Kaleva Norman Dickson School District

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2025

Dennis, Gartland & Niergarth

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Kaleva Norman Dickson 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 ***Kaleva Norman Dickson School District*** (the "School District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the 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 the School District, as of June 30, 2025, 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 the 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note B to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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, the major fund budgetary comparison information for the general fund, and the pension and OPEB schedules of proportionate share and contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Board of Education
Kaleva Norman Dickson School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2025 on our consideration of the 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 the 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 Kaleva Norman Dickson School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 27, 2025

This section of Kaleva Norman Dickson School District's (the "School District") annual financial report presents a discussion and analysis of the School District's financial performance during the fiscal year that ended on June 30, 2025. It is to be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District's financial status increased during the year due an increase in state aid and conservative budgeting.

- The State of Michigan foundation grant remained the same at $9,608.

OVERVIEW OF THE FINANCIAL STATEMENTS

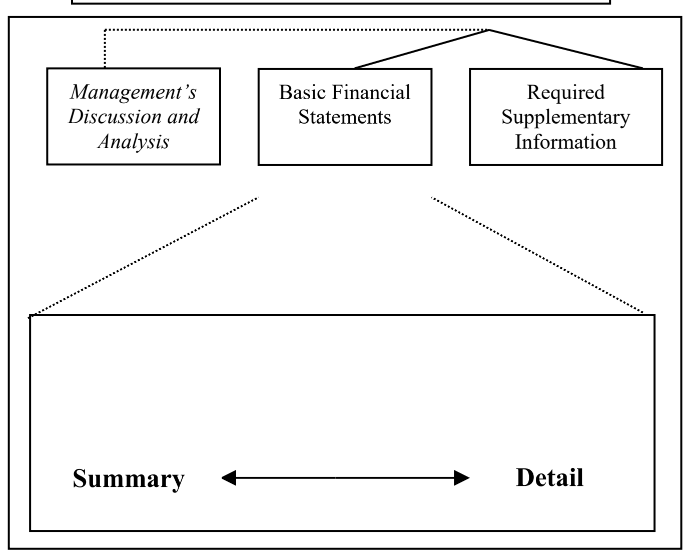
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the School District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations *in more detail* than the School District-wide statements.

- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.

Figure A-1
Kaleva Norman Dickson Schools
Annual Financial Report



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the School District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire district	The activities of the District that are not proprietary or fiduciary, such as general education and building maintenance
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarized the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The School District-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position include *all* of the School 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 School District's *net position* and how they have changed. Net position – the difference between the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the School District's financial health or *position*.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the School District, consideration must be given to additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the School District-wide financial statements, the School District's activities:

- *Governmental activities* – Most of the School District's basic services are included here, such as general education, transportation and administration. Property taxes and State formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and by bond covenants.

- The School District establishes other funds to control and manage money for particular purposes (repayment of long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The School District has two kinds of funds:

- *Governmental funds* – Most of the School 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the School District-wide statements, additional information is provided with the governmental funds statements that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following schedule summarizes net position at June 30:

Table A-3
KND's Net Position

	2025	2024
Current assets	$ 4,743,800	$ 5,227,713
Capital assets	7,864,571	7,099,215
Net OPEB asset	1,285,670	181,256
Deferred outflows of resources	2,613,573	3,654,635
Total assets and deferred outflows of resources	$ 16,507,614	$ 16,162,819
Current liabilities	$ 2,077,649	$ 2,395,545
Long-term liabilities	1,166,910	2,009,620
Net pension liability	7,649,396	10,139,602
Deferred inflows of resources	3,840,171	2,492,210
Total liabilities and deferred inflows of resources	14,734,126	17,036,977
Net position		
Net investment in capital assets	5,941,017	4,114,106
Restricted	1,935,978	859,654
Unrestricted (deficit)	(6,103,507)	(5,847,918)
Total net position	$ 1,773,488	$ (874,158)

The prior year net position was reclassified to reflect restricted net assets for the net OPEB asset.

For the fiscal years ended June 30, the results of operations, on a district wide basis, were as follows:

Table A-4

	2025	2024
Revenues		
Property taxes, levied for general purposes	$ 3,011,857	$ 2,732,964
Property taxes, levied for debt services	1,064,602	1,141,737
State aid not restricted to specific purposes	2,971,032	3,494,576
Interest and other	221,949	441,215
Charges for services	127,841	116,958
Operating grants/contributions	2,191,822	2,303,389
Capital grants/contributions	631,463	-
Total revenues	10,220,566	10,230,839
Expenses		
Instruction	3,309,615	3,806,732
Support services	2,734,151	3,060,948
Community services	394	-
Food services	649,801	654,463
Student activities	110,054	126,402
Other	43,140	46,340
Interest on long-term debt	72,032	126,135
Depreciation - unallocated	544,478	479,029
Total expenses	7,463,665	8,300,049
Increase in net position	2,756,901	1,930,790
Net position - beginning of year, *as restated*	(983,413)	(2,804,948)
Net position - end of year	$ 1,773,488	$ (874,158)

Net position was restated for the impact of implementing GASB 101, *Compensated Absences*.

PENSION AND OPEB EXPENSE/LIABILITY

GASB 68 and GASB 75 require the School District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the School District's change in net position. Based on various factors, the School District may report an increase or decrease in net position depending on whether the School District's proportionate share of the net pension and net OPEB assets/liabilities increases or decreases in any given year. For the year ended June 30, 2025, the School District recorded $7,649,396 and $1,285,670 as their proportionate share of the net pension liability and net OPEB asset, respectively.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The financial performance of the School District as a whole is reflected in its governmental funds as well. As the School District completed the year, its governmental funds reported *combined* fund balances of $3,633,106 which is lower than last year's ending fund balances of $3,943,763. The general fund increased by $141,755, the Building and Site fund decreased by $426,821, and the non-major funds decreased by a net of $25,591.

General Fund Budgetary Highlights

Over the course of the year, the School District revised the annual General Fund operating budget several times. These budget amendments are:

- Changes made in the third and fourth quarters to account for final enrollment counts, staffing assignments and changes in grant funding since the original budget was adopted.

- The School District's final budget for the general fund anticipated that the excess of revenues over expenditures would be ($299,423); the year ended in actual excess of revenues over expenditures of $141,755. The increase was mainly due to adopting a conservative final budget.

- Actual revenues were $8,307,026 or $74,084 more than expected. This was largely due to the timing of ISD and grant revenue.

- The actual expenditures were $8,165,271, or $367,094 below budget due primarily to controlling and monitoring expenditures and the timing of grant expenditures.

Table A-5
KND's Capital Assets

	Beginning Balance	Additions/ (Deletions)	Ending Balance
Capital assets not being depreciated:			
Land	$ 73,653	$ -	$ 73,653
Construction in progress	175,426	(146,967)	28,459
Total non-depreciable	249,079	(146,967)	102,112
Capital assets being depreciated:			
Building improvements	17,368,634	1,273,336	18,641,970
Furniture and equipment	1,965,994	174,796	2,140,790
Buses and vehicles	1,113,956	8,669	1,122,625
Total capital assets being depreciated	20,448,584	1,456,801	21,905,385
Accumulated depreciation	(13,598,448)	(544,478)	(14,142,926)
Total capital assets, net	$ 7,099,215	$ 765,356	$ 7,864,571

Long-term Debt

At year-end, the School District had $1,855,000 in general obligation bonds and $268,044 in other long-term liabilities.

Table A-6
KND's Outstanding Long-Term Debt

	Beginning Balance	Additions/ (Deletions)	Ending Balance
General obligation debts (financed with property taxes)	$ 2,865,000	$ (1,010,000)	$ 1,855,000
Compensated absences	195,321	4,169	199,490
Unamortized bond premium	131,178	(62,624)	68,554
Total	$ 3,191,499	$ (1,068,455)	$ 2,123,044

(More detailed information about the School District's long-term liabilities is presented in Note G to the financial statements.)

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

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

- The 2025-2026 foundation allowance is still undetermined due to not having the state budget finalized. Student enrollment is always fluctuating and a concern that will be closely monitored.
- The Board of Education and the KND Education Association have a contract through August 2028.
- The Board of Education and the KNDESPA have a contract through August 2028.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Kaleva Norman Dickson School District's Business Office at 772 East Parkdale Ave, Manistee, MI 49660.

Kaleva Norman Dickson School District

STATEMENT OF NET POSITION

June 30, 2025

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current assets	
Cash and cash equivalents	$ 3,863,464
Due from other governments	799,582
Prepaid expenses	80,754
Total current assets	4,743,800
Non-current assets	
Capital assets, net of accumulated depreciation	7,864,571
Net OPEB asset	1,285,670
Total non-current assets	9,150,241
Total assets	13,894,041
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pension liability	2,172,795
Deferred outflows of resources for OPEB asset	440,778
Total deferred outflows of resources	2,613,573
Total assets and deferred outflows of resources	$ 16,507,614
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	$ 70,926
Salaries and related liabilities	500,337
Accrued interest	10,821
Unearned revenue	539,431
Current portion of long-term liabilities	956,134
Total current liabilities	2,077,649
Non-current portion of long-term liabilities	1,166,910
Net pension liability	7,649,396
Total non-current liabilities	8,816,306
Total liabilities	10,893,955
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pension liability	2,141,359
Deferred inflows of resources for OPEB asset	1,698,812
Total deferred inflows of resources	3,840,171
NET POSITION	
Net investment in capital assets	5,941,017
Restricted for	
Food service	469,354
Debt service	180,954
Net OPEB asset	1,285,670
Unrestricted (deficit)	(6,103,507)
Total net position	1,773,488
Total liabilities, deferred inflows of resources and net position	$ 16,507,614

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

Kaleva Norman Dickson School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

		Program Revenues			Net (Expense)/ Revenue and Changes in Net Position
Functions/Program	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Instruction	$ 3,309,615	$ -	$ 172,615	$ 345,794	$ (2,791,206)
Supporting services	2,734,151	66,436	1,293,224	285,669	(1,088,822)
Community services	394	-	-	-	(394)
Food service	649,801	61,405	585,280	-	(3,116)
Student activities	110,054	-	140,703	-	30,649
Other	43,140	-	-	-	(43,140)
Interest on long-term debt	72,032	-	-	-	(72,032)
Depreciation - unallocated	544,478	-	-	-	(544,478)
Total governmental activities	$ 7,463,665	$ 127,841	$ 2,191,822	$ 631,463	(4,512,539)
General purpose revenues					
Property taxes					
Levied for general purposes					3,011,857
Levied for debt service					1,064,602
State school aid - unrestricted					2,971,032
Investments and other					221,949
Total general purpose revenues					7,269,440
Change in net position					2,756,901
Net position, beginning of year, *as previously reported*					(874,158)
Restatement for change in accounting principle					(109,255)
Net position, beginning of year, *as restated*					(983,413)
Net position, end of year					$ 1,773,488

Kaleva Norman Dickson School District

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2025

	General Fund	Building and Site Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 2,570,615	$ 547,907	$ 744,942	$ 3,863,464
Due from other governments	775,558	-	24,024	799,582
Due from other funds	-	67	64,588	64,655
Prepaid expenditures	80,304	-	450	80,754
Total assets	$ 3,426,477	$ 547,974	$ 834,004	$ 4,808,455
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 70,926	$ -	$ -	$ 70,926
Salaries payable and related liabilities	497,390	-	2,947	500,337
Unearned revenue	539,431	-	-	539,431
Due to other funds	64,655	-	-	64,655
Total liabilities	1,172,402	-	2,947	1,175,349
FUND BALANCES				
Nonspendable	80,304	-	450	80,754
Restricted				
Food service	-	-	468,904	468,904
Debt service	-	-	191,775	191,775
Committed				
Subsequent year expenditures	525,516	-	-	525,516
Student activities	-	-	169,928	169,928
Assigned				
Compensated absences	86,066	-	-	86,066
Bus purchases	300,000	-	-	300,000
Technology purchases	44,000	-	-	44,000
Capital projects	-	547,974	-	547,974
Unassigned	1,218,189	-	-	1,218,189
Total fund balances	2,254,075	547,974	831,057	3,633,106
Total liabilities and fund balances	$ 3,426,477	$ 547,974	$ 834,004	

Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position

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 the assets is $22,007,497 and the accumulated depreciation is $14,142,926.		7,864,571
Deferred outflows of resources are not a financial resource and, therefore, are not reported as assets in governmental funds.		
Pension liability	$ 2,172,795	
OPEB asset	440,778	2,613,573
Long-term assets and liabilities are not due and receivable or payable in the current period and, therefore, are not reported as assets and liabilities in the funds. Long-term assets and liabilities at year-end consist of:		
Bonds and notes payable	(1,855,000)	
Accrued interest on bonds	(10,821)	
Compensated absences	(199,490)	
Unamortized bond premium	(68,554)	
Net pension liability	(7,649,396)	
Net OPEB asset	1,285,670	(8,497,591)
Deferred inflows of resources are not a financial resource and, therefore, are not reported as a liability in governmental funds.		
Pension liability	(2,141,359)	
OPEB asset	(1,698,812)	(3,840,171)
Total net position - governmental activities		$ 1,773,488

Kaleva Norman Dickson School District

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2025

	General Fund	Building and Site Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 3,011,857	$ -	$ 1,064,602	$ 4,076,459
Interest	75,361	31,857	21,264	128,482
State sources	3,923,626	-	21,808	3,945,434
Federal sources	1,023,617	756	563,472	1,587,845
Other	272,564	83	209,699	482,346
Total revenues	8,307,025	32,696	1,880,845	10,220,566
Expenditures				
Instruction	4,072,134	-	-	4,072,134
Supporting services	3,214,059	-	-	3,214,059
Community services	394	-	-	394
Food service	-	-	649,801	649,801
Student activities	-	-	110,054	110,054
Other	43,140	-	-	43,140
Debt service				
Principal	21,125	-	1,010,000	1,031,125
Interest	1,007	-	99,175	100,182
Other	-	-	500	500
Capital outlay	809,721	459,517	40,596	1,309,834
Total expenditures	8,161,580	459,517	1,910,126	10,531,223
REVENUES OVER (UNDER) EXPENDITURES	145,445	(426,821)	(29,281)	(310,657)
Other financing sources (uses)				
Operating transfers in	-	-	3,690	3,690
Operating transfers out	(3,690)	-	-	(3,690)
Total other financing sources (uses)	(3,690)	-	3,690	-
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	141,755	(426,821)	(25,591)	(310,657)
Fund balance, beginning of year	2,112,320	974,795	856,648	3,943,763
Fund balance, end of year	$ 2,254,075	$ 547,974	$ 831,057	$ 3,633,106

Kaleva Norman Dickson School District

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds			$ (310,657)
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.			
	Capital outlays	$ 1,309,834	
	Depreciation expense	(544,478)	765,356
Change in deferred outflows of resources for:			
	Deferred loss on refunding	(11,069)	
	Pension liability	(692,336)	
	OPEB asset	(337,657)	(1,041,062)
Repayment of bond principal are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net position and do not affect the statement of activities.			1,010,000
The amortization of bond premiums does not provide current financial resources to governmental funds; however, it does reduce the long-term premium liability in the statement of net position and increase net position.			62,624
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, 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 due. The interest reported in the statement of activities is the net result of the decrease in accrued interest on bonds and notes payable.			28,150
In the statement of activities, certain operating expenses - compensated absences (sick, vacation, and personal leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences earned was more than the amounts used by $4,169.			(4,169)
Change in net pension liability.			2,490,206
Change in net OPEB asset.			1,104,414
Change in deferred inflows of resources for:			
	Pension liability	(1,095,973)	
	OPEB asset	(251,988)	(1,347,961)
Changes in Net Position of Governmental Activities			$ 2,756,901

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Kaleva Norman Dickson School District (the "School District") is a Michigan public school district consisting of one building serving elementary through high school students. The School District primarily serves the Kaleva and Wellston communities. As of June 30, 2025, the School District employed 37 professional staff and 41 non-professional staff, and had 528 students enrolled.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The School District is considered to be a local government unit.

The accounting and reporting framework, and the more significant accounting principles and practices of the School District are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2025.

Financial Reporting Entity

Kaleva Norman Dickson School District is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other State and local governments. The financial reporting entity of Kaleva Norman Dickson School District includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature and significance of their relationship with the School District, must be included to prevent the School District's financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, management has not identified any component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole, except for its fiduciary activities. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and the School District's general revenues.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the School District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School District's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School District are prepared in accordance with generally accepted accounting principles ("GAAP"). The School District's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

The government-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. 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 in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available, if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. Debt service expenditures, including compensated absences, are recorded when payment is due.

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Fund Types and Major Funds

Activities in Major Funds

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

The Building and Site Fund is a capital projects fund and is used to account for financial resources to be used for the acquisition or construction of capital assets.

Other Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are committed or restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the School District are the Food Service Fund and Student Activity Fund.

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, bond principal, interest and related costs. The Debt Service Funds maintained by the School District are for the 2009, 2011 and 2013 bonds.

Cash and Cash Equivalents

The School District's reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Prepaids

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 5 to 50 years. The School District generally capitalizes assets with costs of $5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land or construction-in-process. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	20-50	years
Furniture and equipment	5-20	years
Buses and vehicles	8	years

Long-term Debt and Bond Discounts/Premiums

In the district-wide financial statements, outstanding debt is reported as a liability. Bond discounts and premiums are deferred and amortized over the life of the bonds. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period in which the bonds were issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. Debt service payments, including compensated absences, are reported as expenditures, and amounts paid to refund debt are reported as an other financing use.

Compensated Absences

Employees are granted vacation, sick, and personal time in varying amounts when earned in accordance with applicable union or non-union agreements. Employees may accumulate, subject to certain limitations, unused vacation, sick, and personal time earned and, upon retirement, termination, or death may be compensated as salary-related payments for certain amounts at their then current rates of pay. The cost of accumulated compensated absences pay, including associated benefits, is accounted for as a liability in the government-wide financial statements if the leave is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means.

Deferred Outflows of Resources and Deferred Inflows of Resources

The statement of financial position includes separate financial statement elements for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has a deferred loss on debt refunding reported in the government-wide statement of net position, which qualifies for reporting as a deferred outflow of resources. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources represent an addition to net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Pension Plan

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

Post-Employment Benefits Other than Pensions (OPEB)

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

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board of Education through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the School District Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

Spending Policy

When both restricted and unrestricted fund balances are available for use, it is the School District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are 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 can be used.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the School District's general revenues.

The School District's most significant program revenues are Title I, At-Risk, School Lunch Program, and Elementary and Secondary School Emergency Relief (ESSER) funds which are reported as operating grants and contributions.

Encumbrance Accounting

The School District formally records encumbrances in the accounting records during the year as a normal practice. In accordance with generally accepted accounting principles, outstanding encumbrances at year-end for which goods or services are received are reclassified as expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either canceled or are included as reappropriations of fund balance for the subsequent year.

Allocation of Expenses

The School District reports each function's direct expenses, which are expenses that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The School District has elected to not allocate indirect expenses.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE B - ADOPTION OF NEW ACCOUNTING PRINCIPLE

The School District adopted the Governmental Accounting Standards Board issued Statement No. 101 ("GASB 101"), *Compensated Absences*, for the year ended June 30, 2025. The statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through non-cash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

As a result of adopting this new accounting principle, opening net position in the statement of activities has been restated, as follows:

	Governmental Activities
Net position at June 30, 2024, *as previously reported*	$ (874,158)
Reduction to net position for the increase in compensated absences liability in accordance with GASB 101	(109,255)
Net position at June 30, 2024, *as restated*	$ (983,413)

NOTE C - BUDGETARY POLICY AND PRACTICE

The School District has adopted these procedures in establishing the budgets as reflected in the financial statements.

1. As early as possible in the preceding fiscal year (generally in the spring), the Superintendent formulates preliminary budgets for the coming year, which he submits to the Board of Education for their review.
2. A public hearing is held prior to June 30 on the proposed budgets to obtain taxpayer comments.
3. The Board of Education reviews the proposed budget and then in June adopts a formal resolution approving the needed appropriations for the coming operating year.
4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Board of Education.
5. It is the Superintendent's responsibility to supervise and monitor the budget process. This is done by reviewing the monthly financial data and reporting and recommending any needed amendments to the Board of Education.
6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.
8. All annual appropriations lapse at fiscal year-end.

Excess of Expenditures over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2025, the School District violated the Act in the following areas:

	Budget	Actual	Variance
General Fund			
Support Services			
Other central support services	$ 620,969	$ 632,325	$ 11,356

NOTE D - CASH AND CASH EQUIVALENTS

At June 30, 2025, the School District's cash and cash equivalents include the following:

	Cash and Equivalents
Bank deposits	$ 628,090
Investments	3,235,374
	$ 3,863,464

Bank Deposits

All of the School District's bank deposits are with financial institutions which provide FDIC insurance coverage.

Custodial Credit Risk - Deposits

As of June 30, 2025, $356,297 of the School District's bank balance of $646,869 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The School District's investment policy permits investments in the following vehicles:

1. Bonds and other obligations of the United States; the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificate of deposits issued by financial institutions organized and authorized to operate in Michigan.
3. Certain commercial paper.
4. Securities issued or guaranteed by agencies or instruments of the United States government.
5. United States government Federal agency obligation repurchase agreements.
6. Banker's acceptance issued by a bank that is a member of the FDIC.
7. Certain mutual funds.
8. Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982.

Investments at June 30, 2025 consisted of the following:

		Investment Maturities (in years)			
Investment Type	Fair Value	Current	1-5	6-10	More than 10
MILAF	$ 3,221,333	$ 3,221,333	$ -	$ -	$ -
Certificates of deposit	14,041	14,041	-	-	-
	$ 3,235,374	$ 3,235,374	$ -	$ -	$ -

Interest Rate Risk

The School District attempts to minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in short-term securities or Michigan Liquid Asset Funds ("MILAF"), and limiting the average maturity. MILAF investments are carried at amortized cost and are not subject to any withdrawal restrictions.

Credit Risk

The School District's investment policy limits investments in commercial paper to a prime or better rating at the time of purchase and maturing not more than 270 days after the date of purchase. As of June 30, 2025, the School District's investment in the MILAF investment pool was rated AAAm by Standard & Poor's.

NOTE E - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Unearned Revenue and Property Tax Calendar

Property taxes are levied, billed and attached as enforceable liens in July and December of the School District's fiscal year. Townships within the School District collect and remit taxes until February 15, at which time the uncollected real property taxes are turned over to the counties as delinquent. Delinquent real property taxes are funded by the county and remitted to the School District. Delinquent personal property tax remains a receivable until collected from the taxpayer by the townships and remitted to the School District. In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due to the School District regardless of when cash is received. Over time, substantially all property taxes are collected.

During the fiscal year, $18 per $1,000 of equalized non-principal residence property value of $166.2 million and $6 per $1,000 of equalized commercial personal property value of $1.0 million was levied for general operating purposes. For debt service purposes, $3.40 per $1,000 of equalized principal, non-principal residence property and commercial personal property value of $311.1 million was levied for bonded debt repayments by the Debt Service Funds.

Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues are deferred in the governmental fund financial statements and included in unearned revenue.

Amounts due from other governments at June 30, 2025 are as follows:

State of Michigan State Aid	$ 691,625
Federal grants	99,859
Other local sources	8,098
	$ 799,582

Unearned revenue from other governments at June 30, 2025 are as follows:

State of Michigan State Aid	$ 539,431

NOTE F - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consisted of the following:

	Beginning Balance	Additions	Disposals/ Transfers/ Reclassifications	Ending Balance
Buildings and improvements	$ 17,368,634	$ 1,097,910	$ 175,426	$ 18,641,970
Furniture and equipment	1,965,994	174,796	-	2,140,790
Buses and vehicles	1,113,956	8,669	-	1,122,625
Total depreciable assets	20,448,584	1,281,375	175,426	21,905,385
Less accumulated depreciation	(13,598,448)	(544,478)	-	(14,142,926)
Construction-in-process	175,426	28,459	(175,426)	28,459
Land	73,653	-	-	73,653
Total capital assets, net	$ 7,099,215	$ 765,356	$ -	$ 7,864,571

Depreciation expense was charged to the function in the statement of activities, as follows:

Unallocated	$ 544,478

NOTE G - LONG-TERM LIABILITIES

Changes in long-term debt during the year ended June 30, 2025 were as follows:

	Beginning Balance	New Debt	Payments	Ending Balance	Current Portion
General obligation bonds	$ 2,865,000	$ -	$ (1,010,000)	$ 1,855,000	$ 915,000
Compensated absences	195,321	4,169	-	199,490	-
Unamortized bond premium	131,178	-	(62,624)	68,554	41,134
Total long-term debt	$ 3,191,499	$ 4,169	$ (1,072,624)	$ 2,123,044	$ 956,134

Payments on general obligation bonds are made by the Debt Service Funds. Payments on notes payable are made by the General Fund. The compensated absences liability is presented as the net change in the liability.

At June 30, 2025, the School District's long-term debt consisted of the following:

General Obligation Bonds

$2,555,000 2020 School Building and Site Bonds; due in annual installments of $915,000 to $940,000 through May 2027; interest rate of 3.5%.	$ 1,855,000
Compensated absences	199,490
Unamortized bond premium	68,554
Total long-term debt	$ 2,123,044

Total annual requirements to amortize bonds as of June 30, 2025 are as follows:

Years Ending June 30,	Principal	Interest
2026	$ 915,000	$ 64,926
2027	940,000	32,900
	$ 1,855,000	$ 97,826

Interest expense for the year ended June 30, 2025 was $72,032 and interest paid was $100,182.

Deferred Loss on Refunding

	Beginning Balance	Additions	Amortization	Ending Balance
2013 Refunding bonds	$ 5,847	$ -	$ (5,847)	$ -
2019 Refunding bonds	5,222	-	(5,222)	-
Total deferred outflows	$ 11,069	$ -	$ (11,069)	$ -

NOTE H - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; unemployment benefits; and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance and risk management pools.

The School District pays unemployment claims on a reimbursement basis through the Bureau of Workers' and Unemployment Compensation ("BWUC"). As BWUC pays eligible recipients benefits, this amount is billed to Kaleva Norman Dickson School District. At June 30, 2025, there were no significant unbilled claims.

The School District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review, and processing services for all member governments pursuant to its charter.

The School District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its General and Member Retention Funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the Member Retention Fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the School District's General Fund.

NOTE I - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

Fund	Due From Other Funds	Due To Other Funds
Major Governmental Funds		
General Fund	$ -	$ 64,655
Building and Site Fund	67	-
Non-Major Governmental Funds		
Food Service Fund	63,373	-
2011 Debt Service Fund	1,215	-
	$ 64,655	$ 64,655

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The following schedule reports transfers and payments within the reporting entity:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	$ -	$ 3,690
Non-Major Governmental Funds		
Food Service Fund	3,690	-
	$ 3,690	$ 3,690

NOTE J - PENSION PLAN

Plan Description

The Michigan Public School Employees' Retirement System ("MPSERS") 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 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 and 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% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Depending on the members date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides 50% employer match (up to 3% of salary) on employee contributions.

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, 2023 will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 30, 2024:

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0-4.0%	23.03%
Member Investment Plan	3.0-7.0%	23.03%
Pension Plus	3.0-6.4%	19.17%
Pension Plus 2	6.2%	20.10%
Defined Contribution	0.0%	13.90%

Required contributions to the pension plan from the School District were $1,306,306 for the year ended September 30, 2024. Total contributions include State pension funding the School District remitted to ORS as non-statutorily required contributions.

For certain plan members, a 4% employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3% employer match is provided to the defined contribution pension plan.

The School District's contributions to the defined contribution plan totaled $22,329 for the year ended June 30, 2025.

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

At June 30, 2025, the School District reported a liability of $7,649,396 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2023. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the systems employers during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2024, the School District's proportion was 0.03124496%, which was a decrease of 0.00008292% from its proportion measured as of September 30, 2023.

For the year ended June 30, 2025, the School District recognized pension expense of $847,548. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 207,534	$ 83,112
Changes of assumptions	797,495	560,459
Net difference between projected and actual earnings on pension plan investments	-	1,459,829
Changes in proportion and differences between employer contributions and proportionate share of contributions	451,128	37,959
School District contributions subsequent to the measurement date	716,638	-
Total	$ 2,172,795	$ 2,141,359

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of $716,638 will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. 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 September 30,	Amount
2025	$ (10,426)
2026	202,186
2027	(494,274)
2028	(382,688)
Total	$ (685,202)

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, 2023
Actuarial Cost Method:		Entry Age, Normal
Wage Inflation Rate:		2.75%
Investment Rate of Return		
MIP and Basic Plans:		6.00% net of investment expenses
Pension Plus Plan:		6.00% net of investment expenses
Pension Plus 2 Plan:		6.00% net of investment expenses
Projected Salary Increases:		2.75-11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:		3% Annual Non-Compounded for MIP Members
Mortality:	Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
	Active Members:	PubT-2010 Male and Female Employee Mortality Tables, scaled 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, 2024, is based on the results of an actuarial valuation date of September 30, 2023, 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: 4.4612
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.3 %
Private Equity Pools	16.0	9.0
International Equity Pools	15.0	6.5
Fixed Income Pools	13.0	2.2
Real Estate and Infrastructure Pools	10.0	7.1
Absolute Return Pools	9.0	5.2
Real Return/Opportunistic Pools	10.0	6.9
Short-Term Investment Pools	2.0	1.4
	100.0 %	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 15.47%. 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 Basic, MIP, Pension Plus plan, and 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 Basic, MIP, Pension Plus plan, and Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
$ 11,214,097	$ 7,649,396	$ 4,681,097

Michigan Public School Employees' Retirement System ("MPSERS") Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS ACFR available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System ("MPSERS")

The School District reported $114,005 and $2,919 payable to the plan at June 30, 2025 for legally required defined benefit and defined contribution plan contributions, respectively.

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan 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.

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2024.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.31%
Personal Healthcare Fund (PHF)	0.00%	7.06%

Required contributions to the OPEB plan from the School District were $248,271 for the year ended September 30, 2024.

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

At June 30, 2025, the School District reported an asset of $1,285,670 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2023. As of September 30, 2024, the MPSERS OPEB plan was overfunded resulting in an OPEB asset. The School District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2024, the School District's proportion was 0.02986875%, which was a decrease of 0.00217237% from its proportion measured as of September 30, 2023.

For the year ended June 30, 2025, the School District recognized OPEB income of $446,448. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,362,417
Changes of assumptions	280,809	32,277
Net difference between projected and actual earnings on OPEB plan investments	-	243,392
Changes in proportion and differences between School District contributions and proportionate share of contributions	143,316	60,726
School District contributions subsequent to the measurement date	16,653	-
Total	$ 440,778	$ 1,698,812

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of $16,653 will increase the net OPEB asset in the year ending June 30, 2026. 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 September 30,	Amount
2025	$ (420,153)
2026	(232,439)
2027	(238,751)
2028	(227,072)
2029	(129,679)
Thereafter	(26,593)
Total	$ (1,274,687)

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.

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:		September 30, 2023
Actuarial Cost Method:		Entry Age, Normal
Wage Inflation Rate:		2.75%
Investment Rate of Return:		6.00% net of investment expenses
Projected Salary Increases:		2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:		Pre-65: 7.25% Year 1 graded to 3.5% Year 15 Post-65: 6.50% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
	Active:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions

Opt Out 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.

Note:

- 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 asset as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, 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: 6.2834
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.3 %
Private Equity Pools	16.0	9.0
International Equity Pools	15.0	6.5
Fixed Income Pools	13.0	2.0
Real Estate and Infrastructure Pools	10.0	7.1
Absolute Return Pools	9.0	5.2
Real Return/Opportunistic Pools	10.0	6.9
Short-Term Investment Pools	2.0	1.4
	100.0 %	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 15.45%. 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 asset. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

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

The following presents the School District's proportionate share of the net OPEB asset calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
$ 993,576	$ 1,285,670	$ 1,538,216

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 1,538,218	$ 1,285,670	$ 1,014,813

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2024 MPSERS ACFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

The School District reported $3,400 payable to the Plan at June 30, 2025 for the OPEB asset.

NOTE L - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Collectively Bargained Employment Agreements

The teachers of the School District are organized under Kaleva Norman Dickson School District Education Association. The Board of Education and Kaleva Norman Dickson School District Education Association have a contract through August 31, 2028.

The support personnel at the School District are organized under Kaleva Norman Dickson School District - Education Support Personnel Association. The Board of Education and Kaleva Norman Dickson School District - Education Support Personnel Association have a contract through August 31, 2028.

Universal Service Administrative Company Funding Claims

The School District is in the process of appealing claims of $112,485 from the Universal Service Administrative Company regarding E-rate funding requests that were filed in funding years 1998/1999 and 1999/2000 that were potentially in violation of FCC Rules. The appeals for the potential claims are currently pending.

REQUIRED SUPPLEMENTARY INFORMATION

Kaleva Norman Dickson School District

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final Budget	Final Budget To Actual
Revenues					
Local	$ 3,171,023	$ 3,132,470	$ 3,206,304	$ (38,553)	$ 73,834
State revenues	3,884,685	3,962,054	3,923,626	77,369	(38,428)
Federal revenues	382,841	1,008,486	1,023,617	625,645	15,131
Incoming transfers	131,119	129,932	153,479	(1,187)	23,547
Total revenues	7,569,668	8,232,942	8,307,026	663,274	74,084
Expenditures					
Instruction					
Basic programs	3,391,918	3,520,454	3,417,233	(128,536)	103,221
Added needs	773,573	695,650	654,901	77,923	40,749
Total instruction	4,165,491	4,216,104	4,072,134	(50,613)	143,970
Supporting Services					
Pupil support	468,911	454,096	404,881	14,815	49,215
Instructional staff support	160,472	248,407	220,417	(87,935)	27,990
General administration	245,683	241,098	229,916	4,585	11,182
School administration	368,708	371,945	315,267	(3,237)	56,678
Business services	187,555	189,900	180,926	(2,345)	8,974
Operations and maintenance	822,246	1,455,532	1,407,488	(633,286)	48,044
Transportation	678,170	661,564	632,561	16,606	29,003
Other central support services	458,035	620,969	632,325	(162,934)	(11,356)
Community education	950	2,550	394	(1,600)	2,156
Total supporting services	3,390,730	4,246,061	4,024,175	(855,331)	221,886
Other financing uses					
Transfers and debt payments	76,890	70,200	68,962	6,690	1,238
Total expenditures	7,633,111	8,532,365	8,165,271	(899,254)	367,094
REVENUES OVER (UNDER) EXPENDITURES	(63,443)	(299,423)	141,755	(235,980)	441,178
Fund balance, beginning of year	1,939,123	2,112,320	2,112,320	173,197	-
Fund balance, end of year	$ 1,875,680	$ 1,812,897	$ 2,254,075	$ (62,783)	$ 441,178

Kaleva Norman Dickson School District

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (amounts determined as of 9/30 of each fiscal year)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
School District's proportion of collective net pension liability	0.03124496 %	0.03132788 %	0.02958284 %	0.02801773 %	0.02773133 %	0.02829986 %	0.02855606 %	0.02876214 %	0.02884716 %	0.02965903 %
School District's proportionate share of net pension liability	$ 7,649,396	$ 10,139,602	$ 11,125,727	$ 6,633,313	$ 9,526,014	$ 9,371,962	$ 8,584,467	$ 7,453,493	$ 7,197,130	$ 7,244,266
School District's covered payroll	$ 3,210,054	$ 3,240,409	$ 2,948,779	$ 2,605,720	$ 2,453,785	$ 2,493,343	$ 2,442,919	$ 2,440,052	$ 2,429,171	$ 2,456,043
School District's proportionate share of net pension liability as a percentage of covered payroll	238.29 %	312.91 %	377.30 %	254.57 %	388.22 %	375.88 %	351.40 %	305.46 %	296.28 %	294.96 %
Plan fiduciary net position as a percentage of total pension liability	74.44 %	65.91 %	60.77 %	72.60 %	59.72 %	60.31 %	62.36 %	64.21 %	63.27 %	63.17 %

There were no changes to benefit terms or assumptions from the prior valuation period.

SCHEDULE OF SCHOOL DISTRICT'S DEFINED BENEFIT PENSION CONTRIBUTIONS
Michigan Public School Employees Retirement Plan
Last 10 Employer Fiscal Years (amounts determined as of 6/30 each fiscal year)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	$ 856,441	$ 599,249	$ 624,231	$ 531,527	$ 442,417	$ 448,900	$ 407,426	$ 421,466	$ 458,114	$ 572,161
School District contributions made to the Plan	856,441	599,249	624,231	531,527	442,417	448,900	407,426	421,466	458,114	572,161
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered payroll	$ 3,261,409	$ 3,207,326	$ 3,311,883	$ 2,862,504	$ 2,534,485	$ 2,474,516	$ 2,457,044	$ 2,456,635	$ 2,415,228	$ 2,486,791
Contributions as a percentage of covered payroll	26.26 %	18.68 %	18.85 %	18.57 %	17.46 %	18.14 %	16.58 %	17.16 %	18.97 %	23.01 %

Kaleva Norman Dickson School District

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB (ASSET) LIABILITY
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (amounts determined as of 9/30 of each fiscal year)

	2024	2023	2022	2021	2020	2019	2018	2017
School District's proportion of collective net OPEB (asset) liability	0.02986875 %	0.03204112 %	0.03000762 %	0.02851459 %	0.02749088 %	0.02838263 %	0.02859550 %	0.02892619 %
School District's proportionate share of net OPEB (asset) liability	$ (1,285,670)	$ (181,256)	$ 635,580	$ 435,240	$ 1,472,760	$ 2,037,234	$ 2,273,043	$ 2,561,550
School District's covered payroll	$ 3,210,054	$ 3,240,409	$ 2,948,779	$ 2,605,720	$ 2,453,785	$ 2,493,343	$ 2,442,919	$ 2,440,052
School District's proportionate share of net OPEB (asset) liability as a percentage of covered payroll	(40.05)%	(5.59)%	21.55 %	16.70 %	60.02 %	81.71 %	93.05 %	104.98 %
Plan fiduciary net position as a percentage of total OPEB (asset) liability	143.08 %	105.04 %	83.09 %	87.33 %	59.44 %	48.46 %	42.95 %	36.39 %

There were no changes to benefit terms or assumptions from the prior valuation period.

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (amounts determined as of 6/30 if each fiscal year)

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required OPEB contributions	$ 68,833	$ 248,348	$ 256,152	$ 222,072	$ 204,864	$ 195,633	$ 190,716	$ 177,915
OPEB contributions in relation to statutorily required contributions	68,833	248,348	256,152	222,072	204,864	195,633	190,716	177,915
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered payroll	$ 3,261,409	$ 3,207,326	$ 3,311,883	$ 2,862,504	$ 2,534,485	$ 2,474,516	$ 2,457,044	$ 2,456,635
OPEB contributions as a percentage of covered payroll	2.11 %	7.74 %	7.73 %	7.76 %	8.08 %	7.91 %	7.76 %	7.24 %

These schedules are to be built prospectively, and until a full 10-year trend is computed the schedules will show information for the years for which data is available.

COMBINING FINANCIAL STATEMENTS OF NON-MAJOR GOVERNMENTAL FUNDS

Kaleva Norman Dickson School District

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2025

	Special Revenue Funds		Debt Service Funds			
	Food Service Fund	Student Activity Fund	2009	2011	2013	Total Non-Major Governmental Funds
ASSETS						
Cash and cash equivalents	$ 384,454	$ 169,928	$ 67,352	$ 75,378	$ 47,830	$ 744,942
Due from other governments	24,024	-	-	-	-	24,024
Due from other funds	63,373	-	-	1,215	-	64,588
Prepaid expenditures	450	-	-	-	-	450
Total assets	$ 472,301	$ 169,928	$ 67,352	$ 76,593	$ 47,830	$ 834,004
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Salaries payable and related liabilities	$ 2,947	$ -	$ -	$ -	$ -	$ 2,947
FUND BALANCES						
Nonspendable	450	-	-	-	-	450
Restricted						
Food service	468,904	-	-	-	-	468,904
Debt service	-	-	67,352	76,593	47,830	191,775
Committed						
Student activities	-	169,928	-	-	-	169,928
Total fund balances	469,354	169,928	67,352	76,593	47,830	831,057
Total liabilities and fund balances	$ 472,301	$ 169,928	$ 67,352	$ 76,593	$ 47,830	$ 834,004

Kaleva Norman Dickson School District

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2025

	Special Revenue Funds		Debt Service Funds			
	Food Service Fund	Student Activity Fund	2009	2011	2013	Total Non-Major Governmental Funds
Revenues						
Property taxes	$ -	$ -	$ 240,965	$ 606,406	$ 217,231	$ 1,064,602
Interest	20,165	-	188	532	379	21,264
State sources	21,808	-	-	-	-	21,808
Federal sources	563,472	-	-	-	-	563,472
Other	68,996	140,703	-	-	-	209,699
Total revenues	674,441	140,703	241,153	606,938	217,610	1,880,845
Expenditures						
Food service	649,801	-	-	-	-	649,801
Student activities	-	110,054	-	-	-	110,054
Debt service						
Principal	-	-	160,000	635,000	215,000	1,010,000
Interest	-	-	67,325	25,400	6,450	99,175
Other	-	-	500	-	-	500
Capital outlay	40,596	-	-	-	-	40,596
Total expenditures	690,397	110,054	227,825	660,400	221,450	1,910,126
REVENUES OVER (UNDER) EXPENDITURES	(15,956)	30,649	13,328	(53,462)	(3,840)	(29,281)
Other financing sources						
Operating transfers in	3,690	-	-	-	-	3,690
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	(12,266)	30,649	13,328	(53,462)	(3,840)	(25,591)
Fund balance, beginning of year	481,620	139,279	54,024	130,055	51,670	856,648
Fund balance, end of year	$ 469,354	$ 169,928	$ 67,352	$ 76,593	$ 47,830	$ 831,057

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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*

Board of Education
Kaleva Norman Dickson School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities each major fund and the aggregate remaining fund information of ***Kaleva Norman Dickson School District*** (the "School District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 27, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control over financial reporting, as described below, that we consider to be a significant deficiency:

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Preparation of Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the School District's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the School District has historically relied on its independent external auditors to assist in the preparation of the basic financial statements as part of its external financial reporting process. Accordingly, the School District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the School District's internal controls.

Cause: This condition was caused by the School District's decision that it is more cost effective to outsource the preparation of its annual financial statements to auditors than to incur the time and expense of obtaining the necessary resources required for the School District to perform this task internally.

Effect: As a result of this condition, the School District lacks internal controls over the preparation of financial statements in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: Once a draft of the financial statements is available, the School District should perform a detailed review of the draft to address any questions or discrepancies from their internal books and records. Upon completion, the School District should approve the financial statements and notes to accept responsibility for their content. Additionally, management should be proactive to enhance their training and expertise in accounting and external financial reporting by attending relevant training to demonstrate their ability to accept responsibility for the financial statements and notes.

Management's Response: The School District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the School District to outsource this task to its external auditors and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Report on Compliance and Other Matters

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

Board of Education
Kaleva Norman Dickson School District

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 27, 2025