



ADAMS TOWNSHIP SCHOOL DISTRICT

Houghton County, Michigan

Annual Financial Report
For the year ended June 30, 2026



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

September 18, 2026

The Board of Education
Adams Township School District

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

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 Adams Township School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adams Township School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and 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 combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2026, on our consideration of Adams Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Adams Township School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Adams Township School District's internal control over financial reporting and compliance.



Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

As management of the Adams Township School District ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2026. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position, and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes a budgetary comparison schedule and pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax base or the State Aid funding methodology, and the condition of school buildings and other facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

In the district-wide financial statements, the District's activities are presented as follows:

- Governmental activities: The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service, and athletics. State aid and property taxes finance most of these activities.

New Accounting Pronouncement Implemented

The Governmental Accounting Standards Board (GASB) issued Statement No. 103, Financial Reporting Model Improvements. The requirements of this statement enhance certain aspects of the existing financial reporting model, including management's discussion and analysis, unusual or infrequent items, and budgetary comparison information. The District implemented this statement for the fiscal year ended June 30, 2026.

Financial Summary

The Statement of Net Position provides financial information on the District as a whole.

	2026	2025	Dollar Change	Percent Change
Assets				
Current assets	\$ 2,333,554	\$ 7,566,029	\$ (5,232,475)	-69.2%
Net capital assets	13,366,543	8,692,277	4,674,266	53.8%
Net OPEB asset	1,695,264	1,143,000	552,264	48.3%
Total Assets	17,395,361	17,401,306	(5,945)	0.0%
Deferred Outflows of Resources	2,263,647	2,811,119	(547,472)	-19.5%
Liabilities				
Current liabilities	1,841,046	1,683,326	157,720	9.4%
Long-term liabilities	12,812,752	13,151,846	(339,094)	-2.6%
Net pension liability	5,351,465	6,457,813	(1,106,348)	-17.1%
Total Liabilities	20,005,263	21,292,985	(1,287,722)	-6.0%
Deferred Inflows of Resources	3,068,570	3,300,352	(231,782)	-7.0%
Net Position				
Net investment in capital assets	628,716	988,609	(359,893)	-36.4%
Restricted	372,421	209,822	162,599	77.5%
Unrestricted (deficit)	(4,415,962)	(5,579,343)	1,163,381	-20.9%
Total Net Position	\$ (3,414,825)	\$ (4,380,912)	\$ 966,087	-22.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS

ADAMS TOWNSHIP SCHOOL DISTRICT

June 30, 2026

The Statement of Activities presents changes in net position from operating results:

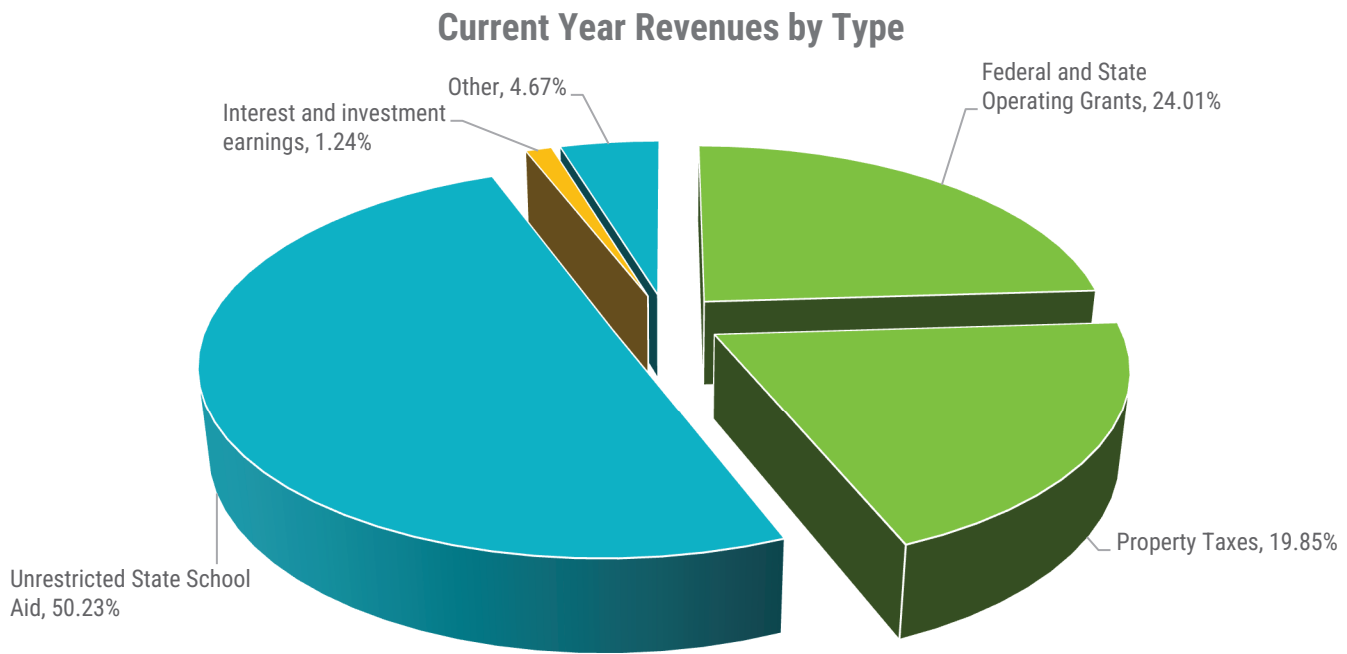
	2026	2025	Dollar Change	Percent Change
Program Revenues				
Charges for services	\$ 46,456	\$ 28,276	\$ 18,180	64.3%
Operating grants	1,959,152	2,127,652	(168,500)	-7.9%
General Revenues				
Property taxes	1,619,949	1,465,456	154,493	10.5%
State school aid, unrestricted	4,098,131	4,011,131	87,000	2.2%
Interest and investment earnings	101,145	147,704	(46,559)	-31.5%
Other	334,264	119,106	215,158	180.6%
Total Revenues	8,159,097	7,899,325	259,772	3.3%
Expenses				
Instruction	3,946,998	3,665,743	281,255	7.7%
Supporting services	1,899,717	2,529,630	(629,913)	-24.9%
Food service	340,204	338,388	1,816	0.5%
Community services	27,389	-	27,389	0.0%
Interest on long-term debt	458,594	276,435	182,159	65.9%
Depreciation - unallocated	444,192	377,690	66,502	17.6%
Other	75,916	207,680	(131,764)	-63.4%
Total Expenses	7,193,010	7,395,566	(202,556)	-2.7%
Increase in net position	966,087	503,759	462,328	91.8%
Net Position, Beginning of Year	(4,380,912)	(4,884,671)	503,759	-10.3%
Net Position, End of Year	\$ (3,414,825)	\$ (4,380,912)	\$ 966,087	-22.1%

Detailed Analysis District Wide

Total revenues exceeded expenses by \$966,087 on the Statement of Activities, increasing total net position from a deficit of \$4,380,912 at June 30, 2025 to a deficit of \$3,414,825 at June 30, 2026. Unrestricted net position increased by \$1,163,381 to a deficit of \$4,415,962 at June 30, 2026. The District's net pension liability, including deferred outflows and inflows of resources, decreased by \$796,066 during the fiscal year. In addition, the District's net OPEB asset, including deferred outflows and inflows of resources, increased by \$546,856 during the fiscal year.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The District’s financial position is the product of various financial transactions including the net results of activities, the acquisition and payment of debt, and the acquisition and depreciation of capital assets. A large portion of the District’s net position reflects investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must provide from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

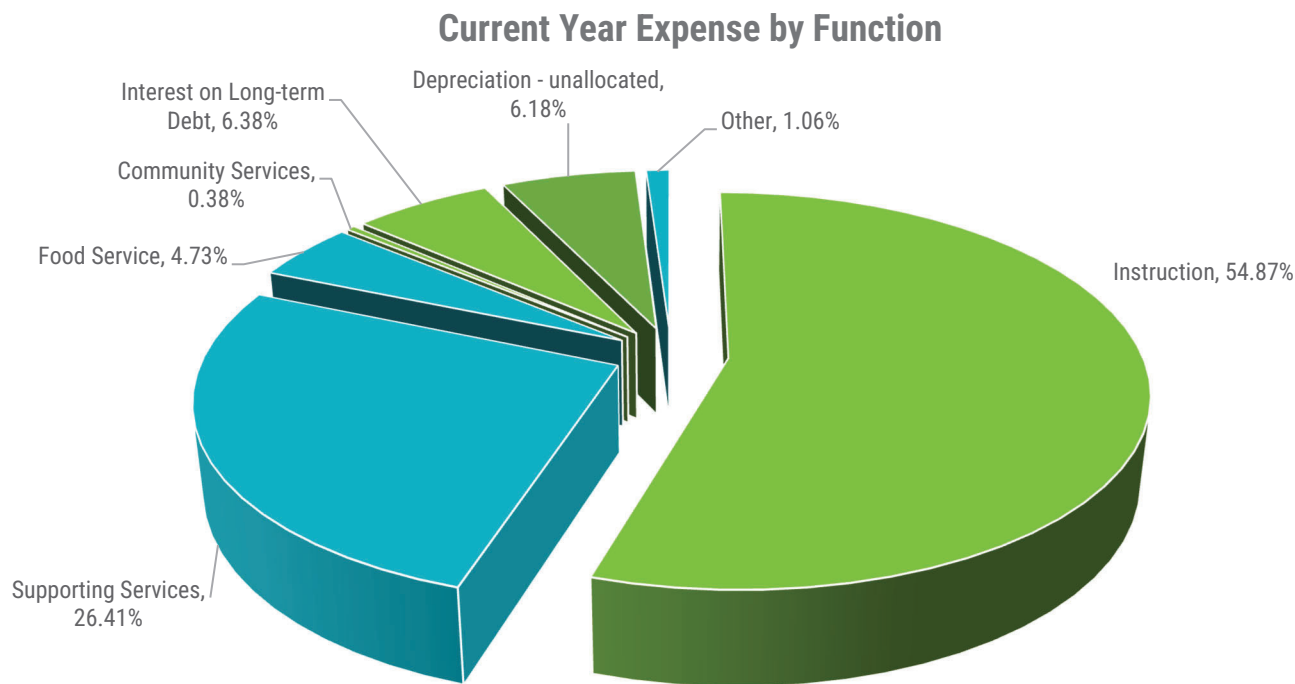


The District’s total revenues increased by 3.3% to \$8.2 million for the year ended June 30, 2026. General revenues are primarily derived from state school aid and local property taxes (70.1% of total), both of which are influenced by economic conditions, legislative actions, and student enrollment trends. State school aid, which represents the District's largest source of unrestricted revenue, is dependent upon annual appropriations by the state and funding formulas that consider pupil membership and other factors established by state law. Changes in enrollment or state funding levels may have a significant impact on the District's annual operating revenues. Unrestricted state school aid increased by 2.2% during the year ending June 30, 2026, which resulted primarily from the \$442 increase to the per pupil foundation allowance, offset by a reduction (2.7%) in student enrollment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Property tax revenues are influenced by economic conditions, legislative actions, and other factors such as voter-approved millage rates and assessed taxable values within the District's boundaries. Fluctuations in property values and tax collections may result in increases or decreases in revenues available to support District operations and debt service requirements. Property tax revenue increased by 10.5% during the year ended June 30, 2026; attributed to rising taxable values within the District's boundaries.

The District also receives operating grants consisting of federal and state grant funding to support specific educational programs and other initiatives. Grant revenues are generally restricted for designated purposes and may vary from year-to-year based on the availability of funding, eligibility requirements, and the timing of program expenditures. As a result, changes in grant activity can contribute to fluctuations in total revenues reported by the District. Operating grant revenues decreased 7.9% during the year ended June 30, 2026. The decline relates to numerous contributing factors. Federal grant revenue declined \$64,535, primarily due to the full exhaustion of one-time COVID-relief funding (ESSER, GEER, and ESSER 11t) along with smaller reductions in other programs (Title I, Title IIA, and REAP). Restricted state categorical aid declined \$174,353, primarily due to lower one-time MPSERS retirement cost-offset funding provided by the State (a year-to-year fluctuation in state appropriations rather than a District program change) and the loss of several grants. This includes the District's decision not to accept Section 31aa Mental Health and School Safety funding, the non-renewal of the School Safety Per-Pupil (Section 97) grant, and the conclusion of the Section 99b Computer Science and GSRP Readiness Start-Up grants – partially offset by new Section 27L(2) Educator Compensation funding, growth in At-Risk State Aid, and new Section 32n Out-of-School-Time funding.



MANAGEMENT'S DISCUSSION AND ANALYSIS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

The total cost of all programs decreased by 2.7% to \$7.19 million for the year ended June 30, 2026. The District's expenses are predominantly related to instruction (54.9%) and supporting services (26.4%), which include various functions such as caring for (pupil services) and transporting students, administrative services, and operation and maintenance services. Other District expenses relate to food service, interest on long-term debt, and depreciation expense associated with capital assets.

Functional expenses (instruction, supporting services, food service, community services) reported in the district-wide financial statements include adjustments related to GASB Statement No. 34 that are not reflected in the governmental fund statements. These adjustments consist primarily of additions to capital assets and pension and OPEB-related expenses, which are allocated to the District's various functions. Accordingly, year-over-year changes in functional expenses may reflect both operational changes and fluctuations in these allocated accounting adjustments. In particular, changes in deferred inflows and outflows of resources and the District's proportionate share of net pension and OPEB liabilities may have a significant impact on reported net position and annual operating results reflected in the district-wide financial statements.

The significant change in instruction and supporting services expenses reported between 2025 and 2026 is attributed to adjustments required for GASB Statement No. 34, some of which relate to significant capital asset activity during the year and ongoing construction as of June 30, 2026. However, changes in expenditure levels reported in the governmental fund financial statements, and more specifically the major funds of the District, also contribute directly to changes reflected in the district-wide statements. For consideration of the impact of year over year changes reported in the District's General Fund and the 2024 Construction Capital Projects Fund, including those related to costs of instruction and supporting services, see commentary in the *Detailed Analysis – Major Funds* section that follows.

Other significant changes noted for the year ending June 30, 2026 were as follows:

- Interest on long-term debt increased by \$182,159 (65.9%). The increase is due to 2025-26 being the first year with two required interest payments for the 2024 Building and Site bond issuance.

Other expenses reported in the district-wide financial statements remained relatively stable compared to the prior year. No significant changes in service levels or operating activities occurred during the year that materially impacted these functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ADAMS TOWNSHIP SCHOOL DISTRICT

June 30, 2026

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District utilizes one kind of fund:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explains the relationship (or differences) between them.

Detailed Analysis - Major Funds

The District reports two major funds individually in the governmental fund financial statements. Those funds include the General Fund and the 2024 Construction Capital Projects Fund. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. 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 financial statements. The significant changes are shown in the table and discussed in more detail below.

	General Fund		2024 Construction	
	2026	2025	2026	2025
Revenues				
Local sources	\$ 942,724	\$ 790,293	\$ 79,698	\$ 116,516
State sources	5,491,065	5,580,427	-	-
Federal sources	133,533	198,068	-	-
Interdistrict sources	88,927	2,429	-	-
Total Revenues	\$ 6,656,249	\$ 6,571,217	\$ 79,698	\$ 116,516
Expenditures				
Instruction	4,190,962	4,200,212	-	-
Supporting services	2,398,093	2,334,556	1,250	424
Community services	27,389	-	-	-
Capital outlay	-	-	5,509,432	407,197
Debt service	-	-	-	207,680
Total Expenditures	\$ 6,616,444	\$ 6,534,768	\$ 5,510,682	\$ 615,301

General Fund

The General Fund is the District's primary operating fund and accounts for much of the financial activity reported as governmental activities in the district-wide financial statements. Consequently, trends in the district-wide financial statements generally mirror the results of operations reported in the General Fund, with local property taxes, state school aid, and other operating grants serving as the District's most significant revenue sources. Differences between changes in General Fund balance and changes in net position are primarily attributable to accrual-based adjustments for capital assets, long-term debt, pension and OPEB liabilities, and other long-term obligations reported in the district-wide financial statements.

Significant changes noted for the year ending June 30, 2026 were as follows:

- Local sources increased by \$152,431 (19.3%), primarily attributed to a one-time \$100,000 unrestricted gift and roughly \$19,000 in additional Adams Foundation contributions for equipment and supplies tied to the District's renovated spaces. Increased property tax collections were also a contributing factor, partially offset by the loss of Industrial Arts program revenue (\$32,931) that did not recur in 2025-26 due to the construction of the vocational educational addition.
- Federal sources decreased by \$64,535 (32.6%), primarily attributed to the expiration of one-time COVID-relief federal funding – ESSER and GEER grants that ended in 2024-25 (a combined \$51,899 reduction) – along with smaller routine reductions in Title I, Title IIA, REAP, and homeless-student transportation funding.
- Interdistrict sources increased by \$86,498, primarily attributed to approximately \$48,760 in insurance recoveries for storm-related property damage (snow-related damage to the pool roof and a lightning strike affecting network and communication systems) and \$37,738 in increased payments from other districts and the intermediate school district, including special education and athletic co-op reimbursements.
- Supporting services expense increased by \$63,537 (2.7%), primarily attributed to higher operations and maintenance costs (i.e. contracted cleaning services, building insurance, utilities, and custodian wages, increased pupil transportation costs).

Because GASB Statement No. 103 requires explanations of significant budgetary variances as supplementary information, some factors affecting changes in General Fund revenues and expenditures may also be discussed outside the MD&A, reducing duplication while still providing users with relevant analysis. Users of this report should also consider the Budgetary Comparison Schedule (page 60) and the related notes to the Budgetary Comparison Schedule (page 62), which provide additional discussion of significant budget-to-actual variances that may help explain changes in General Fund operating results and fund balance from the prior year.

2024 Construction Capital Projects Fund

The 2024 Construction Capital Projects Fund of the District accounts for bond proceeds used for voter approved capital improvement projects. Fluctuations in expenditures and local source (interest) revenue is expected in Capital Project Funds, driven by levels of construction activity and declining cash and investment balances as projects progress to completion.

Significant changes noted for the year ending June 30, 2026 were as follows:

- Local source revenue decreased by \$36,818 (31.6%), attributable to a reduction in cash and investment balances and corresponding interest revenue recognized.
- Total capital outlay expenditures increased by \$5.1 million, as the District made significant progress on voter approved projects.

The 2024 Construction capital project is nearing completion, with the majority of renovations, technology and equipment upgrades, and additional space completed by March 1, 2026. Substantial completion included renovation of the boardroom, athletic storage, and office space; renovation of the auditorium and science lab; and additional space added to the vocational education building and for athletic training. At the Elementary School, windows were replaced, and a student drop-off driveway was added for safety. As of June 30, 2026, \$152,876 remained in the construction capital project, which will be used to furnish some of the renovated spaces and upgrade bathrooms and locker rooms, with any remaining funds allocated to technology upgrades.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

At the end of fiscal year 2025-26, the District had a \$19.9 million investment in a broad range of capital assets including land, school buildings, athletic facilities, administrative offices, furniture and equipment, right to use assets, and transportation and other vehicles.

At June 30, 2026, the District's net investment in capital assets (after accumulated depreciation and amortization) was \$13,366,543. Capital asset additions totaled \$5,129,204 for the fiscal year, depreciation expense was \$444,192 and asset disposals (net of accumulated depreciation) amounted to \$10,746, resulting in an overall increase in net capital assets of \$4,674,266.

More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Long-term Obligations

At year end, the District had \$13.25 million in general obligation bonds and other long-term liabilities outstanding – a net decrease of \$320,194 from last year.

- During the current year, the District accrued interest of \$65,170 on outstanding School Bond Loan Fund (SBLF) debt, and paid down \$60,000 in previously accrued interest.
- The District continued to pay down its debt, retiring \$450,000 of outstanding bonds and SLRF debt.
- The District's bond rating for general obligation debt was affirmed by Moody's as "Baa2" with no outlook. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a District's boundaries.
- The District's other obligations include compensated absences and severance pay.

We present more detailed information about our long-term liabilities in Note G in the Notes to Basic Financial Statements.

The District is not currently planning the use of future debt. The District is positioned over the next five to seven years to focus on paying down its current debt.

Currently Known Facts, Decisions, or Conditions

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The District anticipated a budgetary deficit in fiscal year 25-26 after analyzing the state budget that was passed in September 2025, three months after adopting the 25-26 budget in June 2025. The District expected the deficit due to decreased revenue and increased expenses. For the entire 25-26 academic year, the District planned financial adjustments ahead of the 2026-27 fiscal year budget process. The goal would be to reduce expenses in 2026-2027.
- The District had a deficit in 25-26 due to revenue being (\$80,000) less than projected and expenses being (\$29,740) slightly higher than projected. The revenue loss is identified under the state aid category. The decline in state aid can be attributed to a few areas. First, the budget was created on the assumption of a per-pupil count of 465, with the actual per-pupil blended count of 456. This decline in enrollment led to lower state revenue from the per-pupil foundational allowance. The second state funding that impacted the adopted budget was the district's decision not to accept categorical funding for the Mental Health and School Safety grant (31aa) due to the grant's legislative requirements and language. The District expected to receive \$75,000 in funding for mental health and safety. Other revenue highlights that should be noted are that federal funding decreased (\$27,000), but the local revenues exceed budget by \$140,000 due to increased property tax revenue and contributions from individuals and the Adams Foundation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

- The deficit in 2025-26 can also be attributed to the increased expenses of hiring a second Special Education teacher at the high school to help with the caseload of students with needs. The District also incurred higher-than-budgeted expenses in the MPSERS Pre-funding, and continuing the services of a Social Worker and School Resource Officer without the 31aa grant to fund their positions. Other notable areas of increased expenses in 25-26 were in transportation and maintenance, which increased year over year by \$46,000 and \$80,000, respectively.
- The District did see a decline in enrollment's blended count over the past year from 468 to 456, which was not expected. The District projects that enrollment will remain between 455 and 460 over the next two years. The elementary school enrollment is up from 205 to 218 heading into the 2026-27 academic year. The high school 7-12 enrollment is at 238. One concern in enrollment is that the senior class will be graduating 63 students, which is a large class for the District, so monitoring enrollment for FY 27-28 is a priority.
- The District negotiated a two-year deal with the Education Association (Professional Staff) bargaining unit that will expire in August 2028. The negotiated increase for 2026-2027 is 2.5% to the teaching wage matrix and 3.0% to wages in 2027-2028. In 2026-27, increased expenses will be offset by the District's decision not to replace two teachers who left for other opportunities. Knowing these wages will help develop future budgets.
- The Food Service Fund reported a net loss of approximately \$19,961 for fiscal year 2025-2026, following a net loss of \$15,700 in fiscal year 2024-2025 – the second consecutive year of operating losses. Fund equity of \$46,913 as of June 30, 2025 is estimated to decline to approximately \$26,952 as of June 30, 2026. The loss was driven by expense growth outpacing revenue growth: total expenses increased \$28,385 (7.4%) year over year, while total revenue increased \$24,124 (6.6%). The primary expense drivers were Food Service Aide wages and benefits, up \$12,350 (25.7%), and food purchases, up \$10,799 (7.9%), consistent with continued food cost inflation. Management will continue to monitor Food Service Fund revenue and expense trends, particularly wage costs and food purchasing, given two consecutive years of losses that have drawn down fund equity.
- In 2025-2026, the administration continued to fund the capital projects and equipment fund. The goal is to continue growth/maintenance of the capital fund balance. The capital fund can be used to improve outdated equipment, furnish learning spaces, or complete capital projects.
- With the completion of the 2024 Construction bond project nearing, the District was able to make updates to technology, classroom spaces, and furnishing for the buildings. The District is in a good operational position and will not have to rely on the general fund for short-term improvements. This project has provided additional opportunities for our students and our District.

- Districts are recommended to have a fund balance of 10-15% of operating expenditures. According to Michigan School Business Officials, this fund balance is necessary to avoid borrowing during the two-month period between the August and October State Aid payments. Adams still needs to borrow funds from the state; the goal would be to increase the General Fund balance slowly, so borrowing will not be necessary. The District has to borrow \$525,000 for the 2026-27 fiscal year.
- Employee retirement costs paid into the Michigan Public Schools Employees Retirement System (MPERS), controlled by the State, continue to be a cause for concern into the future. Prior-year legislative groups have begun to address this unfunded liability; the fact remains that fewer people are paying into this system and more people are receiving benefits each year, as the statewide decline in students has meant retirees are not being replaced locally on a one-to-one basis. For every dollar paid to employees throughout the year, the District pays a percentage into MPERS. Addressing the unfunded MPERS liability is necessary; however, it reduces the overall available funds for all districts, as this funding allocates a portion of school aid directly to this item.
- The District will have to monitor the impact of the 2026 state elections. Changes to the roles of governor and state representative roles could affect the development of state budgets for secondary education. The District's budget could be impacted by future funding decisions by legislators regarding unrestricted state aid, MPERS retirement rates, restricted state categorical aid, and meal reimbursements.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Adams Township School District, 43084 Goodell St, Painesdale, Michigan 49955.

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

ADAMS TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2026

	Governmental Activities
Assets	
Cash equivalents and investments (Note B)	\$ 1,295,110
Accounts receivable	39,004
Due from other governmental units (Note C)	987,916
Prepaid expenses	11,524
Capital assets not being depreciated (Note E)	2
Capital assets being depreciated, net (Note E)	13,366,541
Net OPEB asset (Note I)	1,695,264
Total Assets	17,395,361
Deferred Outflows of Resources	
Deferred pension amounts	1,932,261
Deferred OPEB amounts	331,386
Total Deferred Outflows of Resources	2,263,647
Liabilities	
Accounts payable	94,292
Due to other governmental units	223,581
Payroll withholdings	427,220
Accrued interest payable	83,079
Unearned revenue	46,879
State aid note payable (Note F)	525,000
Long-term liabilities (Note G):	
Due within one year	440,995
Due in more than one year	12,812,752
Net pension liability (Note H)	5,351,465
Total Liabilities	20,005,263
Deferred Inflows of Resources	
Deferred pension amounts	1,633,878
Deferred OPEB amounts	1,434,692
Total Deferred Inflows of Resources	3,068,570
Net Position	
Net investment in capital assets	628,716
Restricted for:	
Debt service	(13,764)
Capital projects	332,096
Food service	26,952
Student/school activity	27,137
Unrestricted (deficit)	(4,415,962)
Total Net Position	\$ (3,414,825)

STATEMENT OF ACTIVITIES

ADAMS TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2026

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 3,946,998	\$ -	\$ 1,415,064	\$ (2,531,934)
Supporting services	1,899,717	29,804	151,570	(1,718,343)
Food service	340,204	16,652	369,063	45,511
Community services	27,389	-	-	(27,389)
Interest on long-term debt	458,594	-	23,455	(435,139)
Depreciation - unallocated*	444,192	-	-	(444,192)
Other	75,916	-	-	(75,916)
Total Governmental Activities	\$ 7,193,010	\$ 46,456	\$ 1,959,152	(5,187,402)
General Revenues				
Taxes:				
Property taxes, levied for general operations				659,725
Property taxes, levied for debt services				960,224
State school aid, unrestricted				4,098,131
Interest and investment earnings				101,145
Other				334,264
Total General Revenues				6,153,489
Change in Net Position				966,087
Net Position - Beginning of Year				(4,380,912)
Net Position - End of Year				\$ (3,414,825)

*This amount excludes direct depreciation expenses of the various programs.

BALANCE SHEET

GOVERNMENTAL FUNDS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

	2024			
	General	Construction	Nonmajor	Total
Assets				
Cash equivalents and investments (Note B)	\$ 710,237	\$ 152,877	\$ 431,996	\$ 1,295,110
Accounts receivable	36,084	-	2,920	39,004
Due from other funds	4,092	-	-	4,092
Due from other governmental units (Note C)	973,935	-	13,981	987,916
Prepaid expenditures	11,524	-	-	11,524
Total Assets	\$ 1,735,872	\$ 152,877	\$ 448,897	\$ 2,337,646
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 37,545	\$ 55,580	\$ 1,167	\$ 94,292
Due to other funds	-	-	4,092	4,092
Due to other governmental units	223,581	-	-	223,581
Salaries payable	427,220	-	-	427,220
Accrued interest	13,427	-	-	13,427
Unearned revenue	45,314	-	1,565	46,879
State aid note payable (Note F)	525,000	-	-	525,000
Total Liabilities	1,272,087	55,580	6,824	1,334,491
Fund Balances (Note A)				
Nonspendable	11,524	-	-	11,524
Restricted	-	97,297	442,073	539,370
Unassigned	452,261	-	-	452,261
Total Fund Balances	463,785	97,297	442,073	1,003,155
Total Liabilities and Fund Balances	\$ 1,735,872	\$ 152,877	\$ 448,897	\$ 2,337,646

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Total governmental fund balances \$ 1,003,155

Amounts reported for governmental activities in the Statement of Net
Position are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in
governmental funds. The cost of assets is \$19,903,872
and accumulated depreciation is \$6,537,329. 13,366,543

Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported
as liabilities in the funds. Long-term liabilities at year end
consist of:

General obligation bonds	\$ (11,035,000)	
State school bond loan fund (including accrued interest)	(1,638,650)	
Bond premium, unamortized	(161,474)	
Compensated absences	(331,123)	
Severance pay	(87,500)	(13,253,747)

Accrued interest on general obligation bonds is not included as a
liability in governmental funds. (69,652)

Net pension liability and related deferred outflows/inflows of
resources are not included as assets/liabilities in governmental
funds:

Net pension liability	(5,351,465)	
Deferred outflows	1,932,261	
Deferred inflows	(1,633,878)	(5,053,082)

Net OPEB asset and related deferred outflows/inflows of
resources are not included as assets/liabilities in governmental
funds:

Net OPEB asset	1,695,264	
Deferred outflows	331,386	
Deferred inflows	(1,434,692)	591,958

Total net position - governmental activities \$ (3,414,825)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

ADAMS TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2026

	2024			
	General	Construction	Nonmajor	Total
Revenues				
Local sources	\$ 942,724	\$ 79,698	\$ 1,048,830	\$ 2,071,252
State sources	5,491,065	-	112,123	5,603,188
Federal sources	133,533	-	260,785	394,318
Interdistrict sources	88,927	-	1,412	90,339
Total Revenues	6,656,249	79,698	1,423,150	8,159,097
Expenditures				
Current:				
Instruction	4,190,962	-	-	4,190,962
Supporting services	2,398,093	1,250	44,303	2,443,646
Food service	-	-	409,755	409,755
Community services	27,389	-	-	27,389
Capital outlay	-	5,509,432	28,619	5,538,051
Debt service:				
Principal repayment	-	-	390,000	390,000
Interest and fiscal charges	-	-	490,176	490,176
Total Expenditures	6,616,444	5,510,682	1,362,853	13,489,979
Excess (Deficiency) of Revenues Over Expenditures	39,805	(5,430,984)	60,297	(5,330,882)
Other Financing Sources (Uses)				
Transfers in	-	-	142,715	142,715
Transfers out	(142,715)	-	-	(142,715)
Total Other Financing Sources (Uses)	(142,715)	-	142,715	-
Net Change in Fund Balances	(102,910)	(5,430,984)	203,012	(5,330,882)
Fund Balances, Beginning of Year	566,695	5,528,281	239,061	6,334,037
Fund Balances, End of Year	\$ 463,785	\$ 97,297	\$ 442,073	\$ 1,003,155

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

ADAMS TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2026

Net change in fund balances - total governmental funds \$ (5,330,882)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized
and allocated over their estimated useful lives as depreciation
expense. This is the amount by which capital outlay exceeded
depreciation in the current period:

Capital outlay	\$ 5,129,204	
Depreciation expense	<u>(444,192)</u>	4,685,012

In the Statement of Activities, only the gain on the sale of capital assets is
reported, whereas in the governmental funds, the proceeds from the sale(s)
increase financial resources. Thus, the change in net position differs from
the change in fund balance by the book value of the assets sold/retired. (10,746)

Bond premium is amortized over the life of the new bond issue on the
Statement of Activities. 11,995

Repayment of principal for bonds are expenditures in the governmental funds,
but reduce long-term liabilities in the Statement of Net Position and does not
affect the Statement of Activities.
General obligation bonds 390,000

Interest on long-term liabilities in the Statement of Activities differs from
the amount reported on the governmental funds because interest is
recorded as an expenditure in the funds when it is due and paid, and
thus requires the use of current financial resources. In the Statement
of Activities, however, interest expense is recognized as the interest
accrues regardless of when it is paid.

General obligation bonds	(40,413)	
State school bond loan fund	<u>(5,170)</u>	(45,583)

In the Statement of Net Position, compensated absences are measured by the
amounts earned during the year. In the governmental funds, however,
expenditures are measured by the amount of financial resources used
essentially, the amounts actually paid). This year the amount of these benefits
earned exceeded the amounts used/paid. (79,131)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (Cont.)

ADAMS TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2026

In the Statement of Net Position, severance pay is measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid exceeded the amounts earned.	\$ 2,500
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	796,066
The changes in net OPEB asset and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	<u>546,856</u>
Total changes in net position - governmental activities	<u><u>\$ 966,087</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Adams Township School District (the “District”) was organized under the School Code of the State of Michigan and services a population of approximately 459 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services, and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District’s significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-wide and Fund Financial Statements

District-wide Financial Statements – The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resources basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net position is reported in three parts: invested in capital assets, net of related debt; restricted net position, and unrestricted net position.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings, and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2024 Construction Capital Projects Fund are the District's major funds. Nonmajor funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities, and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided separately.

Revenues are recognized when susceptible to accrual, i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-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 grantor or provider have been met.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation allowance is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Student/School Activity Special Revenue Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases, and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code. The Capital Projects Funds also include capital project activities funded with sinking fund millage. The District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Numbered Letter No. 2023-1.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit.

Adams Township School District has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

The District is not in compliance with the Uniform Budgetary and Accounting Act. During the year ended June 30, 2026, the final adopted budgets for the General Fund anticipated a budgetary deficit, reflecting expenditures in excess of budgeted revenues.

Adams Township School District utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General, Food Service and Student/School Activities Special Revenue Fund budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General, Food Service and Student/School Activities Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventories and Prepaid Items

Inventories are valued at cost (first-in, first-out). Inventories of the Food Service Fund consist of food and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles, furniture, and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

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

Land improvements, buildings and improvements, furniture and equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 10 years
Vehicles	5 - 10 years

9. Long-term Obligations

In the district-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. Bonds payable is reported at the total amount of bonds issued.

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 issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Compensated Absences and Severance Pay

Compensated absences for employees of the District consist of accumulated sick leave as of June 30, 2026. In accordance with applicable accounting standards, the District accrues a liability for compensated absences when it is more likely than not that the benefit will be realized by the employee, either through future use or payment upon separation from service. As of June 30, 2026, the total accrued compensated absences amounted to \$331,123.

Severance pay at June 30, 2026 has been computed and recorded in the district-wide financial statements of the District. Eligible District employees who retire are entitled to a termination leave payment based on their age and years of service. At June 30, 2026, the accumulated liabilities for severance pay, including salary related payments, amounted to \$87,500.

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed.

Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

12. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establishes standards for recognizing and measuring other postemployment benefits (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria.

Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of the net OPEB asset on the financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB asset on the financial statements.

14. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

15. Fund Balance

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end.
- Assigned - resources that are constrained by the government's *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Assigned fund balance does not lapse at year end.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

As of June 30, 2026, Adams Township School District has not established a policy for its use of unrestricted fund balance amounts, it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2026 related to cash equivalents and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	<u>\$ 1,295,110</u>

Cash Equivalents

Depositories actively used by the District during the year are detailed as follows:

- Superior National Bank
- Miners State Bank

Cash equivalents consist of bank checking and savings accounts.

June 30, 2026 balances are detailed as follows:

Cash equivalents	<u>\$ 473,294</u>
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Custodial Credit Risk as Related to Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$473,294 and the bank balance was \$492,100. Of the bank balance, \$470,009 was covered by the federal depository insurance and \$22,091 was uninsured and uncollateralized.

Investments

As of June 30, 2026, the District had the following investments:

Surplus Funds Investment Pool Account:	
Michigan Liquid Asset Fund Plus (MILAF+) MAX Class	\$ 360,222
Michigan Liquid Asset Fund Pus (MILAF+) Cash Mgmt. Class	85
U.S. Bank	<u>461,509</u>
	<u>\$ 821,816</u>

Amounts held in trust at U.S. Bank are for State Aid Anticipation Note set-aside payments.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT

June 30, 2026

The Michigan Liquid Asset Fund Plus (MILAF+) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF+ is not regulated or registered with the Securities Exchange Commission. The MILAF+ is carried at amortized cost and was rated AAAM by Standard & Poor's rating agency. The MILAF+ Max Class requires a 14-day redemption notice.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for investment custodial credit risk. At June 30, 2026, the District had no investments that were subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy does not have specific limits on investment credit risk.

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy does not have specific limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy does not have specific limits on concentration of credit risk.

Foreign Currency Risk

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

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2025 and October 2025. The 2025-26 "Foundation Allowance" for Adams Township School District was \$10,050 for 465 "Full Time Equivalent" students. This, along with other State Aid revenue, generated \$5,379,581 in State aid payments to the District, of which \$955,422 was paid to the District in July and August 2026 and included in "Due From Other Governmental Units" of the General Fund and the Food Service Special Revenue Fund of the District.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT

June 30, 2026

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy system by the Townships of Adams and Bohemia, and due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Houghton and Ontonagon, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Adams Township School Districts' electors previously (February 2024) approved a ten-year operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2025.

The District levied 11.45 mills for debt service purposes, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRE.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6-mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the Counties of Houghton and Ontonagon with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high-tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timeliness for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2026, there were no businesses located within the Adams Township School Districts' boundaries with an active IFE certificate.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Note D –Interfund Receivables/Payables and Transfers

Amounts due from/to other funds representing unreimbursed expenditures at June 30, 2026 are detailed as follows:

	Due From	Due To
Major Funds:		
General Fund:		
Special Revenue Funds:		
Food Service	\$ 4,092	\$ -
Nonmajor Funds:		
Special Revenue Funds:		
Food Service:		
General Fund	-	4,092
Total All Funds	\$ 4,092	\$ 4,092

Amounts transferred in/out of funds during the year ended June 30, 2026 are detailed as follows:

	Transfers In	Transfers Out
Major Funds:		
General Fund:		
Special Revenue Funds:		
Food Service	\$ -	\$ 4,074
Capital Project Funds:		
Capital Improvements	-	138,641
Total Major Funds	-	142,715
Nonmajor Funds:		
Special Revenue Funds:		
Food Service:		
General Fund	4,074	-
Capital Projects Funds:		
Capital Improvements:		
General Fund	138,641	-
Total Nonmajor Funds	142,715	-
Total All Funds	\$ 142,715	\$ 142,715

The transfer between the General Fund and Capital Projects Fund during the year ended June 30, 2026 was to fund future capital improvements and maintain the District's buildings and other assets. The transfer between the General Fund and Food Service Fund was for the purpose of reconciling the MPSERS UAAL revenues.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Note E – Capital Assets

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

	Balances July 1, 2025	Additions	Deductions	Balances June 30, 2026
Capital assets not being depreciated:				
Land	\$ 2	\$ -	\$ -	\$ 2
Construction in progress	336,400	5,105,204	5,441,604	-
Total capital assets not being depreciated	336,402	\$ 5,105,204	\$ 5,441,604	2
Capital assets being depreciated:				
Land improvements	366,175	\$ -	\$ -	366,175
Buildings and improvements	13,112,361	5,420,603	-	18,532,964
Furniture and equipment	914,012	21,001	15,920	919,093
Vehicles	71,596	24,000	9,958	85,638
Total capital assets being depreciated	14,464,144	\$ 5,465,604	\$ 25,878	19,903,870
Less accumulated depreciation for:				
Land improvements	200,234	\$ 17,946	\$ -	218,180
Buildings and improvements	5,309,671	374,363	-	5,684,034
Furniture and equipment	557,283	43,104	5,174	595,213
Vehicles	41,081	8,779	9,958	39,902
Total accumulated depreciation	6,108,269	\$ 444,192	\$ 15,132	6,537,329
Total capital assets being depreciated, net	8,355,875			13,366,541
Net Capital Assets	\$ 8,692,277			\$ 13,366,543

Depreciation expense for the District was \$444,192. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Note F – Short-term Obligations

On August 20, 2024, the District borrowed \$550,000 in anticipation of State aid. The note was due and paid in full on July 21, 2025. The interest rate on the borrowing was 3.33%, resulting in a net interest cost of \$16,840 in the current year, which has been recorded in the General Fund's Other Business Services expenditure function as of June 30, 2026, as required by the Michigan Department of Education.

On August 20, 2025, the District borrowed \$525,000 in anticipation of State aid. The note was due and paid in full on July 20, 2026. The interest rate on the borrowing was 2.79%, resulting in a net interest cost of \$13,427 in the current year, which has been recorded in the General Fund's Other Business Services expenditure function as of June 30, 2026, as required by the Michigan Department of Education.

Note G – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2026 are summarized as follows:

	Debt Outstanding July 1, 2025	Debt Added	Debt Retired	Debt Outstanding June 30, 2026
General obligation bonds:				
2017 Refunding	\$ 390,000	\$ -	\$ 65,000	\$ 325,000
2019 Building & Site	4,390,000	-	210,000	4,180,000
2021 Refunding	745,000	-	115,000	630,000
2024 Building & Site	5,900,000	-	-	5,900,000
Bond premium	173,469	-	11,995	161,474
School bond loan fund	1,633,480	65,170	60,000	1,638,650
Compensated absences	251,992	79,131	-	331,123
Severance pay	90,000	-	2,500	87,500
	<u>\$ 13,573,941</u>	<u>\$ 144,301</u>	<u>\$ 464,495</u>	<u>\$ 13,253,747</u>

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Long-term bonds and other obligations at June 30, 2026 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$1,940K Refunding, May 25, 2017:				
Annual maturities of \$65K to \$70K	May 1, 2031	2.30 - 2.60%	\$ 325,000	\$ 65,000
\$5,300K Building and Site, January 30, 2019:				
Annual maturities of \$220K to \$290K	May 1, 2042	3.00 - 4.00	4,180,000	220,000
\$1,150K Refunding, February 10, 2021:				
Annual maturities of \$120K to \$130K	May 1, 2031	1.00 - 2.00	630,000	120,000
\$5,900K Building and Site, October 29, 2024:				
Annual maturities of \$120K to \$730K	May 1, 2045	4.25 - 4.38	5,900,000	-
Bond premium			161,474	11,995
Other Obligations				
State school bond loan			1,638,650	-
Compensated absences			331,123	16,500
Severance pay			87,500	7,500
			<u>\$ 13,253,747</u>	<u>\$ 440,995</u>

The District obtains loans from the Michigan School Bond Loan Fund (SBLF) for the payment of annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire the bond debt. During the year, the District retired \$60,000 of outstanding interest and accrued \$65,170 in additional interest on the balance owed to the SBLF. At June 30, 2026, the total SBLF liability was \$1,638,650.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT

June 30, 2026

The annual requirements to pay principal and interest on long-term general obligation bonds outstanding are as follows:

Years Ending June 30	Principal	Interest	Total
2027	\$ 405,000	\$ 417,910	\$ 822,910
2028	530,000	407,415	937,415
2029	570,000	392,970	962,970
2030	590,000	376,835	966,835
2031	610,000	359,758	969,758
2032	460,000	341,750	801,750
2033	475,000	324,700	799,700
2034	495,000	307,113	802,113
2035	515,000	288,100	803,100
2036	535,000	268,238	803,238
2037	555,000	246,200	801,200
2038	575,000	223,313	798,313
2039	600,000	199,575	799,575
2040	625,000	174,775	799,775
2041	650,000	148,913	798,913
2042	680,000	122,011	802,011
2043	705,000	93,838	798,838
2044	730,000	63,875	793,875
2045	730,000	31,938	761,938
	\$ 11,035,000	\$ 4,789,223	\$ 15,824,223

Note H – Retirement Plan

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. The System also provides disability and survivor benefits to DB plan members.

Certain employees have the option to participate in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2022 is amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

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

Pension Contribution Rates:			
Plan Name	Plan Status	Member	District
Basic	Closed	0.0 – 4.0%	30.11%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	30.11%
Pension Plus (Hybrid)	Closed	3.0 – 6.4%	26.27%
Pension Plus 2 (Hybrid)	Open	6.2%	27.16%
Defined Contribution	Open	0.0%	20.96%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2026 inclusive of the MSPERS UAAL Stabilization, totaled \$1,238,866.

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

As of June 30, 2026, the District reported a liability of \$5,351,465 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2024. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. As of September 30, 2025, the District's proportion was 0.02671326%, which was an increase from 0.02637778% at September 30, 2024.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

For the year ended June 30, 2026, the District recognized pension expense of \$479,475. As of June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 207,278	\$ 47,665
Changes of assumptions	192,079	282,838
Net difference between projected and actual earnings on pension plan investments	—	1,278,885
Changes in proportion and differences between District contributions and proportionate share of contributions	399,160	24,490
District contributions subsequent to the measurement date*	1,133,744	—
Total	\$ 1,932,261	\$ 1,633,878

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2027.

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

Years Ending June 30	Amount
2027	\$ 128,347
2028	(452,040)
2029	(390,792)
2030	(120,876)

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

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

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2025 is based on the results of an actuarial valuation date of September 30, 2024 and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4524 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2025 MPSERS Annual Comprehensive Financial Report found on the ORS website at (www.michigan.gov/orsschools).

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT

June 30, 2026

Long-Term Expected Rate of Return on Plan Investments

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

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

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

Rate of Return

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

Discount Rate

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

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
District’s proportionate share of the net pension liability	\$ 8,444,906	\$ 5,351,465	\$ 2,775,024

Michigan Public School Employees’ Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Michigan Public School Employees’ Retirement System September 30, 2025 Annual Comprehensive Financial Report, available on the ORS website: (www.michigan.gov/orsschools).

Payables to the Michigan Public School Employees’ Retirement System (MPERS)

Payables to the pension plan totaling \$180,667 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources. The payables are included in the “Due to Other Governmental Units” at June 30, 2026.

Note I – Other Postemployment Benefits

Plan Description

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT

June 30, 2026

Benefits Provided

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

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

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

Beginning October 1, 2025, active members who have the premium subsidy healthcare benefit are no longer required to pay the 3% contribution toward future healthcare benefits.

Contributions

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

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2022 is amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2025:

OPEB Contribution Rates:

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

Required contributions to the OPEB plan from the District were \$26,880 for the year ended June 30, 2026.

OPEB Assets, OPEB Credit, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2026, the District reported an asset of \$1,695,264 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2024. The District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. As of September 30, 2025, the District's proportion was 0.02788668%, which was an increase from 0.02655423% at September 30, 2024.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

For the year ended June 30, 2026, the District recognized OPEB credit of \$516,232. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ 1,160,658
Changes of assumptions	226,251	17,980
Net difference between projected and actual earnings on OPEB plan investments	—	238,222
Changes in proportion and differences between District contributions and proportionate share of contributions	81,030	17,832
District contributions subsequent to the measurement date*	24,105	—
Total	\$ 331,386	\$ 1,434,692

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

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

Years Ending June 30	Amount
2027	\$ (299,812)
2028	(286,138)
2029	(273,519)
2030	(182,091)
2031	(65,747)
Thereafter	(20,104)

Actuarial Assumptions

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

NOTES TO BASIC FINANCIAL STATEMENTS

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

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

Other Assumptions:

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

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2025 is based on the results of an actuarial valuation date of September 30, 2024 and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.4654 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2025 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT

June 30, 2026

Long-Term Expected Rate of Return on Plan Investments

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

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

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

Rate of Return

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

Discount Rate

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

NOTES TO BASIC FINANCIAL STATEMENTS

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

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

The following presents the District's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.00 percent, as well as what the District'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:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
District's proportionate share of the net OPEB liability (asset)	\$ (1,460,577)	\$ (1,695,264)	\$ (1,900,666)

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability (asset)	\$ (1,898,792)	\$ (1,695,264)	\$ (1,481,567)

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

Payables to the OPEB plan totaling \$3,503 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources. The payables are included in the "Due to Other Governmental Units" at June 30, 2026.

Note J – Risk Management and Employee Benefits

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for property loss, errors and omissions, workers' compensation, health benefits, and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in fiscal 2025-26, and as of year ended June 30, 2026, there were no material pending claims against the District.

Note K – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of \$4,415,962, and a total net position deficit of \$3,414,825 as of June 30, 2026. These deficit net positions result primarily from the net pension liability of \$5,053,082 (net of deferred outflows and inflows of resources related to the pension plans).

Note L – Commitments

On October 29, 2024, the District issued \$5,900,000 of general obligation 2024 School Building and Site bond whose proceeds are being used for school building and site purposes, including land improvements, building renovations and additions, furniture and equipment purchases. At June 30, 2026, unspent balances committed to these construction projects totaled \$97,297 and all planned projects were substantially completed.

Note M – New Accounting Pronouncement

The District adopted GASB Statement No. 103, Financial Reporting Model Improvements, during the fiscal year ended June 30, 2026. This statement modifies certain requirements related to management's discussion and analysis, unusual or infrequent items, proprietary fund reporting, budgetary comparison information, and other financial reporting presentations. The implementation of this statement resulted in changes to financial statement presentation and disclosures but had no effect on the District's net position.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

	Budgeted Amounts		Variance -- Final to Original Budgeted
	Original	Final	
Revenues			
Local sources	\$ 812,200	\$ 953,250	\$ 141,050
State sources	5,756,500	5,547,527	(208,973)
Federal sources	160,000	133,535	(26,465)
Interdistrict sources	10,000	88,068	78,068
Total Revenues	6,738,700	6,722,380	(16,320)
Expenditures			
Current:			
Instruction:			
Basic programs	3,759,259	3,544,605	(214,654)
Added needs	539,027	750,060	211,033
Supporting services:			
Pupil services	107,050	99,730	(7,320)
Instructional staff services	30,250	5,025	(25,225)
General administrative services	338,750	327,325	(11,425)
School administrative services	441,100	422,800	(18,300)
Business services	187,300	189,155	1,855
Operation and maintenance services	660,100	692,130	32,030
Pupil transportation services	314,300	352,103	37,803
Central services	108,500	80,150	(28,350)
Other supporting services	244,250	249,675	5,425
Community services	-	36,287	36,287
Total Expenditures	6,729,886	6,749,045	19,159
Excess (Deficiency) of Revenues Over Expenditures	8,814	(26,665)	(35,479)
Other Financing Sources (Uses)			
Transfers out	-	(138,641)	(138,641)
Net Change in Fund Balances	8,814	(165,306)	(174,120)
Fund Balances, Beginning of Year	566,695	566,695	-
Fund Balances, End of Year	\$ 575,509	\$ 401,389	\$ (174,120)

Actual Amounts	Variance -- Final Budgeted to Actual Amounts
\$ 942,724	\$ (10,526)
5,491,065	(56,462)
133,533	(2)
88,927	859
6,656,249	(66,131)
 3,498,052	 46,553
692,910	57,150
 100,130	 (400)
4,768	257
332,238	(4,913)
425,761	(2,961)
184,125	5,030
694,395	(2,265)
328,228	23,875
73,570	6,580
254,878	(5,203)
27,389	8,898
6,616,444	132,601
 39,805	 66,470
 (142,715)	 (4,074)
(102,910)	62,396
566,695	-
\$ 463,785	\$ 62,396

NOTES TO BUDGETARY COMPARISON SCHEDULE

Adams Township School District
June 30, 2026

Variances - Final Budget Over (Under) Original Budget	Amount	Variance Explanations
<u>Revenues</u>		
Local sources	\$ 141,050	<i>The increase is primarily due to an unanticipated \$100,000 gift received during the fiscal year. In addition, the District received approximately \$19,000 in contributions from the Adams Foundation for supplies and equipment associated with newly renovated spaces resulting from the District's bond-funded construction projects.</i>
State sources	(208,973)	<i>The decrease was primarily due to a \$98,157 reduction in Unrestricted State Aid reflecting a lower budgeted pupil count, and the District's decision not to budget for the Section 31aa Mental Health/School Safety grant (\$75,000) and the School Safety Per-Pupil Section 97 grant (\$35,000) that was in the original budget.</i>
Interdistrict sources	78,068	<i>The increase is primarily due to several unanticipated revenue sources received during the fiscal year. The District received a \$10,000 reimbursement from the local intermediate school district for equipment upgrades at the vocational trades center. Additionally, insurance proceeds totaling approximately \$48,800 were received for damages resulting from severe weather events, including snow-related damage to the pool roof and a lightning strike that affected network and communication systems. The District also received approximately \$12,700 in reimbursements from the local intermediate school district for GSRP special education wage and payroll expenditures that were not included in the original budget.</i>
<u>Expenditures</u>		
Basic programs	(214,654)	<i>The decrease was a result of overestimated expenditures in the original budget for elementary and high school wages and payroll expenses, including MPSERS and UAAL payments.</i>
Added needs	211,033	<i>The increase was primarily due to the addition of a second high school Special Education teacher position to address caseload growth (a \$66,015 increase in Special Education salary and benefits), combined with a \$142,479 increase in At Risk program staffing, consistent with Section 31A At Risk state revenue coming in \$45,120 higher than originally budgeted.</i>
Community services	36,287	<i>The increase was due to the addition of activities funded through the Section 32N Out-of-School Learning grant. Because the grant was awarded after adoption of the original budget, related revenues and expenditures were not initially anticipated. Following notification of the award during the fiscal year, the District amended the budget to recognize approximately \$36,300 in expenditures associated with providing after-school and summer learning programs.</i>

NOTES TO BUDGETARY COMPARISON SCHEDULE

Adams Township School District
June 30, 2026

Variances - Actual Amounts Over (Under) Final Budget	Amount	Variance Explanations
<u>Revenues</u>		
State sources	\$ (56,462)	<i>The variance is primarily due to the deferral of approximately \$39,600 of GSRP revenues to the subsequent fiscal year and the continued deferral of approximately \$5,700 of Early Literacy grant funding from the prior year. In addition, MPSERS Normal Cost Offset revenues were approximately \$22,700 below budgeted amounts due to lower-than-anticipated payroll costs and related reimbursement claims. State revenues exceeding budget expectations partially offset these variances, including unrestricted State Aid and Section 32N Out-of-School Learning grant revenues. Actual State Aid exceeded projections due to adjustments in pupil membership and foundation allowance calculations, while Section 32N grant reimbursements exceeded budgeted amounts as eligible program expenditures were higher than anticipated. Special education revenues were also lower than budgeted due to a prior-year funding adjustment that was not included in the final budget estimates.</i>
<u>Expenditures</u>		
Added needs	57,150	<i>Actual expenditures were approximately \$57,200 below the final budget due primarily to year-end reclassifications of wage and payroll expenditures to align costs with related grant funding sources. The final budget did not reflect the final allocation of expenditures between At-Risk and Title-funded programs, resulting in lower reported expenditures than budgeted.</i>

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024
District's proportion of the net pension liability	0.02671326%	0.02637778%	0.02545208%
District's proportionate share of the net pension liability	\$ 5,351,465	\$ 6,457,813	\$ 8,237,837
District's covered-employee payroll	\$ 2,948,041	\$ 2,790,409	\$ 2,623,233
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.53%	231.43%	314.03%
Plan fiduciary net position as a percentage of the total pension liability	79.44%	74.44%	65.91%

Note: The amounts presented for each of the last ten fiscal years were determined as of September 30 of the preceding year.

There were no changes of benefit terms or assumptions in 2025-26.

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017
0.02392826%	0.02320213%	0.02342153%	0.02276000%	0.02124000%	0.02005000%	0.01983000%
\$ 8,999,112	\$ 5,493,200	\$ 8,045,550	\$ 7,538,744	\$ 6,385,290	\$ 5,194,872	\$ 4,946,919
\$ 2,397,502	\$ 2,008,263	\$ 2,129,145	\$ 2,034,902	\$ 1,885,409	\$ 1,692,460	\$ 1,645,658
375.35%	263.05%	377.88%	370.47%	338.67%	306.94%	300.60%
60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024
District's proportion of the net OPEB liability (asset)	0.02788668%	0.02655423%	0.02624924%
District's proportionate share of the net OPEB liability (asset)	\$ (1,695,264)	\$ (1,143,000)	\$ (148,492)
District's covered-employee payroll	\$ 2,948,041	\$ 2,790,409	\$ 2,623,233
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	(57.50)%	(40.96)%	(5.66)%
Plan fiduciary net position as a percentage of the total OPEB liability	164.94%	143.08%	105.04%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively.
Ultimately, 10 years of data will be presented.

There were no changes of benefit terms or assumptions in 2025-26.

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
0.02460139%	0.02302957%	0.02391678%	0.02326000%	0.02220000%	0.01995000%
\$ 521,073	\$ 351,518	\$ 1,281,286	\$ 1,669,701	\$ 1,764,914	\$ 1,766,753
\$ 2,397,502	\$ 2,088,263	\$ 2,129,145	\$ 2,034,902	\$ 1,885,409	\$ 1,692,460
21.73%	16.83%	60.18%	82.05%	93.61%	104.39%
83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS **MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024	Year Ended June 30, 2023
Contractually required contribution	\$ 1,238,866	\$ 1,115,335	\$ 1,118,891	\$ 919,151
Contributions in relation to the contractually required contribution	1,238,866	1,115,335	1,118,891	919,151
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,230,634	\$ 3,070,765	\$ 2,906,921	\$ 2,680,960
Contributions as a percentage of covered employee payroll	38.35%	36.32%	38.49%	34.28%

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017
\$ 798,813	\$ 664,071	\$ 382,093	\$ 354,436	\$ 333,613	\$ 320,046
798,813	664,071	382,094	355,420	333,613	320,025
\$ -	\$ -	\$ (1)	\$ (984)	\$ -	\$ 21
\$ 2,399,394	\$ 2,151,084	\$ 2,109,172	\$ 2,000,605	\$ 1,865,711	\$ 1,694,913
33.29%	30.87%	18.12%	17.77%	17.88%	19.00%

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS **MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024
Contractually required contribution	\$ 26,880	\$ 47,300	\$ 224,605
Contributions in relation to the contractually required contribution	26,880	47,300	224,605
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,230,634	\$ 3,070,765	\$ 2,906,921
Contributions as a percentage of covered employee payroll	0.83%	1.54%	7.73%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
\$ 211,595	\$ 179,556	\$ 185,159	\$ 166,538	\$ 155,787	\$ 134,973
211,595	179,556	185,159	166,538	155,787	134,973
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,680,960	\$ 2,399,394	\$ 2,151,084	\$ 2,109,172	\$ 2,000,605	\$ 1,865,711
7.89%	7.48%	8.61%	7.90%	7.79%	7.23%

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET **NONMAJOR GOVERNMENTAL FUNDS**

ADAMS TOWNSHIP SCHOOL DISTRICT
June 30, 2026

Assets	Special Revenue		Debt Service	Capital Projects	Total
	Food Service	Student/School Activity		Capital Improvements	
Cash equivalents and investments	\$ 15,715	\$ 27,137	\$ 57,048	\$ 332,096	\$ 431,996
Accounts receivable	2,920	-	-	-	2,920
Due from other governmental units	13,981	-	-	-	13,981
Total Assets	\$ 32,616	\$ 27,137	\$ 57,048	\$ 332,096	\$ 448,897
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 7	\$ -	\$ 1,160	\$ -	\$ 1,167
Due to other funds	4,092	-	-	-	4,092
Unearned revenue	1,565	-	-	-	1,565
Total Liabilities	5,664	-	1,160	-	6,824
Fund Balance					
Restricted	26,952	27,137	55,888	332,096	442,073
Total Fund Balance	26,952	27,137	55,888	332,096	442,073
Total Liabilities and Fund Balance	\$ 32,616	\$ 27,137	\$ 57,048	\$ 332,096	\$ 448,897

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS

ADAMS TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2026

	Special Revenue		Debt	Capital Projects	
	Food	Student/School	Service	Capital	
	Service	Activity		Improvements	Total
Revenues					
Local sources	\$ 16,657	\$ 39,994	\$ 981,747	\$ 10,432	\$ 1,048,830
State sources	108,278	-	3,845	-	112,123
Federal sources	260,785	-	-	-	260,785
Interdistrict sources	-	1,412	-	-	1,412
Total Revenues	385,720	41,406	985,592	10,432	1,423,150
Expenditures					
Current:					
Supporting services	-	44,303	-	-	44,303
Food service	409,755	-	-	-	409,755
Capital outlay	-	-	-	28,619	28,619
Debt service:					
Principal repayment	-	-	390,000	-	390,000
Interest and fiscal charges	-	-	490,176	-	490,176
Total Expenditures	409,755	44,303	880,176	28,619	1,362,853
Excess (Deficiency) of Revenues Over Expenditures	(24,035)	(2,897)	105,416	(18,187)	60,297
Other Financing Sources (Uses)					
Transfers in	4,074	-	-	138,641	142,715
Net Change in Fund Balances	(19,961)	(2,897)	105,416	120,454	203,012
Fund Balances (Deficit), Beginning of Year	46,913	30,034	(49,528)	211,642	239,061
Fund Balances, End of Year	\$ 26,952	\$ 27,137	\$ 55,888	\$ 332,096	\$ 442,073

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – FOOD SERVICE SPECIAL REVENUE FUND**

ADAMS TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2026

	Budget	Actual	Variance
Revenues			
Local sources	\$ 15,105	\$ 16,657	\$ 1,552
State sources	104,812	108,278	3,466
Federal sources	261,700	260,785	(915)
Total Revenues	381,617	385,720	4,103
Expenditures			
Current:			
Food service	396,300	409,755	(13,455)
Net Change in Fund Balance	(14,683)	(19,961)	(5,278)
Fund Balance, Beginning of Year	46,913	46,913	-
Fund Balance, End of Year	\$ 32,230	\$ 26,952	\$ (5,278)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – STUDENT/SCHOOL ACTIVITY SPECIAL REVENUE FUND**

ADAMS TOWNSHIP SCHOOL DISTRICT
For the year ended June 30, 2026

	Budget	Actual	Variance
Revenues			
Local sources	\$ 40,773	\$ 39,994	\$ (779)
Interdistrict sources	-	1,412	1,412
Total Revenues	40,773	41,406	633
Expenditures			
Current:			
Other student/school activity	44,307	44,303	4
Net Change in Fund Balance	(3,534)	(2,897)	637
Fund Balance, Beginning of Year	30,034	30,034	-
Fund Balance, End of Year	\$ 26,500	\$ 27,137	\$ 637

INTERNAL CONTROL AND COMPLIANCE

**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**

September 18, 2026

The Board of Education
Adams Township School District

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams Township School District (the "District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 18, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hungerford". The script is cursive and fluid, with the first letter 'H' being particularly large and stylized.

Certified Public Accountants
Grand Rapids, Michigan

September 18, 2026

The Board of Education
Adams Township School District
Houghton County, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Adams Township School District for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and Government Auditing Standards and the Uniform Guidance, as applicable), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 9, 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 Adams Township School District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2026. As described in Note M to the financial statements, Adams Township School District adopted GASB No. 103, Financial Reporting Model Improvements, during the fiscal year ended June 30, 2026, resulting in changes to financial statement presentation and disclosures but had no effect on the District's net position. We noted no transactions entered into by the governmental unit 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 Government-Wide financial statements were:

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. Certain amounts included in capital assets have been estimated by appraisers based on historical information for assets placed in service prior to implementation of GASB Statement No. 34.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were related to the District's share of the net pension and net OPEB liabilities related to GASB Statements No. 68 and 75.

The disclosure of the net pension liability and the net OPEB liability in the Notes to the financial statements were recorded as of June 30, 2026 based on information received from the Michigan Office of Retirement Services. We evaluated the key factors and assumptions used to develop these liabilities in determining that it is 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 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following significant adjustment was made during the audit:

- \$55,580 to record June 2026 construction costs in the district's capital projects fund.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which 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 September 18, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matter, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's 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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Schedules related to the Proportionate Share and Contributions of the District's Net Pension and Net OPEB Liabilities, which are 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.

Other Comments

The District General Fund balance decreased by \$102,910 to \$463,785 at June 30, 2026. This balance represents approximately 7.0 percent of the District's 2026-27 expenditure budget (down from 8.42 percent at June 30, 2025). Maintaining a fund balance of at least 20 of the ensuing year's expenditure budget is advisable for Adams Township School District, as recommended by the Michigan Department of Education.

Restriction on Use

This communication is intended solely for the information and use of the Adams Township School District Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

A handwritten signature in black ink that reads "Hungerford". The signature is written in a cursive, flowing style.

Hungerford
Grand Rapids, Michigan