education

MDF/keh

THRUN LAW FIRM, P.C.

THRUN
LAW FIRM, P.C.

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ERIN H. WALZ
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AUSTIN W. MUNROE
GORDON W. VANWIEREN, JR. (OF COUNSEL)
ROY H. HENLEY (OF COUNSEL)
BRADFORD W. SPRINGER (OF COUNSEL)

September 28, 2026

**Re: Section 31aa Updates: Responses to Common Questions and Resolution Availability**

Dear Retainer Client:

As we approach the beginning of State fiscal year 2026/27, school officials have questions regarding the amended State School Aid Act Section 31aa, MCL 388.1631aa ("Section 31aa"). While our July 2026 edition of *School Law Notes* provided a litigation update and outlined the changes to Section 31aa for fiscal year 2026/27, this E-Blast addresses some common questions.

1. ***Does my school need to accept the statutory conditions (e.g., participation in and cooperation with an investigation and waiver of privileges) to receive the 2026/27 Section 31aa funding?***

For 2026/27, the Legislature revised Section 31aa into two separate components:

(1) a mental health portion, through which eligible schools may receive up to $73.53 per pupil for student mental health activities, and

(2) a student safety portion, through which eligible schools may receive up to $147.06 per pupil for student safety activities.

The investigation and privilege-waiver requirements apply ***only*** to the student safety funding, not the mental health funding. Schools may opt in to receive the mental health funding without accepting the statutory conditions. Schools who opt in to receive the student safety funding will, however, be subject to the statutory privilege waiver.

2. ***Can a school accept the mental health funding but decline the student safety funding?***

Yes. Because the amended Section 31aa divides the mental health and student safety funding components and requires separate applications for each, schools may choose to accept one funding stream without accepting the other.

3. ***If acceptance of the conditions is not required for the mental health portion, why do I see applications requiring acceptance of the conditions for a mental health grant?***

Earlier this month, the Michigan Department of Education ("MDE") reopened applications in NexSys for Section 31aa(4) school resource officer and safety dog grants and Section 31aa(5) mental health support staff grants to distribute remaining 2025/26 funding. According to MDE guidance, the reopened grant applications close at 5:00 p.m. on October 5, 2026, and are available

only to eligible entities that did not previously receive funding under the applicable grant during the 2025/26 fiscal year.

Importantly, these are competitive grant opportunities arising under the **2025/26** authorization. Thus, they remain subject to the 2025/26 statutory requirements, including the investigation and waiver of attorney-client privilege conditions, applicable to both the student safety and mental health competitive grants. Schools must be careful not to confuse these reopened 2025/26 Sections 31aa competitive grant opportunities with the new 2026/27 Section 31aa grant funding.

4. ***How do I opt in to receive the student safety funds?***

Although MDE has not yet released the 2026/27 applications, it has provided preliminary guidance regarding the anticipated process during a webinar. According to MDE:

- Applications are expected to become available in NexSys in mid-October.
- Districts must submit separate applications for the mental health funding and student safety funding.
- ***Only*** acceptance of student safety funding will require agreement to the statutory investigation and privilege-waiver provisions.
- Multiple opt-in windows will be available to schools. Current application deadlines are expected to occur at 5:00 p.m. on the following dates: November 9, 2026, December 7, 2026, January 4, 2027, and April 12, 2027 (final application window).
- Approved funds will be distributed through the following month's state aid payment.
- Districts need to apply only once and will receive a single funding allocation upon approval.
- Expense reports are due July 1, 2027.

Unlike last year's rollout, the multiple opt-in windows give schools additional time to consult with their boards and legal counsel before making any funding decisions.

5. ***Will Thrun provide board resolutions again this year?***

As we did last year, Thrun Law Firm has prepared the attached sample resolutions for schools choosing either to accept or decline the 2026/27 student safety funding. Each resolution provides for acceptance of the mental health funding.

***Resolution A*** authorizes acceptance of the student safety funding while preserving and limiting the scope of any waiver to the fullest extent permitted by law. Although the Legislature narrowed certain aspects of Section 31aa, the attorney-client privilege waiver language remains broad, and schools will benefit from creating a clear record of the board's intent and understanding regarding the waiver.

Schools that do not accept student safety funding generally do not need a formal resolution declining the funds, although ***Resolution B*** has been prepared if a board wishes to formally memorialize its decision and reasoning.

Schools should not reuse last year's resolutions. The resolutions prepared for the 2025/26 funding cycle were drafted to address the statutory framework and grant opportunities that existed for that cycle. The 2026/27 funding structure differs in several important respects, including the separation of mental health and student safety funding and changes to the conditions attached to each funding stream. Our updated resolutions have been revised to reflect the current version of Section 31aa and should be used rather than last year's templates.

6. ***Are there any other Section 31aa updates?***

As reported in our July 2026 edition of *School Law Notes*, the Michigan Court of Appeals' April 10, 2026 decision is final on the state issues but the separate federal constitutional challenge in the United States District Court for the Eastern District of Michigan remained pending. Since publication of that article, the federal court has issued a final ruling. On August 27, 2026, the court dismissed the case with prejudice, bringing the federal litigation to a close, unless the decision is appealed to the Sixth Circuit Court of Appeals.

There do not appear to be any pending legal challenges affecting implementation of the 2026/27 Section 31aa funding provisions. We will continue to monitor developments related to Section 31aa, including any additional guidance issued by MDE, and will keep clients apprised of significant developments.

For questions regarding Section 31aa funding or assistance evaluating funding options, please contact Mackenzie Flynn at (517) 374-4529 or mflynn@thrunlaw.com.

**Thrun Law Firm, P.C.**

*This client communication is intended to provide helpful information on school law topics and is not intended as legal advice or opinion for specific facts, matters, situations, or issues. Legal counsel should be consulted about the application of this information to a specific circumstance or situation.*

IX. **Committee Reports**

A. Academic and Technology Committee
B. Facilities Committee
C. Finance Committee
D. Intergovernmental Relations
E. Personnel Committee
F. Policy Committee
G. Ingham School Officers Association (ISOA)

X. **Announcements**

A. The next regular scheduled meeting of the Board of Education is November 9, 2026.

XI. **Adjournment**

***Respectfully Submitted,***

***Dori Leyko***
***Superintendent***