
Battle Creek Public Schools

**Financial Report
with Supplementary Information
June 30, 2025**

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Independent Auditor's Report

To the Board of Education
Battle Creek Public Schools

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Battle Creek Public Schools (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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2025 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *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

As described in Note 2 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Education
Battle Creek Public Schools

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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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 and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

To the Board of Education
Battle Creek Public Schools

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 other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 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, 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 the School District's internal control over financial reporting and compliance.



October 29, 2025

This section of Battle Creek Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2025. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Battle Creek Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, including its governmental and business-type activities, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund, the W.K. Kellogg Foundation (WKKF) Grant Fund, the 2025 Bond Construction Fund, and the Math and Science Center Fund, with all other funds presented in one column as nonmajor funds, and information on the School District's enterprise fund, which is presented separately within the proprietary fund section. The remaining statements, the statement of fiduciary net position and the statement of changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A) (Required Supplementary Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Budgetary Information for Major Funds

Schedules of the School District's Proportionate Share of the Net Pension
and Other Postemployment Benefits (OPEB) Liabilities (Assets)

Schedules of Pension Contributions and OPEB Contributions

Other Supplementary Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, athletics, food services, community services, and capital projects. Property taxes; unrestricted state aid (foundation allowance revenue); and local, state, and federal grants finance most of these activities. The statement of net position and statement of activities also report the business-type activities for the School District, which include the science kit sales and related expenditures of the Cereal City Science operations.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (special revenue funds - Food Service and Math and Science Center - are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as millage funds used for capital projects).

Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Proprietary Funds

Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its private-purpose trust funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Battle Creek Public Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2025 and 2024:

	Governmental Activities		Business-type Activities	
	2025	2024	2025	2024
	(in millions)		(in millions)	
Assets				
Current and other assets	\$ 74.7	\$ 64.2	\$ 2.9	\$ 2.3
Capital assets	153.8	141.0	2.0	2.1
Total assets	228.5	205.2	4.9	4.4
Deferred Outflows of Resources	26.7	28.9	0.4	0.4
Liabilities				
Current liabilities	18.2	20.6	2.4	1.1
Noncurrent liabilities	100.2	88.0	-	-
Net pension liability	59.6	74.3	1.1	1.1
Total liabilities	178.0	182.9	3.5	2.2
Deferred Inflows of Resources	40.6	31.2	0.7	0.5
Net Position				
Net investment in capital assets	73.6	69.0	2.0	2.1
Restricted	18.0	4.3	0.2	0.1
Unrestricted	(55.0)	(53.3)	(1.1)	(0.1)
Total net position	<u>\$ 36.6</u>	<u>\$ 20.0</u>	<u>\$ 1.1</u>	<u>\$ 2.1</u>

The above analysis focuses on net position. The change in net position of the School District's governmental and business-type activities is discussed below. The School District's governmental and business-type net position was \$36.6 million and \$1.1 million, respectively, at June 30, 2025. Net investment in capital assets for the governmental activities and business-type activities totaling \$73.6 million and 2.0 million, respectively, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of governmental activities net position (\$(55.0) million) was unrestricted.

The \$(54.9) million in unrestricted net position of governmental activities represent the accumulated results of all past years' operations and the impact from Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75 (recording the School District's share of the net pension liabilities and OPEB assets from the state-managed retirement system). Unrestricted net position, when available, would enable the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund and the change in the net pension liabilities and OPEB assets will have significant impacts on the change in governmental activities unrestricted net position from year to year.

Battle Creek Public Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2025 and 2024:

	Governmental Activities		Business-type Activities	
	2025	2024	2025	2024
	(in millions)		(in millions)	
Revenue				
Program revenue:				
Charges for services	\$ 0.4	\$ 0.4	\$ 0.9	\$ 1.3
Operating grants	47.7	49.1	-	0.1
General revenue:				
Taxes	14.8	14.4	-	-
State aid not restricted to specific purposes	30.8	33.0	-	-
Other	2.7	4.0	-	-
Total revenue	96.4	100.9	0.9	1.4
Expenses				
Instruction	31.1	35.1	-	-
Support services	36.5	32.5	-	-
Athletics	0.9	0.8	-	-
Food services	4.4	4.2	-	-
Community services	2.5	1.9	-	-
Debt service	3.5	4.2	-	-
Cereal City Science operating expenses	-	-	1.5	(0.1)
Total expenses	78.9	78.7	1.5	(0.1)
Transfers	0.4	0.3	(0.4)	(0.3)
Change in Net Position	17.9	22.5	(1.0)	1.2
Net Position (Deficit) - Beginning of year	20.0	(2.5)	2.1	0.9
Adoption of GASB 101 (Note 2)	(1.3)	-	-	-
Net Position (Deficit) - Beginning of year, as previously reported	18.7	(2.5)	2.1	0.9
Net Position - End of year	\$ 36.6	\$ 20.0	\$ 1.1	\$ 2.1

As reported in the statement of activities, the cost of all of our governmental activities this year was \$78.9 million. Certain activities were partially funded from those who benefited from the programs (\$0.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$47.7 million). We paid for the remaining public benefit portion of governmental activities with \$14.8 million in taxes, \$30.8 million in state foundation allowance, and other revenue (i.e., WKKF funds, interest, and general entitlements).

The School District experienced an increase in governmental net position of \$17.9 million primarily due to an increase in the OPEB asset and additions to capital assets for completion of district capital projects.

As reported in the statement of activities, the cost of all business-type activities consists of the Cereal City Science Fund producing science kits and providing professional development training services to school districts in the State of Michigan and four surrounding states. This year, the science kit sales were down significantly as districts prioritize spending and managing their budgets. The Cereal Science Fund also experienced an increase in wages and benefits.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

During the current year, the School District adopted GASB Statement No. 101, *Compensated Absences*. As a result, the School District is required to restate liabilities for compensated absences to be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The financial statements for the year ended June 30, 2024 show a restatement of net position (deficit) of \$1.3 million in order to adopt GASB Statement No. 101.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at the funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$46.0 million, which is an increase of \$3.5 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, fund balance decreased by \$3.1 million to \$19.2 million. This is largely due to increases in wages and certain operating expenditures while the per pupil foundation allowance remained the same as in fiscal year 2024. The School District continues to use grant funds first rather than using General Fund budgeted expenditures. The School District experienced a reduction in CARES Act funding from 2023-2024.

The 2025 Bond Construction Fund was issued during the 2024-2025 fiscal year. The Bond Construction Fund has a fund balance of \$13.4 million.

The fund balance of our 2022 Bond Construction Fund decreased by \$8.0 million. This decrease in funding was due to the construction work at our Springfield Middle and Northwestern Middle schools. The middle school projects were substantially completed this year.

Within the School District's special revenue funds, the Food Service Fund saw a fund balance decrease of approximately \$79,000. The Math and Science Center Fund fund balance remained relatively with a slight increase of \$10,000. The School District has seen a decrease in student participation from surrounding school areas since the COVID-19 pandemic. Expenditures increased due to instructional costs for wages and benefits. The Student Activities Fund fund balance saw a nominal increase of approximately \$24,000.

The fund balance of our debt service funds increased by approximately \$766,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

Within the School District's proprietary fund, the Cereal City Science Fund saw a net position decrease of approximately \$930,000 due to changes in the net pension liability and OPEB asset.

Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2025. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

Significant revisions were made to the 2024-2025 preliminary budget and the 2024-2025 final budget amendment for the General Fund. The final budget included a significant increase in overall total revenue in the amount of approximately \$1,100,000 and expenditures in the amount of approximately \$2,100,000 compared to the original budget.

For the WKKF Grant Fund, the final amended budget had a decrease in total revenue and total expenditures of approximately \$3,700,000 when compared to the original budget.

Battle Creek Public Schools

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2025, the School District had \$155.9 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment, within the governmental and business-type activities. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$12.8 million from last year.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 3,913,592	\$ 3,913,592	\$ -	\$ -	\$ 3,913,592	\$ 3,913,592
Construction in progress	47,199,658	53,136,555	-	-	47,199,658	53,136,555
Buildings and improvements	99,206,317	80,807,514	1,980,000	2,034,000	01,186,317	82,841,514
Furniture and equipment	2,677,463	2,579,700	70,986	73,265	2,748,449	2,652,965
Vehicles	805,743	600,607	-	-	805,743	600,607
Total capital assets - Net of accumulated depreciation	<u>\$53,802,773</u>	<u>\$41,037,968</u>	<u>\$ 2,050,986</u>	<u>\$ 2,107,265</u>	<u>\$55,853,759</u>	<u>\$43,145,233</u>

We present more detailed information about our capital assets in Note 6 to the financial statements.

Debt

At the end of this year, the School District had \$86.8 million in bonds outstanding versus \$76.0 million in the previous year - a change of 14.1 percent. Those bonds consisted of the following:

	2025	2024
2016 Refunding Bonds	\$ 34,910,000	\$ 37,025,000
2022 Construction Bonds	38,760,000	39,010,000
2025 Construction Bonds	13,085,000	-
Total	<u>\$ 86,755,000</u>	<u>\$ 76,035,000</u>

Other obligations include compensated absences and arbitrage liability. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2025-2026 fiscal year budget. The most significant factors for the 2025-2026 fiscal year budget was the consideration of student enrollment. On June 23, 2025, the preliminary budget for the 2025-2026 fiscal year was adopted.

The second component of funding, after the state aid allowance is established, is student enrollment. State foundation revenue is calculated by multiplying the blended student count by foundation allowance per pupil. The 2025-2026 budgets were adopted on June 23, 2025, based on an estimated decline of 75 students from the 2024 fall count, representing the anticipated enrollment for August 2025. To strengthen enrollment opportunities, the School District remains committed to enhancing the educational experience through ongoing curriculum review and improvement, as well as the opening of the Northwestern Academy of Visual & Performing Arts. This proactive approach is designed to create more engaging and effective learning environments for all students.

Battle Creek Public Schools continues to strive for overall financial sustainability and has budgeted conservatively for the 2025-2026 school year. The budget includes a 3 percent increase in professional and administrative staff compensation to support employee longevity, account for health insurance and hard cap increases, and sustain competitive benefits. Additionally, several cost reductions have been implemented in targeted areas to maintain a fiscally responsible and balanced budget.

Battle Creek Public Schools

Statement of Net Position

June 30, 2025

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 4)	\$ 18,729,432	\$ 1,555,422	\$ 20,284,854
Receivables:			
Other receivables	679,413	70,652	750,065
Due from other governments	10,732,698	-	10,732,698
Internal balances (Note 7)	2,436,464	-	2,436,464
Inventories	118,664	1,030,794	1,149,458
Prepaid expenses and other assets	607,091	1,103	608,194
Restricted assets (Note 4)	30,265,072	-	30,265,072
Net OPEB asset (Note 10)	11,168,181	198,717	11,366,898
Capital assets: (Note 6)			
Assets not subject to depreciation	51,113,250	-	51,113,250
Assets subject to depreciation - Net	102,689,523	2,050,986	104,740,509
Total assets	228,539,788	4,907,674	233,447,462
Deferred Outflows of Resources			
Deferred charges on bond refunding (Note 8)	2,006,227	-	2,006,227
Deferred pension costs (Note 10)	21,035,851	374,293	21,410,144
Deferred OPEB costs (Note 10)	3,663,973	65,193	3,729,166
Total deferred outflows of resources	26,706,051	439,486	27,145,537
Liabilities			
Accounts payable	3,811,235	8,432	3,819,667
Internal balances (Note 7)	-	2,427,866	2,427,866
Accrued payroll and other liabilities	6,634,099	-	6,634,099
Unearned revenue (Note 5)	7,835,112	193	7,835,305
Noncurrent liabilities:			
Due within one year (Note 8)	3,505,202	-	3,505,202
Due in more than one year (Note 8)	96,645,092	-	96,645,092
Net pension liability (Note 10)	59,604,625	1,060,552	60,665,177
Total liabilities	178,035,365	3,497,043	181,532,408
Deferred Inflows of Resources			
Revenue in support of pension contributions made subsequent to the measurement date (Note 10)	3,543,349	63,047	3,606,396
Deferred pension cost reductions (Note 10)	21,473,669	382,083	21,855,752
Deferred OPEB cost reductions (Note 10)	15,547,478	276,638	15,824,116
Total deferred inflows of resources	40,564,496	721,768	41,286,264
Net Position			
Net investment in capital assets	73,632,368	2,050,986	75,683,354
Restricted:			
Debt service	1,919,446	-	1,919,446
Capital projects	4,894,065	-	4,894,065
OPEB asset	11,168,181	198,717	11,366,898
Unrestricted	(54,968,082)	(1,121,354)	(56,089,436)
Total net position	<u>\$ 36,645,978</u>	<u>\$ 1,128,349</u>	<u>\$ 37,774,327</u>

Battle Creek Public Schools

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
Instruction	\$ 31,116,714	\$ 145,115	\$ 39,831,084	\$ 8,859,485	\$ -	\$ 8,859,485
Support services	36,492,156	28,671	2,589,694	(33,873,791)	-	(33,873,791)
Athletics	935,680	62,576	13,063	(860,041)	-	(860,041)
Food services	4,430,709	132,648	4,413,650	115,589	-	115,589
Community services	2,482,323	-	823,525	(1,658,798)	-	(1,658,798)
Interest	3,055,636	-	-	(3,055,636)	-	(3,055,636)
Other debt costs	411,746	-	-	(411,746)	-	(411,746)
Total governmental activities	78,924,964	369,010	47,671,016	(30,884,938)	-	(30,884,938)
Business-type activities - Cereal City Science	1,512,005	959,662	34,264	-	(518,079)	(518,079)
Total primary government	\$ 80,436,969	\$ 1,328,672	\$ 47,705,280	(30,884,938)	(518,079)	(31,403,017)
General revenue:						
Taxes:						
Property taxes levied for general purposes				7,825,639	-	7,825,639
Property taxes levied for debt service				5,047,210	-	5,047,210
Property taxes levied for capital projects				1,908,189	-	1,908,189
State aid not restricted to specific purposes				30,831,521	-	30,831,521
Interest and investment earnings				1,558,324	32,357	1,590,681
Other				1,167,660	-	1,167,660
Total general revenue				48,338,543	32,357	48,370,900
Transfers				444,757	(444,757)	-
Change in Net Position				17,898,362	(930,479)	16,967,883
Net Position - Beginning of year, as previously reported				20,011,942	2,058,828	22,070,770
Adoption of GASB 101 (Note 2)				(1,264,326)	-	(1,264,326)
Net Position - Beginning of year, as restated				18,747,616	2,058,828	20,806,444
Net Position - End of year				\$ 36,645,978	\$ 1,128,349	\$ 37,774,327

See notes to financial statements.

Battle Creek Public Schools

Governmental Funds Balance Sheet

June 30, 2025

	General Fund	WKKF Grant Fund	2025 Bond Construction Fund	Math and Science Center Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 4)	\$ 11,436,369	\$ -	\$ -	\$ 2,939,528	\$ 4,353,535	\$ 18,729,432
Receivables:						
Other receivables	664,016	-	-	14,431	966	679,413
Due from other governments	10,271,014	-	-	319,477	142,207	10,732,698
Due from other funds (Note 7)	8,393,013	-	-	517,085	708,064	9,618,162
Inventories	24,335	-	-	-	94,329	118,664
Prepaid expenses and other assets	178,473	103,618	-	-	325,000	607,091
Restricted assets (Note 4)	-	5,247,095	13,496,765	-	11,521,212	30,265,072
Total assets	<u>\$ 30,967,220</u>	<u>\$ 5,350,713</u>	<u>\$ 13,496,765</u>	<u>\$ 3,790,521</u>	<u>\$ 17,145,313</u>	<u>\$ 70,750,532</u>
Liabilities						
Accounts payable	\$ 1,932,841	\$ 140,204	\$ -	\$ 42,642	\$ 1,695,548	\$ 3,811,235
Due to other funds (Note 7)	780,392	732,258	107,006	3,368,059	2,193,983	7,181,698
Accrued payroll and other liabilities	5,722,842	9,565	-	243,333	-	5,975,740
Unearned revenue (Note 5)	3,318,451	4,468,686	-	26,587	21,388	7,835,112
Total liabilities	11,754,526	5,350,713	107,006	3,680,621	3,910,919	24,803,785
Fund Balances						
Nonspendable:						
Inventory	24,335	-	-	-	94,329	118,664
Prepays	178,473	103,618	-	-	325,000	607,091
Restricted:						
Debt service	-	-	-	-	2,577,805	2,577,805
Capital projects	-	-	13,389,759	-	4,862,357	18,252,116
Food service	-	-	-	-	2,439,210	2,439,210
Capital projects (sinking fund)	-	-	-	-	2,697,763	2,697,763
Committed:						
Math and Science Center	-	-	-	109,900	-	109,900
Student Activities	-	-	-	-	237,930	237,930
Unassigned	19,009,886	(103,618)	-	-	-	18,906,268
Total fund balances	19,212,694	-	13,389,759	109,900	13,234,394	45,946,747
Total liabilities and fund balances	<u>\$ 30,967,220</u>	<u>\$ 5,350,713</u>	<u>\$ 13,496,765</u>	<u>\$ 3,790,521</u>	<u>\$ 17,145,313</u>	<u>\$ 70,750,532</u>

See notes to financial statements.

Battle Creek Public Schools

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2025

Fund Balances Reported in Governmental Funds	\$ 45,946,747
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 are not reported in the funds:	
Cost of capital assets	221,370,052
Accumulated depreciation	<u>(67,567,279)</u>
Net capital assets used in governmental activities	153,802,773
Deferred inflows and outflows related to bond refundings are not reported in the funds	2,006,227
Bonds payable and premiums are not due and payable in the current period and are not reported in the funds	(96,705,192)
Accrued interest is not due and payable in the current period and is not reported in the funds	(658,359)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,917,848)
Net pension liability and related deferred inflows and outflows	(60,042,443)
Net OPEB asset and related deferred inflows and outflows	(715,324)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(3,543,349)
Other long-term liabilities, consisting of arbitrage rebate liabilities, do not present a claim on current financial resources and are not reported as fund balance	<u>(1,527,254)</u>
Net Position of Governmental Activities	<u><u>\$ 36,645,978</u></u>

Battle Creek Public Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2025

	General Fund	WKKF Grant Fund	2025 Bond Construction Fund	Math and Science Center Fund	Formerly Major - 2022 Bond Construction Fund	Formerly Major - Building and Site Fund	Nonmajor Funds	Total Governmental Funds
Revenue								
Local sources	\$ 9,072,704	\$ 3,863,616	\$ 9,135	\$ 421,935	\$ -	\$ -	\$ 8,372,258	\$ 21,739,648
State sources	45,743,441	-	-	1,835,735	-	-	2,029,256	49,608,432
Federal sources	18,096,034	-	-	-	-	-	4,289,548	22,385,582
Intergovernmental and other sources	1,918,431	-	-	235,334	-	-	-	2,153,765
Total revenue	74,830,610	3,863,616	9,135	2,493,004	-	-	14,691,062	95,887,427
Expenditures								
Current:								
Instruction	33,820,065	437,334	-	1,713,191	-	-	-	35,970,590
Support services	30,338,136	2,589,694	-	1,266,762	-	-	457,672	34,652,264
Athletics	774,382	13,063	-	-	-	-	-	787,445
Food services	-	-	-	-	-	-	4,229,896	4,229,896
Community services	1,443,180	823,525	-	-	-	-	-	2,266,705
Debt service:								
Principal	-	-	-	-	-	-	2,365,000	2,365,000
Interest	57,480	-	-	-	-	-	3,348,100	3,405,580
Other debt costs	-	-	115,000	-	-	-	4,322	119,322
Capital outlay	11,563,701	-	-	20,236	-	-	10,991,395	22,575,332
Total expenditures	77,996,944	3,863,616	115,000	3,000,189	-	-	21,396,385	106,372,134
Excess of Expenditures Over Revenue	(3,166,334)	-	(105,865)	(507,185)	-	-	(6,705,323)	(10,484,707)
Other Financing Sources (Uses)								
Face value of debt issued (Note 8)	-	-	13,085,000	-	-	-	-	13,085,000
Premium on debt issued (Note 8)	-	-	410,624	-	-	-	-	410,624
Transfers in (Note 7)	47,895	-	-	517,085	-	-	-	564,980
Transfers out (Note 7)	(72,328)	-	-	-	-	-	(47,895)	(120,223)
Total other financing (uses) sources	(24,433)	-	13,495,624	517,085	-	-	(47,895)	13,940,381
Net Change in Fund Balances	(3,190,767)	-	13,389,759	9,900	-	-	(6,753,218)	3,455,674
Fund Balances - Beginning of year, as previously reported	22,403,461	-	-	-	12,835,721	2,188,856	5,063,035	42,491,073
Change within Financial Reporting Entity (Note 2)	-	-	-	100,000	(12,835,721)	(2,188,856)	14,924,577	-
Fund Balances - Beginning of year, as restated	22,403,461	-	-	100,000	-	-	19,987,612	42,491,073
Fund Balances - End of year	\$ 19,212,694	\$ -	\$ 13,389,759	\$ 109,900	\$ -	\$ -	\$ 13,234,394	\$ 45,946,747

See notes to financial statements.

Battle Creek Public Schools

Governmental Funds

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2025

Net Change in Fund Balances Reported in Governmental Funds	\$ 3,455,674
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	16,485,840
Depreciation expense	(3,721,035)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(471,762)
Revenue in support of pension contributions made subsequent to the measurement date	962,904
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(13,495,624)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	2,804,694
Interest expense is recognized in the government-wide statements as it accrues	(89,750)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	12,259,845
Arbitrage rebate costs that do not use current financial resources are not reported as expenditures in governmental funds	(292,424)
Change in Net Position of Governmental Activities	<u>\$ 17,898,362</u>

Battle Creek Public Schools

Proprietary Fund Statement of Net Position

June 30, 2025

Enterprise Fund
Cereal City
Science

Assets

Current assets:

Cash and investments	\$ 1,555,422
Receivables - Trade	70,652
Inventories	1,030,794
Prepaid expenses and other assets	1,103

Total current assets 2,657,971

Noncurrent assets:

Net OPEB asset (Note 10)	198,717
Capital assets - Net (Note 6)	2,050,986

Total noncurrent assets 2,249,703

Total assets 4,907,674

Deferred Outflows of Resources

Deferred pension costs (Note 10)	374,293
Deferred OPEB costs (Note 10)	65,193

Total deferred outflows of resources 439,486

Liabilities

Current liabilities:

Accounts payable	8,432
Internal balances (Note 7)	2,427,866
Unearned revenue (Note 5)	193

Total current liabilities 2,436,491

Noncurrent liabilities - Net pension liability (Note 10) 1,060,552

Deferred Inflows of Resources

Revenue in support of pension contributions made subsequent to the measurement date (Note 10)	63,047
Deferred pension cost reductions (Note 10)	382,083
Deferred OPEB cost reductions (Note 10)	276,638

Total deferred inflows of resources 721,768

Net Position

Net investment in capital assets	2,050,986
Restricted - OPEB asset	198,717
Unrestricted	(1,121,354)

Total net position \$ 1,128,349

Battle Creek Public Schools

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2025

	<u>Enterprise Fund</u> <u>Cereal City</u> <u>Science</u>
Operating Revenue	
Charges for services	\$ 959,662
Operating grants	<u>34,264</u>
Total operating revenue	993,926
Operating Expenses	
Other operating and maintenance costs	80,497
Outreach	1,180,897
Administrative	132,416
Support costs	61,916
Depreciation (unallocated) (Note 6)	<u>56,279</u>
Total operating expenses	<u>1,512,005</u>
Operating Loss	(518,079)
Nonoperating Revenue - Interest income	32,357
Transfers Out (Note 7)	<u>(444,757)</u>
Change in Net Position	(930,479)
Net Position - Beginning of year	<u>2,058,828</u>
Net Position - End of year	<u><u>\$ 1,128,349</u></u>

Battle Creek Public Schools

Proprietary Fund Statement of Cash Flows

Year Ended June 30, 2025

	<u>Enterprise Fund</u> <u>Cereal City</u> <u>Science</u>
Cash Flows from Operating Activities	
Cash receipts from sales and user charges	\$ 929,401
Payments to suppliers	(636,575)
Payments to employees and fringes	(853,397)
Cash received from other governments	33,816
Cash payments for other operating expenses	1,310,305
	<u>783,550</u>
Net cash provided by operating activities	783,550
Cash Flows Used in Noncapital Financing Activities - Transfer to other funds	(444,757)
Cash Flows Provided by Investing Activities - Interest received	<u>32,357</u>
Net Change in Cash	371,150
Cash - Beginning of year	<u>1,184,272</u>
Cash - End of year	<u><u>\$ 1,555,422</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (518,079)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	56,279
Changes in assets and liabilities:	
Receivables	(30,261)
Due to and from other funds	1,254,026
Inventories and other assets	30,098
Net pension liability and OPEB asset	(215,343)
Deferrals related to pension or OPEB	215,529
Accrued and other liabilities	(8,699)
	<u>1,301,629</u>
Total adjustments	1,301,629
Net cash provided by operating activities	<u><u>\$ 783,550</u></u>

Battle Creek Public Schools

**Fiduciary Fund
Statement of Fiduciary Net Position**

	June 30, 2025
	Private-purpose Trust Fund
Assets	
Cash and investments (Note 4)	\$ 3,184,707
Accounts receivable	5,904
	<hr/>
Liabilities - Due to other funds (Note 7)	8,598
	<hr/>
Net Position	\$ 3,182,013
	<hr/> <hr/>

Battle Creek Public Schools

**Fiduciary Fund
Statement of Changes in Fiduciary Net Position**

Year Ended June 30, 2025

	<u>Private-purpose Trust Fund</u>
Revenue - Contributions	\$ 189,531
Deductions - Scholarships	<u>4,100</u>
Change in Net Position	185,431
Net Position - Beginning of year	<u>2,996,582</u>
Net Position - End of year	<u><u>\$ 3,182,013</u></u>

Note 1 - Nature of Business

Battle Creek Public Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies***Accounting and Reporting Principles***

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

June 30, 2025

Note 2 - Significant Accounting Policies (Continued)***Fund Accounting***

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, and capital projects funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 2025 Bond Construction Fund is a capital projects fund that is used to record bond proceeds and the disbursement of invoices specifically designated for building, equipment, and technology upgrades. The fund will operate until the purpose for which it was created is accomplished.
- The special revenue fund, the W.K. Kellogg Foundation (WKKF) Grant Fund, is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Revenue sources for the WKKF Grant Fund include a dedicated grant received from local sources. This fund is also used to account for the revenue and expenditures related to the Bearcat Advantage scholarship program in which the School District is providing administrative support. Revenue sources for the Bearcat Advantage include a dedicated grant received from local sources. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Math and Science Center Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Revenue sources for the Math and Science Center Fund include sales to customers and dedicated grants from state sources. Any operating deficit generated by these activities is the responsibility of the General Fund.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The School District's special revenue funds are the Food Service Fund and the Student Activities Fund. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from state and federal sources. Lastly, revenue sources for the Student Activities Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Debt service funds are used to record property tax revenue and the corresponding principal and interest payments on the bond construction funds.
- The 2022 Bond Construction Fund is a capital projects fund that is used to record bond proceeds and the disbursement of invoices specifically designated for building, equipment, and technology upgrades. The fund will operate until the purpose for which it was created is accomplished.

Note 2 - Significant Accounting Policies (Continued)

- The Building and Site Fund is a capital projects fund that is used to account for resources specifically designed for the acquisition and construction of facilities and for major capital improvements to facilities related to a sinking fund millage approved by the taxpayers. Activities related to the sinking fund millage are recorded in the Building and Site Fund. Such revenue can only be expendable for allowable capital projects purposes in accordance with the initial ballot language.

Proprietary Funds

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The School District reports the Cereal City Science Fund as a major enterprise fund. Revenue for the Cereal City Science Fund is generated from the sales of Cereal City science kits to other districts throughout the country.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District reports the Private-purpose Trust Fund as a fiduciary fund. The Private-purpose Trust Fund is used to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not accounted for until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fiduciary and proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Investments

Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in external investment pools, which are valued at amortized cost.

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. The Cereal City Science Fund inventory consists of supplies and materials to be compiled into kits that are sold primarily to other districts. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements when applicable.

Restricted Assets

The unspent property tax revenue of the debt service funds requires amounts to be set aside for future bond payments, the unspent property taxes levied in the sinking fund are required to be set aside for future approved sinking fund projects, and the unspent proceeds from W.K. Kellogg Foundation held in the WKKF Grant Fund are required to be set aside for future expenditures. The unspent bond proceeds and related interest of the bonded capital projects fund are required to be set aside for construction or other allowable bond purchases. These amounts have been classified as restricted assets and consist of cash and investments.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and vehicles, are reported in the applicable governmental activities and business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	10-50
Furniture and equipment	5-20
Vehicles	7

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred.

In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The debt service funds are generally used to liquidate governmental long-term debt.

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District reports deferred outflows related to deferred charges on refundings and deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note 2 - Significant Accounting Policies (Continued)

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

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

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 for approximately 50 percent of the taxes that are due on August 20 and December 1 for the remainder of the property taxes, which are due on February 14. The final collection date is February 28, after which delinquent real property taxes are added to the county tax rolls. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

For purposes of measuring the net pension liability and net OPEB asset, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

June 30, 2025

Note 2 - Significant Accounting Policies (Continued)**Compensated Absences (Vacation and Sick Leave)**

In accordance with GASB Statement No. 101, *Compensated Absences*, the School District has accrued a liability for future absences, recognizing the obligation relating to compensation for absences attributable to services already rendered. Teachers and other employees receive compensation for vacations, holidays, illnesses, and certain other qualifying absences. The number of days compensated for annual and sick leave is based on years of service to the School District. It is the policy of the School District to accumulate earned but unused annual leave benefits, which will be paid to employees upon separation from the School District. A leave liability is recognized due to the leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Retirement Benefits

Termination benefits include certain incentive payments to employees of the School District upon retirement from the School District. The benefit is a fixed amount based on the employees bargaining unit, and employees are only eligible upon certain qualifying years of service. Because the termination benefits do not have determinable payment dates, the cost of these benefits is calculated at the discounted present value of expected future benefit payments.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds are charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services, administrative expenses, and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Accounting Changes**Adoption of New Accounting Pronouncement**

During the current year, the School District adopted GASB Statement No. 101, *Compensated Absences*, which updated the recognition and measurement for compensated absences under a unified model. As a result, the School District is required to restate liabilities for compensated absences to be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The financial statements for the year ended June 30, 2024 have been restated in order to adopt GASB Statement No. 101. The effects of this adoption of a new accounting pronouncement are shown in the table at the end of this section.

Changes to or within the Financial Reporting Entity**Change in Major Funds**

The Building and Site Fund and 2022 Bond Construction Fund were previously reported as a major funds but are now reported as nonmajor funds for fiscal year 2025. The Math and Science Center Fund was previously reported as a nonmajor fund but is now reported as major fund for fiscal year 2025. The effects of this change in major funds are shown in the table at the end of this section.

Note 2 - Significant Accounting Policies (Continued)

Adjustments to and Restatements of Beginning Balances

During fiscal year 2025, the changes noted above resulted in adjustments to and restatements of beginning net position and fund net position as follows:

	June 30, 2024		Change to or within the Financial Reporting Entity	June 30, 2024
	As Previously Reported	Adoption of GASB 101		As Adjusted
Government-wide - Governmental activities	\$ 20,011,942	\$ (1,253,826)	\$ -	\$ 18,758,116
Governmental funds:				
Major funds:				
General Fund	\$ 22,403,461	\$ -	\$ -	\$ 22,403,461
Formerly major - 2022 Bond Construction Fund	12,835,721	-	(12,835,721)	-
Formerly major - Building and Site Fund	2,188,856	-	(2,188,856)	-
Math and Science Center Fund	-	-	100,000	100,000
Nonmajor funds	5,063,035	-	14,924,577	19,987,612
Total governmental funds	\$ 42,491,073	\$ -	\$ -	\$ 42,491,073

Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. This statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2026.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and major special revenue funds, except that capital outlay expenditures are reported in other expenditure categories, and proceeds from the sale of capital assets are reported in local revenue. All annual appropriations lapse at fiscal year end.

Note 3 - Stewardship, Compliance, and Accountability (Continued)

The budget document presents information by fund and combined function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the combined function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District changed budgeted amounts during the year in response to state aid and other funding changes.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the School District incurred expenditures in the General Fund, Math and Science Center Fund, and WKKF Grant Fund that had variances from the amounts budgeted as follows:

	Budget	Actual
General Fund - Community services	\$ 1,245,397	\$ 1,443,180
General Fund - Debt service	-	57,840
WKKF Grant Fund - General administration	-	30,994
WKKF Grant Fund - Operations and maintenance	1,415	35,188
WKKF Grant Fund - Support services - Central	1,100,000	1,517,525
WKKF Grant Fund - Community services	1,200	823,525
Math and Science Center Fund - Basic programs	1,480,200	1,733,427
Math and Science Center Fund - Pupil	181,000	284,553
Math and Science Center Fund - Operations and maintenance	411,000	458,230

The budget and actual information for the WKKF Grant Fund and Match and Science Center is presented in the same format as the adopted budget, which includes some classification differences from amounts reported in the statement of revenue, expenditures, and changes in fund balance.

The WKKF Fund includes the revenues and expenditures for the Bearcat Advantage Program. These items are not reflected in the WKKF Fund budget. Bearcat Advantage expenditures are included within Central Services and Community Services totaling \$374,843, and \$822,936, respectively. These costs represent scholarship payments received from WKKF Fund and administered through the Battle Creek Community Foundation.

Capital Projects Fund Compliance

The 2022 and 2025 Bond Construction funds include capital project activities funded with bonds. For these capital project funds, the School District has complied with the applicable provisions of §1351a of the Revised School Code. The funds are not yet considered substantially complete, and subsequent year audits are expected.

The Building and Site Fund records capital project activities funded with sinking fund millage. For this fund, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

The School District has designated three financial institutions for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost, except the Michigan Liquid Asset Fund - MAX Class investment may not be redeemed for at least 14 calendar days, with the exception of direct investments of funds distributed by the State of Michigan. In addition, redemptions made prior to the 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed. The Michigan Liquid Asset Fund - Cash Management investment has no limitations or restrictions on participant withdrawals except for a 1-day minimum investment period.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had bank deposits totaling \$21,210,311 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk. As identified below, the School District has nonconforming investments that were previously donated and are held by the counterparty's trust department in the School District's name.

Investment Type	Carrying Value	How Held
Stocks	\$ 1,548,171	Held by counterparty's trust department in the School District's name
Corporate notes	1,585,052	Held by counterparty's trust department in the School District's name
Total	<u>\$ 3,133,223</u>	

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy restricts investment maturities to within five years of the date of purchase except for commercial paper, which can only be purchased with a 270-day maturity. In addition, no more than 25 percent of the School District's portfolio may be invested in investments with a maturity of greater than three years. However, some of the investments in the School District's portfolio have maturities greater than five years from the date of purchase. As of June 30, 2025, the School District holds approximately \$708,000 of investments that have maturities greater than five years.

Note 4 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2025, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Michigan Liquid Asset Fund - MAX Class	\$ 11,610,425	AAA	S&P
Michigan Liquid Asset Fund - Cash management	20,350,029	AAA	S&P
Corporate notes	1,585,052	Various	Various
Stocks	1,548,171	Various	Various
Total	<u>\$ 35,093,677</u>		

Concentration of Credit Risk

The School District places no limit on the amount it may invest in U.S. Treasury debt obligations, U.S. agency debt obligations, or SEC-registered money market funds. With the previous exception, the School District's policy states that no one issuer or group of issuers from the same holding company can exceed 5 percent of the market value of the portfolio at the time of purchase. The School District does not have more than 5 percent of its investments in any one issue.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

June 30, 2025

Note 4 - Deposits and Investments (Continued)

The School District has the following recurring fair value measurements as of June 30, 2025:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2025			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at June 30, 2025
Assets				
Debt securities - Corporate notes	\$ -	\$ 1,585,052	\$ -	\$ 1,585,052
Equity securities:				
Domestic stock	1,282,368	-	-	1,282,368
International stock	52,752	-	-	52,752
Mutual funds	213,051	-	-	213,051
Total equity securities	1,548,171	-	-	1,548,171
Total assets	<u>\$ 1,548,171</u>	<u>\$ 1,585,052</u>	<u>\$ -</u>	<u>\$ 3,133,223</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of debt securities at June 30, 2025 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2025, the School District had \$7,835,305 of unearned revenue, primarily related to grant and categorical aid payment received prior to meeting all eligibility requirements.

June 30, 2025

Note 6 - Capital Assets

Capital asset activity of the School District's governmental and business-type activities was as follows:

Governmental Activities

	Balance July 1, 2024	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2025
Capital assets not being depreciated:					
Land	\$ 3,913,592	\$ -	\$ -	\$ -	\$ 3,913,592
Construction in progress	53,136,555	(21,587,768)	15,650,871	-	47,199,658
Subtotal	57,050,147	(21,587,768)	15,650,871	-	51,113,250
Capital assets being depreciated:					
Buildings and improvements	130,515,824	21,587,768	-	-	152,103,592
Furniture and equipment	15,911,267	-	603,246	-	16,514,513
Vehicles	1,406,974	-	231,723	-	1,638,697
Subtotal	147,834,065	21,587,768	834,969	-	170,256,802
Accumulated depreciation:					
Buildings and improvements	49,708,310	-	3,188,965	-	52,897,275
Furniture and equipment	13,331,567	-	505,483	-	13,837,050
Vehicles	806,367	-	26,587	-	832,954
Subtotal	63,846,244	-	3,721,035	-	67,567,279
Net capital assets being depreciated	83,987,821	21,587,768	(2,886,066)	-	102,689,523
Net governmental activities capital assets	<u>\$ 141,037,968</u>	<u>\$ -</u>	<u>\$ 12,764,805</u>	<u>\$ -</u>	<u>\$ 153,802,773</u>

Business-type Activities

	Balance July 1, 2024	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2025
Cereal City Science					
Capital assets being depreciated:					
Buildings and improvements	\$ 2,700,000	\$ -	\$ -	\$ -	\$ 2,700,000
Furniture and equipment	534,380	-	-	-	534,380
Subtotal	3,234,380	-	-	-	3,234,380
Accumulated depreciation:					
Buildings and improvements	666,000	-	54,000	-	720,000
Furniture and equipment	461,115	-	2,279	-	463,394
Subtotal	1,127,115	-	56,279	-	1,183,394
Net business-type activities capital assets	<u>\$ 2,107,265</u>	<u>\$ -</u>	<u>\$ (56,279)</u>	<u>\$ -</u>	<u>\$ 2,050,986</u>

June 30, 2025

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 2,816,095
Support services	305,140
Community services	292,694
Food services	73,203
Athletics	<u>233,903</u>
Total governmental activity	<u>\$ 3,721,035</u>

Depreciation expense related to the Cereal City Science Fund was not charged to activities, as the Cereal City Science Fund assets benefit multiple activities, and allocation is impractical.

Construction Commitments

The School District has active construction projects at year end. At year end, the School District's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Northwestern MS Bond	\$ 22,325,054	\$ 1,488,970

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Primary Government							Total
	Fund Due From							
	General Fund	Math and Science Center Fund	WKKF Grant Fund	2025 Bond Construction Fund	Cereal City Science	Nonmajor Governmental Funds	Fiduciary Fund	
General Fund	\$ -	\$ 3,368,059	\$ 732,258	\$ 107,006	\$ 1,983,109	\$ 2,193,983	\$ 8,598	\$ 8,393,013
Math and Science Center Fund	72,328	-	-	-	444,757	-	-	517,085
Nonmajor governmental funds	708,064	-	-	-	-	-	-	708,064
Total	<u>\$ 780,392</u>	<u>\$ 3,368,059</u>	<u>\$ 732,258</u>	<u>\$ 107,006</u>	<u>\$ 2,427,866</u>	<u>\$ 2,193,983</u>	<u>\$ 8,598</u>	<u>\$ 9,618,162</u>

Governmental interfund balances represent routine and temporary cash flow assistance until amounts are transferred from investment accounts.

Interfund transfers reported in the fund financial statements are composed of the following:

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Math and Science Center Fund	\$ 72,328
Cereal City Science Fund	Math and Science Center Fund	444,757
Food Service Fund	General Fund	<u>47,895</u>
	Total	<u>\$ 564,980</u>

Transfers from the General Fund and the Cereal City Science Fund to the Math and Science Center Fund were transferred to cover excess costs related to operations of the funds for the purposes for which they were created. The Food Service Fund transfer to the General Fund was for the reimbursement of indirect costs.

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2025 can be summarized as follows:

Governmental Activities

	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligations bond payable	\$ 76,035,000	\$ 13,085,000	\$ (2,365,000)	\$ 86,755,000	\$ 2,685,000
Unamortized bond premiums	10,151,225	410,624	(611,657)	9,950,192	628,417
Total bonds payable	86,186,225	13,495,624	(2,976,657)	96,705,192	3,313,417
Compensated absences (Note 2)	1,578,704	-	(71,986)	1,506,718	191,785
Retirement benefit (Note 2)	297,625	113,505	-	411,130	-
Arbitrage liability	1,234,830	292,424	-	1,527,254	-
Total governmental activities long-term debt	<u>\$ 89,297,384</u>	<u>\$ 13,901,553</u>	<u>\$ (3,048,643)</u>	<u>\$ 100,150,294</u>	<u>\$ 3,505,202</u>

The table above discloses the net change in the compensated absence liability of the School District.

The School District had deferred outflows of \$2,006,227 related to deferred charges on bond refundings at June 30, 2025.

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's bonds are all qualified bonds that are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2025 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
\$49,265,000 Qualified Refunding Bonds (2016)	2016	4.00% - 5.00%	2037	\$ 34,910,000
\$39,010,000 2022 Qualified Bonds	2022	3.00 - 4.00	2047	38,760,000
\$13,085,000 2025 Qualified Bonds	2025	5.00 - 5.25	2050	13,085,000

Other Long-term Liabilities

The arbitrage liability is an estimate related to the cumulative to date amount of investment earnings in the 2022 Bond Construction Fund that exceeds the amount allowable based on Internal Revenue Services (IRS) guidelines. No amount is actually due to the IRS until the final calculation is required to be performed which is generally five years from the date of the bond issuances. The actual liability, if any, may vary from the current estimate. Any amounts due will be liquidated from these capital project funds.

Note 8 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bond obligation are as follows:

Years Ending June 30	Governmental Activities		
	Other Debt		
	Principal	Interest	Total
2026	\$ 2,685,000	\$ 3,799,630	\$ 6,484,630
2027	3,005,000	3,773,225	6,778,225
2028	2,840,000	3,628,975	6,468,975
2029	3,030,000	3,489,925	6,519,925
2030	3,330,000	3,342,025	6,672,025
2031-2035	19,780,000	14,344,275	34,124,275
2036-2040	19,605,000	9,372,475	28,977,475
2041-2045	19,895,000	5,395,775	25,290,775
2046-2050	12,585,000	1,296,475	13,881,475
Total	<u>\$ 86,755,000</u>	<u>\$ 48,442,780</u>	<u>\$ 135,197,780</u>

Bond Refunding

In previous years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2025, there is still \$38,330,000 of bonds outstanding that is considered defeased.

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for each of these risks and participates in the SET-SEG (risk pool) for claims relating to workers' compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Note 10 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

June 30, 2025

Note 10 - Michigan Public School Employees' Retirement System (Continued)***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

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

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

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

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

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

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2025 were \$11,833,971, which includes the School District's contributions required for those members with a defined contribution benefit. For the year ended June 30, 2025, the School District's required and actual pension contributions include an allocation of \$2,938,470 in revenue received from the State of Michigan and remitted to the System to fund the MPSEs unfunded actuarial accrued liability (UAAL) stabilization rate as well as \$667,926 of a one-time state payment received and remitted to the System for the purpose of contributing additional assets to the System.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2025 were \$1,074,029, which includes the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2025, the School District reported a liability of \$60,665,177 for its proportionate share of the 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 as of September 30, 2023, which used update procedures to roll forward the estimated liability to September 30, 2024. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2024 and 2023, the School District's proportion was 0.2478 and 0.2330 percent, respectively, representing a change of 6.35 percent.

June 30, 2025

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Net OPEB Asset

At June 30, 2025, the School District reported an asset of \$11,366,898 for its proportionate share of the net OPEB asset. The net OPEB asset for fiscal year 2025 was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2023, which used update procedures to roll forward the estimated liability to September 30, 2024. The School District's proportion of the net OPEB asset was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2024 and 2023, the School District's proportion was 0.2640 and 0.2286 percent, respectively, representing a change of 15.49 percent.

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

For 2025, the School District recognized pension expense of \$3,724,597, inclusive of payments to fund the MPSERS UAAL stabilization rate. 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
Difference between expected and actual experience	\$ 1,645,889	\$ (659,135)
Changes in assumptions	6,324,704	(4,444,839)
Net difference between projected and actual earnings on pension plan investments	-	(11,577,487)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	3,600,465	(5,174,291)
The School District's contributions to the plan subsequent to the measurement date	9,839,086	-
Total	\$ 21,410,144	\$ (21,855,752)

The \$3,606,396 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2026. 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	Amount
2026	\$ (3,275,498)
2027	(511,541)
2028	(3,944,534)
2029	(2,553,121)
Total	\$ (10,284,694)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2025, the School District recognized OPEB recovery of \$4,303,342.

June 30, 2025

Note 10 - Michigan Public School Employees' Retirement System (Continued)

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
Difference between expected and actual experience	\$ -	\$ (12,045,441)
Changes in assumptions	2,482,694	(285,365)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,151,884)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	993,179	(1,341,426)
Employer contributions to the plan subsequent to the measurement date	253,293	-
Total	\$ 3,729,166	\$ (15,824,116)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will increase the net OPEB asset and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2026	\$ (4,034,370)
2027	(2,537,009)
2028	(2,534,806)
2029	(2,061,048)
2030	(1,009,766)
Thereafter	(171,244)
Total	\$ (12,348,243)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2024 are based on the results of an actuarial valuation as of September 30, 2023 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75 percent
Health care cost trend rate - OPEB	6.50% - 7.25%	Year 1 graded to 3.5 percent in year 15
Mortality basis		PubT-2010 Male and Female Employee Mortality Tables, scaled 100 percent (retirees: 116 percent for males and 116 percent for females) and adjusted for mortality improvements using projection scale MP-2021 from 2010
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension liability and OPEB liability as of September 30, 2024 are 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.

June 30, 2025

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Significant assumption changes since the prior measurement date, September 30, 2023, for the OPEB plan include a decrease in the health care cost trend rate of 0.25 percentage points for members under 65 and an increase of 0.25 percentage point for members over 65. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2023.

Discount Rate

The discount rate used to measure the total pension and OPEB liability was 6.00 percent as of September 30, 2024. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.30 %
Private equity pools	16.00	9.00
International equity pools	15.00	6.50
Fixed-income pools	13.00	2.20
Real estate and infrastructure pools	10.00	7.10
Absolute return pools	9.00	5.20
Real return/opportunistic pools	10.00	6.90
Short-term investment pools	2.00	1.40
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.3 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability of the School District	\$ 88,935,801	\$ 60,665,177	\$ 37,124,443

June 30, 2025

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease <u>(5.00%)</u>	Current Discount Rate <u>(6.00%)</u>	1 Percentage Point Increase <u>(7.00%)</u>
Net OPEB asset of the School District	\$ (8,784,433)	\$ (11,366,898)	\$ (13,599,713)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB asset of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB asset would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease <u></u>	Current Rate <u></u>	1 Percentage Point Increase <u></u>
Net OPEB asset of the School District	\$ (13,599,737)	\$ (11,366,898)	\$ (8,972,191)

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2025, the School District reported a payable of \$1,702,986 and \$47,402 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2025.

Note 11 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2025, the School District's property tax revenue was reduced by \$2,580,542 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the school aid formula. The School District received \$1,800,995 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the sinking fund or debt service millages.

Required Supplementary Information

Battle Creek Public Schools

Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 8,714,549	\$ 9,162,770	\$ 9,072,704	\$ (90,066)
State sources	45,701,693	47,812,474	45,743,441	(2,069,033)
Federal sources	20,623,863	16,199,179	18,096,034	1,896,855
Governmental - Intergovernmental	2,558,984	3,311,028	1,918,431	(1,392,597)
Total revenue	77,599,089	76,485,451	74,830,610	(1,654,841)
Expenditures				
Current:				
Instruction:				
Basic programs	24,241,223	25,037,582	24,492,068	(545,514)
Added needs	8,624,646	9,311,347	9,047,130	(264,217)
Adult/Continuing education	344,566	286,003	280,867	(5,136)
Total instruction	33,210,435	34,634,932	33,820,065	(814,867)
Support services:				
Pupil	3,855,698	4,778,741	4,943,270	164,529
Instructional staff	3,667,394	4,493,027	4,209,916	(283,111)
General administration	843,052	740,332	703,185	(37,147)
School administration	3,741,962	4,268,438	4,265,037	(3,401)
Business	792,918	819,063	817,564	(1,499)
Operations and maintenance	8,941,717	8,782,667	8,433,234	(349,433)
Pupil transportation services	2,224,399	2,905,020	2,684,786	(220,234)
Central	3,713,144	4,714,939	4,281,144	(433,795)
Total support services	27,780,284	31,502,227	30,338,136	(1,164,091)
Athletics	954,610	886,184	774,382	(111,802)
Community services	974,118	1,245,397	1,443,180	197,783
Debt service	-	-	57,480	57,480
Capital outlay	14,408,972	11,189,748	11,563,701	373,953
Total expenditures	77,328,419	79,458,488	77,996,944	(1,461,544)
Excess of Revenue Over (Under) Expenditures	270,670	(2,973,037)	(3,166,334)	(193,297)
Other Financing Sources (Uses)				
Transfers in	-	-	47,895	47,895
Transfers out	(225,000)	-	(72,328)	(72,328)
Total financing uses	(225,000)	-	(24,433)	(24,433)
Net Change in Fund Balance	45,670	(2,973,037)	(3,190,767)	(217,730)
Fund Balance - Beginning of year	24,819,867	22,403,461	22,403,461	-
Fund Balance - End of year	\$ 24,865,537	\$ 19,430,424	\$ 19,212,694	\$ (217,730)

Battle Creek Public Schools

Required Supplementary Information Budgetary Comparison Schedule - Major Special Revenue Funds WKKF Grant Fund

Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue - Local sources	\$ 6,650,000	\$ 2,923,613	\$ 3,863,616	\$ 940,003
Expenditures				
Current:				
Instruction - Basic programs	545,000	490,000	437,334	(52,666)
Support services:				
Instructional staff	3,045,000	1,300,000	988,053	(311,947)
General administration	45,000	-	30,994	30,994
School administration	145,000	-	-	-
Operations and maintenance	-	1,415	35,188	33,773
Pupil transportation services	-	17,935	17,934	(1)
Central	2,310,000	1,100,000	1,517,525	417,525
Athletics	10,000	13,063	13,063	-
Community services	475,000	1,200	823,525	822,325
Capital outlay	75,000	-	-	-
Total expenditures	<u>6,650,000</u>	<u>2,923,613</u>	<u>3,863,616</u>	<u>940,003</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Battle Creek Public Schools

Required Supplementary Information Budgetary Comparison Schedule - Major Special Revenue Funds (Continued) Math and Science Center Fund

Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 369,600	\$ 348,000	\$ 421,935	\$ 73,935
State sources	1,963,255	1,963,255	1,835,735	(127,520)
Intergovernmental	380,000	155,000	235,334	80,334
Total revenue	2,712,855	2,466,255	2,493,004	26,749
Expenditures				
Current:				
Instruction - Basic programs	1,481,892	1,480,200	1,733,427	253,227
Support services:				
Pupil	279,837	181,000	284,553	103,553
Instructional staff	7,500	8,300	10,879	2,579
Building administration	493,788	505,000	503,945	(1,055)
Business	-	-	8,248	8,248
Operations and maintenance	409,395	411,000	458,230	47,230
Capital outlay	3,500	1,000	907	(93)
Total expenditures	2,675,912	2,586,500	3,000,189	413,689
Excess of Revenue Over (Under)				
Expenditures	36,943	(120,245)	(507,185)	(386,940)
Other Financing Sources - Transfers in	225,000	135,600	517,085	381,485
Net Change in Fund Balance	261,943	15,355	9,900	(5,455)
Fund Balance - Beginning of year	100,000	100,000	100,000	-
Fund Balance - End of year	\$ 361,943	\$ 115,355	\$ 109,900	\$ (5,455)

Battle Creek Public Schools

Required Supplementary Information Schedule of the School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Ten Plan Years									
	Plan Years Ended September 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
School District's proportion of the net pension liability	0.24779 %	0.23299 %	0.25456 %	0.26983 %	0.26557 %	0.26603 %	0.27968 %	0.29896 %	0.32329 %	0.32647 %
School District's proportionate share of the net pension liability	\$ 60,665,177	\$ 75,409,889	\$ 95,736,575	\$ 63,884,379	\$ 91,226,637	\$ 88,100,662	\$ 84,078,330	\$ 77,472,035	\$ 80,657,541	\$ 79,741,569
School District's covered payroll	\$ 28,215,800	\$ 23,068,185	\$ 23,169,733	\$ 24,803,708	\$ 23,924,898	\$ 23,190,445	\$ 23,030,959	\$ 24,094,527	\$ 27,334,190	\$ 27,781,162
School District's proportionate share of the net pension liability as a percentage of its covered payroll	215.00 %	326.90 %	413.20 %	257.56 %	381.30 %	379.90 %	365.07 %	321.53 %	295.08 %	287.03 %
Plan fiduciary net position as a percentage of total pension liability	74.44 %	65.91 %	60.77 %	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %

Battle Creek Public Schools

Required Supplementary Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

**Last Ten Fiscal Years
Years Ended June 30**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 11,423,682	\$ 10,588,410	\$ 11,168,397	\$ 9,086,077	\$ 8,242,226	\$ 7,399,988	\$ 7,218,982	\$ 7,104,930	\$ 7,142,439	\$ 7,549,920
Contributions in relation to the statutorily required contribution	11,423,682	10,588,410	11,168,397	9,086,077	8,242,226	7,399,988	7,218,982	7,104,930	7,142,439	7,549,920
Contribution Deficiency	\$ -									
School District's Covered Payroll	\$ 27,853,572	\$ 27,270,950	\$ 23,473,741	\$ 23,976,802	\$ 24,281,850	\$ 23,630,457	\$ 23,477,944	\$ 22,927,784	\$ 24,613,099	\$ 27,057,569
Contributions as a Percentage of Covered Payroll	41.01 %	38.83 %	47.58 %	37.90 %	33.94 %	31.32 %	30.75 %	30.99 %	29.02 %	27.90 %

Battle Creek Public Schools

Required Supplementary Information Schedule of the School District's Proportionate Share of the Net OPEB (Asset) Liability Michigan Public School Employees' Retirement System

	Last Eight Plan Years For the Plan Years Ended June 30							
	2024	2023	2022	2021	2020	2019	2018	2017
School District's proportion of the net OPEB (asset) liability	0.26408 %	0.22868 %	0.23652 %	0.27200 %	0.26839 %	0.26455 %	0.26983 %	0.30058 %
School District's proportionate share of the net OPEB (asset) liability	\$ (11,366,898) \$	(1,293,640) \$	5,009,564 \$	4,151,707 \$	14,378,509 \$	18,988,405 \$	21,448,463 \$	26,617,381
School District's covered payroll	\$ 28,215,800 \$	23,068,185 \$	23,169,733 \$	24,803,708 \$	23,924,898 \$	23,190,445 \$	23,030,959 \$	24,094,527
School District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(40.29)%	(5.61)%	21.62 %	16.74 %	60.10 %	81.88 %	93.13 %	110.47 %
Plan fiduciary net position as a percentage of total OPEB liability	143.08 %	105.04 %	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Battle Creek Public Schools

Required Supplementary Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

**Last Eight Fiscal Years
Years Ended June 30**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution \$	829,340	2,240,424	1,889,448	1,953,918	2,020,675	1,898,849	1,844,198	1,656,011
Contributions in relation to the statutorily required contribution	<u>829,340</u>	<u>2,240,424</u>	<u>1,889,448</u>	<u>1,953,918</u>	<u>2,020,675</u>	<u>1,898,849</u>	<u>1,844,198</u>	<u>1,656,011</u>
Contribution Deficiency	<u>\$ -</u>							
School District's Covered Payroll	\$ 27,853,572	\$ 27,270,950	\$ 23,473,741	\$ 23,976,802	\$ 24,281,850	\$ 23,630,457	\$ 23,477,944	\$ 22,927,784
Contributions as a Percentage of Covered Payroll	2.98 %	8.22 %	8.05 %	8.15 %	8.32 %	8.04 %	7.86 %	7.22 %

See notes to required supplementary information.

June 30, 2025

Pension Information

The required contributions for the year ended June 30, 2025 include a one-time contribution of \$667,926, referred to as 147c(2), related to funding received from the State and remitted to the System for the purpose of contributing additional assets to the System.

Benefit Changes

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

Changes in Assumptions

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

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

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

Changes in Assumptions

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

- 2024 - The health care cost trend rate used in the September 30, 2024 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.

June 30, 2025

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.5 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplementary Information

Battle Creek Public Schools

Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2025

	Special Revenue Funds		Debt Service Funds		Capital Project Funds		Total
	Food Service Fund	Student Activities Fund	Debt Service Fund	2022 Debt Service Fund	Building and Site Fund	2022 Bond Construction Fund	
Assets							
Cash and investments	\$ 3,435,571	\$ 917,964	\$ -	\$ -	\$ -	\$ -	\$ 4,353,535
Receivables	142,207	966	-	-	-	-	143,173
Due from other funds	-	-	277,823	-	-	430,241	708,064
Inventories	91,327	3,002	-	-	-	-	94,329
Prepaid expenses and other assets	325,000	-	-	-	-	-	325,000
Restricted assets	-	-	1,435,740	1,234,659	2,986,101	5,864,712	11,521,212
Total assets	<u>\$ 3,994,105</u>	<u>\$ 921,932</u>	<u>\$ 1,713,563</u>	<u>\$ 1,234,659</u>	<u>\$ 2,986,101</u>	<u>\$ 6,294,953</u>	<u>\$ 17,145,313</u>
Liabilities							
Accounts payable	\$ 159,462	\$ 4,351	\$ -	\$ -	\$ 99,139	\$ 1,432,596	\$ 1,695,548
Due to other funds	957,718	676,649	-	370,417	189,199	-	2,193,983
Unearned revenue	21,388	-	-	-	-	-	21,388
Total liabilities	1,138,568	681,000	-	370,417	288,338	1,432,596	3,910,919
Fund Balances							
Nonspendable:							
Inventory	91,327	3,002	-	-	-	-	94,329
Prepays	325,000	-	-	-	-	-	325,000
Restricted:							
Debt service	-	-	1,713,563	864,242	-	-	2,577,805
Capital projects	-	-	-	-	-	4,862,357	4,862,357
Food service	2,439,210	-	-	-	-	-	2,439,210
Capital projects (sinking fund)	-	-	-	-	2,697,763	-	2,697,763
Committed - Student Activities	-	237,930	-	-	-	-	237,930
Total fund balances	2,855,537	240,932	1,713,563	864,242	2,697,763	4,862,357	13,234,394
Total liabilities and fund balances	<u>\$ 3,994,105</u>	<u>\$ 921,932</u>	<u>\$ 1,713,563</u>	<u>\$ 1,234,659</u>	<u>\$ 2,986,101</u>	<u>\$ 6,294,953</u>	<u>\$ 17,145,313</u>

Battle Creek Public Schools

Other Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2025

	Special Revenue Funds			Debt Service Funds		Capital Project Funds		Total
	Food Service Fund	Formerly Nonmajor - Math and Science Center Fund	Student Activities Fund	Debt Service Fund	2022 Debt Service Fund	Building and Site Fund	2022 Bond Construction Fund	
Revenue								
Local sources	\$ 278,360	\$ -	\$ 457,765	\$ 3,858,140	\$ 1,277,159	\$ 1,994,796	\$ 506,038	\$ 8,372,258
State sources	113,915	-	-	1,019,722	339,907	555,712	-	2,029,256
Federal sources	4,289,548	-	-	-	-	-	-	4,289,548
Total revenue	4,681,823	-	457,765	4,877,862	1,617,066	2,550,508	506,038	14,691,062
Expenditures								
Current:								
Support services	9,994	-	433,841	4,244	6,903	2,690	-	457,672
Food services	4,229,896	-	-	-	-	-	-	4,229,896
Debt service:								
Principal	-	-	-	2,115,000	250,000	-	-	2,365,000
Interest	-	-	-	1,796,200	1,551,900	-	-	3,348,100
Other debt costs	-	-	-	4,322	-	-	-	4,322
Capital outlay	473,082	-	-	-	-	2,038,911	8,479,402	10,991,395
Total expenditures	4,712,972	-	433,841	3,919,766	1,808,803	2,041,601	8,479,402	21,396,385
Excess of Revenue (Under) Over Expenditures	(31,149)	-	23,924	958,096	(191,737)	508,907	(7,973,364)	(6,705,323)
Other Financing Uses - Transfers out	(47,895)	-	-	-	-	-	-	(47,895)
Net Change in Fund Balances	(79,044)	-	23,924	958,096	(191,737)	508,907	(7,973,364)	(6,753,218)
Fund Balances - Beginning of year, as previously reported	2,934,581	100,000	217,008	755,467	1,055,979	-	-	5,063,035
Change within Financial Reporting Entity	-	(100,000)	-	-	-	2,188,856	12,835,721	14,924,577
Fund Balances - Beginning of year, as adjusted or restated	2,934,581	-	217,008	755,467	1,055,979	2,188,856	12,835,721	19,987,612
Fund Balances - End of year	\$ 2,855,537	\$ -	\$ 240,932	\$ 1,713,563	\$ 864,242	\$ 2,697,763	\$ 4,862,357	\$ 13,234,394

Battle Creek Public Schools

Other Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances
Math and Science Center Fund

Year Ended June 30, 2025

	Math and Science Center	Outdoor Education Center	Total
Revenue			
Local sources	\$ 51,905	\$ 370,030	\$ 421,935
State sources	1,829,844	5,891	1,835,735
Intergovernmental and other sources	41,849	193,485	235,334
Total revenue	<u>1,923,598</u>	<u>569,406</u>	<u>2,493,004</u>
Expenditures			
Current:			
Instruction	1,706,042	7,149	1,713,191
Support services	652,413	614,349	1,266,762
Community Service	-	20,236	20,236
Total expenditures	<u>2,358,455</u>	<u>641,734</u>	<u>3,000,189</u>
Excess of Expenditures Over Revenue	<u>(434,857)</u>	<u>(72,328)</u>	<u>(507,185)</u>
Other Financing Sources - Transfers in	<u>444,757</u>	<u>72,328</u>	<u>517,085</u>
Net Change in Fund Balance	<u><u>\$ 9,900</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,900</u></u>

Battle Creek Public Schools

Other Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances
WKKF Fund

Year Ended June 30, 2025

	<u>WKKF</u>	<u>Bearcat Advantage</u>	<u>Total</u>
Revenue - Local sources	\$ 2,665,838	\$ 1,197,778	\$ 3,863,616
Expenditures			
Current:			
Instruction	437,334	-	437,334
Support services	2,214,821	374,873	2,589,694
Athletics	13,063	-	13,063
Community services	620	822,905	823,525
Total expenditures	<u>2,665,838</u>	<u>1,197,778</u>	<u>3,863,616</u>
Excess of Expenditures Over Revenue	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Battle Creek Public Schools

Other Supplementary Information Schedule of Bonded Indebtedness

June 30, 2025

Years Ending June 30	2016 Refunding Bonds	2022 Bond Construction	2025 Bond Construction
	Principal	Principal	Principal
2026	\$ 2,220,000	\$ 300,000	\$ 165,000
2027	2,330,000	300,000	375,000
2028	2,445,000	295,000	100,000
2029	2,570,000	360,000	100,000
2030	2,700,000	430,000	200,000
2031	2,805,000	510,000	200,000
2032	2,920,000	585,000	200,000
2033	3,065,000	670,000	200,000
2034	3,215,000	760,000	200,000
2035	3,380,000	845,000	225,000
2036	3,540,000	950,000	225,000
2037	3,720,000	1,045,000	235,000
2038	-	2,460,000	655,000
2039	-	2,605,000	705,000
2040	-	2,755,000	710,000
2041	-	2,910,000	715,000
2042	-	3,075,000	720,000
2043	-	3,250,000	725,000
2044	-	3,425,000	730,000
2045	-	3,595,000	750,000
2046	-	3,740,000	775,000
2047	-	3,895,000	805,000
2048	-	-	1,095,000
2049	-	-	1,135,000
2050	-	-	1,140,000
Total remaining payments	\$ 34,910,000	\$ 38,760,000	\$ 13,085,000
Principal payments due	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.00% to 5.00%	3.00% to 4.00%	5.00% to 5.25%
Original issue	\$ 49,265,000	\$ 39,010,000	\$ 13,085,000