HUDSONVILLE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2026

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Hudsonville Public Schools

Opinions

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

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

Basis for Opinions

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

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 Hudsonville Public Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Maner Costerisan PC

Lansing, Michigan
October 12, 2026

MANAGEMENT'S DISCUSSION & ANALYSIS

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

If you have any questions about this report or need any additional information, please contact the Administrative Office, Hudsonville Public Schools, 3886 Van Buren Street, Hudsonville, Michigan 49426, phone 616-669-1740.

OVERVIEW OF THE FINANCIAL STATEMENTS

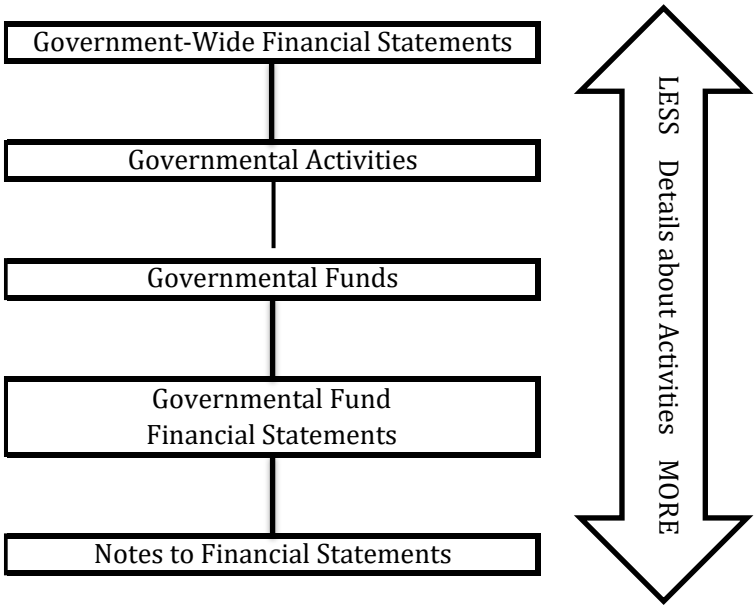
The District's financial report contains basic financial statements. Those financial statements present the District's finances at both an overall and a detailed level. The first two - the *government-wide financial statements* - cover the District's governmental activities. (See the diagram in Figure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

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

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

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

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



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

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

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

- *Assets* - resources the District controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.

- *Liabilities* - amounts the District owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.

- *Deferred Outflows of Resources and Deferred Inflows of Resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.

- *Revenues and Expenses* - inflows and outflows of economic resources, respectively, related to the current year.

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

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

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

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

ANALYSIS OF THE DISTRICT'S FINANCES

Table A-1
Hudsonville Public Schools' Net Position

	2026	2025	Dollar Change	Total Percentage Change
ASSETS				
Current assets	$ 62,121,097	$ 70,003,012	$ (7,881,915)	-11.3%
Net other postemployment benefits asset	30,011,100	21,156,446	8,854,654	41.9%
Capital assets	246,675,137	249,126,315	(2,451,178)	-1.0%
TOTAL ASSETS	338,807,334	340,285,773	(1,478,439)	-0.4%
DEFERRED OUTFLOWS OF RESOURCES	37,674,519	48,807,334	(11,132,815)	-22.8%
LIABILITIES				
Non-current liabilities	250,990,115	262,176,845	(11,186,730)	-4.3%
Net pension liability	97,680,976	118,618,985	(20,938,009)	-17.7%
Other liabilities	13,485,153	16,284,314	(2,799,161)	-17.2%
TOTAL LIABILITIES	362,156,244	397,080,144	(34,923,900)	-8.8%
DEFERRED INFLOWS OF RESOURCES	62,728,589	66,609,579	(3,880,990)	-5.8%
NET POSITION				
Net investment in capital assets	13,713,848	13,469,607	244,241	1.8%
Restricted for capital projects (sinking fund)	12,615,225	9,653,798	2,961,427	30.7%
Restricted for net other postemployment benefits	30,011,100	21,156,446	8,854,654	41.9%
Unrestricted	(104,743,153)	(118,876,467)	14,133,314	11.9%
TOTAL NET POSITION	$ (48,402,980)	$ (74,596,616)	$ 26,193,636	35.1%

Table A-1 shows that as of June 30, 2026, the District's total net position - assets and deferred outflows minus liabilities and deferred inflows – was over approximately $(48.4 million), an improvement of approximately $26.2 million or 35% compared with 2025. This improvement is primarily due to a $14.1 million or 12% improvement in unrestricted net position, an $8.9 million or 42% increase in net position restricted for net other postemployment benefits, and a $3.0 million or 31% increase in net position restricted for capital projects. All of the improvement in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

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

1. Decreases in grant revenues, particularly related to state categorical sources.
2. Growth in the taxable value of nonpersonal residential exempt properties.
3. Decrease in expenses for certain programs and functions.

Table A-2
Changes in Hudsonville Public Schools' Net Position

	2026	2025	Dollar Change	Total Percentage Change
REVENUES				
Program revenues				
Charges for services	$ 2,791,859	$ 3,147,127	$ (355,268)	-11.3%
Operating grants and contributions	27,526,459	32,620,474	(5,094,015)	-15.6%
General revenues				
Property taxes	30,343,200	28,160,949	2,182,251	7.7%
Investment earnings	2,213,174	2,981,904	(768,730)	-25.8%
State sources	58,506,336	57,912,605	593,731	1.0%
Interdistrict sources	11,162,761	10,848,935	313,826	2.9%
Gain on disposal of capital assets	10,625	18,900	(8,275)	-43.8%
Other	284,508	669,926	(385,418)	-57.5%
TOTAL REVENUES	132,838,922	136,360,820	(3,521,898)	-2.6%
EXPENSES				
Instruction	51,818,559	52,731,683	(913,124)	-1.7%
Support services	33,897,699	34,823,456	(925,757)	-2.7%
Community services	1,802,307	2,755,945	(953,638)	-34.6%
Food services	160,836	194,290	(33,454)	-17.2%
Student / school activities	1,655,598	1,473,919	181,679	12.3%
Unallocated depreciation/amortization	7,384,318	7,167,486	216,832	3.0%
Interest on long-term debt	9,925,969	11,079,698	(1,153,729)	-10.4%
TOTAL EXPENSES	106,645,286	110,226,477	(3,581,191)	-3.2%
Change in net position	$ 26,193,636	$ 26,134,343	$ 59,293	0.2%

Decline in Operating Grants and Contributions.

There were notable decreases in operating grants and contributions as compared to the prior year, which accounts for approximately 21% of overall revenues. The majority of the decrease is attributable to state categorical sources. The most notable decreases are related to the various Michigan Public Schools Employees' Retirement System categorical grants, which are a product of the District's total participating employee payroll and the total state appropriation.

Growth in Taxable Values

Property tax revenues increased in the current year as compared to the prior year, which accounts for 23% of overall revenues. Property tax revenues are a product of the taxable values of nonpersonal residential exempt properties. The taxable values across all seven of the District's taxing authorities grew approximately 7% over the June 30, 2025 year, resulting in the overall increase in property tax revenues.

Decline in Expenses

Total expenses for the District dropped by approximately 3% overall, which outpaced the total decrease in revenues. The significant reduction was due to positive pension and OPEB adjustments of approximately $15.0 million and $10.4 million, respectively. The adjustments were noncash transactions, and significant portions of the adjustments were in the instruction and support functions. The District has no control over the pension and OPEB plans as they are administered by the state.

GOVERNMENTAL FUNDS

The District reports four major funds individually in the governmental fund financial statements. These funds are the general fund, 2023 capital projects fund, sinking fund, and debt fund. Most of the discussion regarding governmental activities is equally applicable to the finances of these governmental funds. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide statements. The changes are shown in Table A-3 and are discussed in more detail below.

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

	General Fund		2023 Capital Projects Fund		Sinking Fund		Debt Fund	
	2026	2025	2026	2025	2026	2025	2026	2025
REVENUES	$ 107,408,455	$ 106,316,358	$ 431,209	$ 1,387,363	$ 3,105,044	$ 3,680,216	$ 19,183,520	$ 17,856,788
EXPENDITURES	106,724,669	103,956,362	9,084,428	11,673,160	143,617	1,084,667	19,295,412	18,398,000
Excess (deficiency) of revenues over expenditures	683,786	2,359,996	(8,653,219)	(10,285,797)	2,961,427	2,595,549	(111,892)	(541,212)
OTHER FINANCING SOURCES (USES)								
Principal from issuance of bonds	-	-	-	-	-	-	17,430,000	-
Premium from issuance of bonds	-	-	-		-	-	1,442,149	-
Proceeds from sale of capital assets	5,625	18,900	5,000	-	-	-	-	-
Proceeds from school loan revolving fund	-	-	-	-	-	-	-	544,000
Payments made to escrow agent	-	-	-	-	-	-	(18,672,595)	-
Payments made on arbitrage liability	-	-	(234,366)	-	-	-	-	-
Transfers in	100,000	100,000	-	-	-	-	-	-
Transfers out	(115,172)	(15)	-	-	-	-	-	-
Net change in fund balance	674,239	2,478,881	(8,882,585)	(10,285,797)	2,961,427	2,595,549	87,662	2,788
Fund balance - beginning of year	30,084,111	27,605,230	12,270,623	22,556,420	9,653,798	7,058,249	71,118	68,330
Fund balance - end of year	$ 30,758,350	$ 30,084,111	$ 3,388,038	$ 12,270,623	$ 12,615,225	$ 9,653,798	$ 158,780	$ 71,118

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

General Fund

The fund balance of the District's general fund increased by approximately 2%. The growth in fund balance is attributable to (1) an increase in revenues, particularly related to the previously discussed increase in taxable values as well as interdistrict source increases, and (2) an increase in expenditures particularly related to the instruction and support categories.

The overall fund balance at the end of June 30, 2026, represented approximately 29% of operating expenditures. The District aims to have a minimum fund balance of 10% of operating expenditures. Within fund balance, approximately 72% of the balance is considered unassigned. The remaining 28% is considered either restricted, committed, or assigned for other items and is not readily available for use.

2023 Capital Projects Fund

The fund balance of the 2023 capital projects fund decreased by approximately 72%. The decrease is attributable to approximately $9.1 million of capital outlays, which were only partially offset by investment earnings of approximately $375 thousand.

The fund balance of the District's 2023 capital projects fund is considered to be 100% restricted. This means that the fund balance can only be used for the restricted purpose of that fund and is not readily available for use.

Sinking Fund

The fund balance of the District's sinking fund increased by approximately 31%. The increase is attributable property tax revenues of approximately $3.1 million, which were only partially offset by capital outlays of approximately $144 thousand.

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

Debt Fund

The fund balance of the District's debt fund increased by approximately 123%. The increase is attributable to property tax and state revenues of approximately $19.2 million, which were only partially offset by principal and interest payments on debt obligations of approximately $19.1 million.

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

SIGNIFICANT CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets-original cost minus accumulated depreciation/amortization- decreased only 1% over 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Hudsonville Public Schools' Capital Assets

	2026			2025	
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value	Total Percentage Change
Land	$ 8,303,793	$ -	$ 8,303,793	$ 8,303,793	0.0%
Construction in progress	-	-	-	18,933,976	-100.0%
Building and additions	330,042,629	99,247,777	230,794,852	214,180,252	7.8%
Equipment and furniture	9,988,810	6,812,255	3,176,555	2,639,103	20.4%
Right to use - subscription-based IT	520,406	395,650	124,756	249,511	-50.0%
Right to use - lease	803,485	482,091	321,394	482,091	-33.3%
Buses and other vehicles	8,689,965	4,736,178	3,953,787	4,337,589	-8.8%
Total	$ 358,349,088	$ 111,673,951	$ 246,675,137	$ 249,126,315	-1.0%

A significant reason for the decrease in the net capital assets relates to the buildings and additions and construction in progress category. During 2026, the District completed and placed in service approximately $3.6 million in net additions for new buildings and renovations to existing buildings. The additions of capital assets were outpaced by the depreciation during the year, resulting in a net decrease in capital assets.

Long-term Obligations

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

Table A-5
Hudsonville Public Schools' Outstanding Long-term Obligations

	2026	2025	Total Percentage Change
General obligation bonds - net	$ 211,872,632	$ 224,796,457	-5.7%
Compensated absences and early retirement incentives	6,119,609	5,202,261	17.6%
Notes from direct borrowings and direct placements	27,065,352	27,299,198	-0.9%
	$ 245,057,593	$ 257,297,916	-4.8%

Long-term Obligations (continued)

During 2026, the District continued to make scheduled debt payments on existing outstanding obligations. The total amount of principal paid in the current year was $10.6 million. This is the primary reason for the decrease in the total carrying value of the District's long-term obligations. In October 2025, the District also refinanced both the 2015 building and site and 2015 refunding bonds.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

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

- The District will be receiving a State foundation allowance increase of 2.5% for the 2026-27 school year. That $250 increase will bring the state foundation level up to $10,300 per pupil. Every Michigan school district also is required to levy a tax of 18 mills on business property as the local base for the foundation allowance. The State of Michigan funds the difference between that local tax revenue and the annually adjusted foundation level. The District projects to educate 26 fewer students in the Fall than the Spring of 2026. The District collectively bargains labor contracts with the teachers and bus drivers. The agreement with the teachers is settled through June 30, 2029 and the agreement with the bus drivers expires July 31, 2028.

- Voters approved a $139.9 million bond in November of 2019. The vast majority of the projects approved are complete with $3.4 million remaining in the bonded capital projects fund. Due to historically low interest rates present when the bonds were sold, the District has accrued a federal arbitrage (excess earnings) liability of $1.2 million. Therefore, the remaining balance available in the bonded capital projects fund of $2.2 million can be used to pay for technology and security upgrades in the 2026-27 school year.

BASIC FINANCIAL STATEMENTS

HUDSONVILLE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,047,890
Investments	28,036,501
Receivables	
Accounts receivable	12,935
Intergovernmental	15,612,520
Prepaids	217,442
Restricted cash and cash equivalents - capital projects	54,878
Restricted investments - capital projects	17,138,931
Net other postemployment benefits asset	30,011,100
Capital assets not being depreciated/amortized	8,303,793
Capital assets, net of accumulated depreciation/amortization	238,371,344
TOTAL ASSETS	338,807,334
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	2,067,697
Related to pensions	30,125,589
Related to other postemployment benefits	5,481,233
TOTAL DEFERRED OUTFLOWS OF RESOURCES	37,674,519
LIABILITIES	
Accounts payable	1,561,791
Accrued salaries and related items	5,990,706
Accrued retirement	3,402,785
Unearned revenue	1,092,187
Accrued interest	1,437,684
Noncurrent liabilities	
Due within one year	10,679,546
Due in more than one year	234,378,047
Accrued interest due in more than one year	4,755,890
Arbitrage liability	1,176,632
Net pension liability	97,680,976
TOTAL LIABILITIES	362,156,244
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	29,547,086
Related to other postemployment benefits	25,231,248
Related to state aid funding for pension	7,950,255
TOTAL DEFERRED INFLOWS OF RESOURCES	62,728,589
NET POSITION	
Net investment in capital assets	13,713,848
Restricted for capital projects (sinking fund)	12,615,225
Restricted for net other postemployment benefits	30,011,100
Unrestricted	(104,743,153)
TOTAL NET POSITION	$ (48,402,980)

See notes to financial statements.

HUDSONVILLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 51,818,559	$ -	$ 20,738,034	$ (31,080,525)
Support services	33,897,699	498,627	5,184,508	(28,214,564)
Community services	1,802,307	2,141,089	-	338,782
Food services	160,836	152,143	26,779	18,086
Student/school activities	1,655,598	-	1,577,138	(78,460)
Unallocated depreciation/amortization	7,384,318	-	-	(7,384,318)
Interest on long-term debt	9,925,969	-	-	(9,925,969)
Total governmental activities	$ 106,645,286	$ 2,791,859	$ 27,526,459	(76,326,968)
General revenues				
Property taxes, levied for general purposes				8,958,959
Property taxes, levied for debt service				18,742,867
Property taxes, levied for capital projects (sinking fund)				2,641,374
Investment earnings				2,213,174
State sources				58,506,336
Intermediate sources				11,162,761
Gain on disposal of capital assets				10,625
Other				284,508
Total general revenues				102,520,604
CHANGE IN NET POSITION				26,193,636
NET POSITION, beginning of year				(74,596,616)
NET POSITION, end of year				$ (48,402,980)

See notes to financial statements.

HUDSONVILLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	2023 Capital Projects Fund	Sinking Fund	Debt Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 487,524	$ -	$ -	$ -	$ 560,366	$ 1,047,890
Investments	25,049,774	-	-	158,778	2,827,949	28,036,501
Receivables						
Accounts receivable	4,138	-	-	2	8,795	12,935
Intergovernmental	15,585,092	-	-	-	27,428	15,612,520
Due from other funds	15,826	-	-	-	-	15,826
Prepaids	217,442	-	-	-	-	217,442
Restricted cash and cash equivalents - capital projects	-	-	54,878	-	-	54,878
Restricted investments - capital projects	-	4,576,984	12,561,947	-	-	17,138,931
TOTAL ASSETS	$ 41,359,796	$ 4,576,984	$ 12,616,825	$ 158,780	$ 3,424,538	$ 62,136,923
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 304,533	$ 1,188,946	$ 1,600	$ -	$ 66,712	$ 1,561,791
Due to other funds	-	-	-	-	15,826	15,826
Accrued salaries and related items	5,957,175	-	-	-	33,531	5,990,706
Accrued retirement	3,402,785	-	-	-	-	3,402,785
Unearned revenue	936,953	-	-	-	155,234	1,092,187
TOTAL LIABILITIES	10,601,446	1,188,946	1,600	-	271,303	12,063,295
FUND BALANCES						
Nonspendable						
Prepaids	217,442	-	-	-	-	217,442
Restricted for:						
Debt service	-	-	-	158,780	-	158,780
Capital projects	-	3,388,038	12,615,225	-	-	16,003,263
Committed						
Capital projects	-	-	-	-	469,848	469,848
Student/school activities	-	-	-	-	1,341,136	1,341,136
Community service	-	-	-	-	1,342,251	1,342,251

See notes to financial statements.

	General Fund	2023 Capital Projects Fund	Sinking Fund	Debt Fund	Total Nonmajor Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES (continued)						
FUND BALANCES (continued)						
Assigned						
Budgeted use of fund balance	$ 8,262,758	$ -	$ -	$ -	$ -	$ 8,262,758
Early retirement incentive	132,893	-	-	-	-	132,893
Unassigned	22,145,257	-	-	-	-	22,145,257
TOTAL FUND BALANCES	30,758,350	3,388,038	12,615,225	158,780	3,153,235	50,073,628
TOTAL LIABILITIES AND FUND BALANCES	$ 41,359,796	$ 4,576,984	$ 12,616,825	$ 158,780	$ 3,424,538	$ 62,136,923
Total governmental fund balances						$ 50,073,628
Amounts reported for governmental activities in the statement of net position are different because:						
Deferred outflows of resources - deferred charges on refunding						2,067,697
Deferred outflows of resources - related to pensions						30,125,589
Deferred inflows of resources - related to pensions						(29,547,086)
Deferred outflows of resources - related to other postemployment benefits						5,481,233
Deferred inflows of resources - related to other postemployment benefits						(25,231,248)
Deferred inflows of resources - related to state aid funding for pensions						(7,950,255)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.						
Noncurrent assets at year-end consist of:						
Net other postemployment benefits asset						30,011,100
Capital assets used in governmental activities are not financial resources and are not reported in the funds:						
The cost of capital assets is					$ 358,349,088	
Accumulated depreciation/amortization is					(111,673,951)	
						246,675,137
Long-term obligations are not due and payable in the current period and are not reported in the funds:						
General obligation bonds						(211,872,632)
Notes from direct borrowings and direct placements						(27,065,352)
Compensated absences and early retirement incentives						(6,119,609)
Accrued interest						(6,193,574)
Arbitrage liability						(1,176,632)
Net pension liability						(97,680,976)
Net position of governmental activities						$ (48,402,980)

See notes to financial statements.

HUDSONVILLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	General Fund	2023 Capital Projects Fund	Sinking Fund	Debt Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Local sources	$ 10,701,189	$ 375,020	$ 3,072,641	$ 19,074,689	$ 3,986,340	$ 37,209,879
State sources	82,890,695	-	15,427	108,831	-	83,014,953
Federal sources	2,670,786	56,189	-	-	26,779	2,753,754
Interdistrict sources	11,145,785	-	16,976	-	-	11,162,761
TOTAL REVENUES	107,408,455	431,209	3,105,044	19,183,520	4,013,119	134,141,347
EXPENDITURES						
Current						
Instruction	63,719,038	-	-	-	-	63,719,038
Supporting services	42,143,447	-	-	-	-	42,143,447
Community service activities	328,045	-	-	-	2,046,411	2,374,456
Food service activities	-	-	-	-	191,346	191,346
Student/school activities	-	-	-	-	1,655,598	1,655,598
Capital outlay	165,582	9,084,428	143,617	-	144,466	9,538,093
Debt service						
Principal repayment	233,846	-	-	10,390,000	-	10,623,846
Interest	19,511	-	-	8,704,532	-	8,724,043
Bond issuance costs	-	-	-	197,882	-	197,882
Other	115,200	-	-	2,998	-	118,198
TOTAL EXPENDITURES	106,724,669	9,084,428	143,617	19,295,412	4,037,821	139,285,947
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	683,786	(8,653,219)	2,961,427	(111,892)	(24,702)	(5,144,600)

See notes to financial statements.

	General Fund	2023 Capital Projects Fund	Sinking Fund	Debt Fund	Total Nonmajor Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)						
Principal from issuance of bonds	$ -	$ -	$ -	$ 17,430,000	$ -	$ 17,430,000
Premium from issuance of bonds	-	-	-	1,442,149	-	1,442,149
Proceeds from sale of capital assets	5,625	5,000	-	-	-	10,625
Payments made to escrow agent	-	-	-	(18,672,595)	-	(18,672,595)
Payments made on arbitrage liability	-	(234,366)	-	-	-	(234,366)
Transfers in	100,000	-	-	-	115,172	215,172
Transfers out	(115,172)	-	-	-	(100,000)	(215,172)
TOTAL OTHER FINANCING SOURCES (USES)	(9,547)	(229,366)	-	199,554	15,172	(24,187)
NET CHANGE IN FUND BALANCES	674,239	(8,882,585)	2,961,427	87,662	(9,530)	(5,168,787)
FUND BALANCES						
Beginning of year	30,084,111	12,270,623	9,653,798	71,118	3,162,765	55,242,415
End of year	$ 30,758,350	$ 3,388,038	$ 12,615,225	$ 158,780	$ 3,153,235	$ 50,073,628

See notes to financial statements.

HUDSONVILLE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Net change in fund balances total governmental funds	$ (5,168,787)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation/amortization:	
Depreciation/amortization expense	(7,384,318)
Capital outlay	4,933,140
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	1,523,717
Accrued interest payable, end of the year	(1,437,684)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on bonded debt	10,390,000
Payments on notes from direct borrowings and direct placement	233,846
Principal from issuance of bonds	(17,430,000)
Premium from issuance of bonds	(1,442,149)
Payments made to escrow agent	18,672,595
Accrued interest from school loan revolving fund	(1,215,160)
Amortization of deferred charges on refunding	(120,271)
Amortization of bond premium	1,282,085
Arbitrage liability	161,567
Compensated absences and early retirement incentives are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and early retirement incentives, beginning of the year	5,202,261
Accrued compensated absences and early retirement incentives, end of the year	(6,119,609)
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	15,047,740
Other postemployment benefits related items	10,377,713
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period:	
Change in state aid funding for pension	(1,313,050)
Change in net position of governmental activities	$ 26,193,636

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds:*

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

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long term general obligation debt of governmental funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Major Governmental Funds (continued):

The *2023 Bonded Construction Capital Projects Fund* is used to account for capital projects activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The projects are not yet considered substantially complete, and a subsequent year audit is expected.

Beginning with the year of bond issuance, the school district has reported the annual construction activity for each bond in the 2023 Capital Projects Funds. The projects for which the 2023 School Building and Site Bonds were issued were in process as of June 30, 2026. The cumulative revenues, other financing sources (uses), and expenditures recognized for the construction period were as follows:

Revenues and other financing sources	$ 48,337,873
Expenditures and other financing uses	$ 44,949,835

The District reports the following *Other Nonmajor Funds*

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

The *General Capital Projects Fund* accounts for financial resources that are committed to be expended for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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

Measurement Focus and Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Cash and Cash Equivalents

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

Investments

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

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

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

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

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

e. Bankers acceptances of United States banks.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, which include land, construction in progress, building and additions, land improvements, computer and office equipment, outdoor equipment, and transportation equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Capital Asset Classes	Lives
Building and additions	20 - 50 years
Equipment and furniture	5 - 10 years
Buses and other vehicles	5 - 10 years
Right to use - lease	5 years
Right to use - subscription-based IT	3 - 5 years

Defined Benefit Plans

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability (asset) and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

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

In the computation of net investments in capital assets, school loan revolving fund principal proceeds of $26,650,237 are considered capital-related debt. Accrued interest on the school loan revolving fund of $4,755,890 has been included in the calculation of unrestricted net position.

In addition, in 2020 the District issued bonded debt to make principal and interest payments related to the school loan revolving fund. As of June 30, 2026, the outstanding balance was $7,400,000. Of this amount, 7.04% of the proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The allocation of this debt that is not considered capital related debt at June 30, 2026 is $520,960.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

Leases

Lessee: The District is, at times, a lessee for noncancelable lease of equipment and vehicles. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $10,000 or more.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases (continued)

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

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

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

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

Subscription-based IT Arrangements (SBITA)

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences and Early Retirement Incentives

The district recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable. In addition, the District has offered early retirement incentives to select employees, which are accrued when the future payments are granted. The early retirement incentives liability is reported as an assigned fund balance in the governmental funds as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Long-term Obligations

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes (continued)

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

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property (CPP)	6.0000
Debt Service Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	7.0000
Capital Projects Sinking Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	0.9893

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2026 the District had deposits subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2026, $971,494 of the District's bank balance of $1,236,618 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $1,095,563, which does not include petty cash and undeposited cash.

Custodial Credit Risk - Investments

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity
MILAF External Investment Pool - CMC	$ 620,113	N/A
MILAF External Investment Pool - MAX	3,957,491	N/A
JP Morgan 100% US Treasury Money Market Fund	40,597,828	0.129
Total fair value	$ 45,175,432	
Portfolio weighted average maturity		0.129

One day maturity equals 0.0027, one year equals 1.00.

Foreign Currency Risk

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

Concentration of Credit Risk

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

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment Pool - CMC	$ 620,113	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	3,957,491	AAAm	Standard & Poor's
Total fair value	$ 4,577,604		

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

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

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

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

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

	Level 1	Level 2	Level 3	Balance at June 30, 2026
Investments by fair value level				
JP Morgan 100% US Treasury Money Market Fund	$ -	$ 40,597,828	$ -	$ 40,597,828

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

The District voluntarily invests certain excess funds in an external pooled investment fund which included money market funds. The pooled investment fund utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

Investment Type	Amortized Cost
MILAF External Investment Pool - CMC	$ 620,113
MILAF External Investment Pool - MAX	3,957,491
	$ 4,577,604

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of June 30, 2026:

	Primary Government
Cash and cash equivalents	$ 1,047,890
Investments	28,036,501
Restricted cash and cash equivalents - capital projects	54,878
Restricted investments - capital projects	17,138,931
	$ 46,278,200

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2026 consist of the following:

	Government-wide
State aid	$ 14,178,894
Federal revenue	844,504
Interdistrict	581,204
Other	7,918
	$ 15,612,520

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2025	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2026
Assets not being depreciated/amortized				
Land	$ 8,303,793	$ -	$ -	$ 8,303,793
Construction in progress	18,933,976	3,938,718	22,872,694	-
Subtotal	27,237,769	3,938,718	22,872,694	8,303,793
Capital assets being depreciated/amortized				
Building and additions	307,506,086	22,536,543	-	330,042,629
Equipment and furniture	9,061,928	989,452	62,570	9,988,810
Right to use - subscription-based IT	520,406	-	-	520,406
Right to use - lease	803,485	-	-	803,485
Buses and other vehicles	8,348,844	341,121	-	8,689,965
Subtotal	326,240,749	23,867,116	62,570	350,045,295
Accumulated depreciation/amortization				
Building and additions	93,325,834	5,921,943	-	99,247,777
Equipment and furniture	6,422,825	452,000	62,570	6,812,255
Right to use - subscription-based IT	270,895	124,755	-	395,650
Right to use - lease	321,394	160,697	-	482,091
Buses and other vehicles	4,011,255	724,923	-	4,736,178
Total accumulated depreciation/amortization	104,352,203	7,384,318	62,570	111,673,951
Net capital assets being depreciated/amortized	221,888,546	16,482,798	-	238,371,344
Net governmental capital assets	$ 249,126,315	$ 20,421,516	$ 22,872,694	$ 246,675,137

Depreciation/amortization for the fiscal year ended June 30, 2026 amounted to $7,384,318. The District determined that it was impractical to allocate depreciation/amortization to the various activities as the assets serve multiple functions.

NOTE 5 - LONG-TERM OBLIGATIONS

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

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences and Early Retirement Incentives*	Total
Balance July 1, 2025	$ 224,796,457	$ 27,299,198	$ 5,202,261	$ 257,297,916
Additions	18,872,149	-	917,348	19,789,497
Deletions	(31,795,974)	(233,846)	-	(32,029,820)
Balance June 30, 2026	211,872,632	27,065,352	6,119,609	245,057,593
Due within one year	(10,400,000)	(241,500)	(38,046)	(10,679,546)
Due in more than one year	$ 201,472,632	$ 26,823,852	$ 6,081,563	$ 234,378,047

*The change in the compensated absences and early retirement incentive liability is presented as a net change

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $415,115 contains provisions that, in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

Borrowing from the State of Michigan - The school loan revolving funds payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates were 3.77% at June 30, 2026 for the school loan revolving funds. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.00 mills. Currently the District levies 7.00 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

On October 15, 2025, the District issued general obligation bonds of $17,430,000 with interest rates of 5.00% to advance refund the 2026 through 2041 bond payments of the 2015 Building and Site and 2015 Refunding bonds. The bonds mature at various times through May 1, 2041. The general obligation bonds were issued at a premium of $1,442,149. After paying issuance costs of $197,882 the net proceeds including the bond premium were $18,674,267. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by $1,758,767, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of $1,383,622.

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2026 are comprised of the following issues:

General Obligation Bonds		
2017 Refunding bonds due in annual installments of $2,360,000 to $4,665,000 through May 1, 2041, with interest rates of 5.00%.	$	50,900,000
2020 Refunding bonds due in annual installments of $1,150,000 to $2,100,000 through May 1, 2030, with interest rates ranging from 2.50% to 2.67%.		7,400,000
2020 School Building and Site bonds due in annual installments of $1,900,000 to $4,775,000 through May 1, 2049, with interest rates ranging from 4.00% to 5.00%.		73,325,000
2023 School Building and Site and Refunding bonds due in annual installments of $945,000 to $2,295,000 through May 1, 2053, with interest rates of 5.00%.		42,230,000
2025 Refunding bonds due in annual installments of $740,000 to $2,755,000 through May 1, 2041, with interest rates of 5.00%.		14,320,000
Plus issuance premium		23,697,632
Total general obligation bonds		211,872,632
Notes from Direct Borrowings and Direct Placements		
Borrowing from the State of Michigan under the School Loan Revolving Fund, excluding interest at 3.77% at June 30, 2026.		26,650,237
Lease agreement due in monthly installments of $14,794, including 4.13% of imputed interest, through July 1, 2028.		340,218
Subscription-based IT arrangement due in annual installments of $74,897 including 1.25% of imputed interest, through May 1, 2027.		74,897
Total notes from direct borrowings and direct placement		27,065,352
Total general obligation bonds and notes from direct borrowings and direct placement		238,937,984
Compensated absences and early retirement incentives		6,119,609
Total long-term obligations	$	245,057,593

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

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

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements			
	Principal	Interest	Principal	Interest	Other	Total
2027	$ 10,400,000	$ 8,626,100	$ 241,500	$ 11,857	$ -	$ 19,279,457
2028	9,530,000	8,134,838	173,615	3,908	-	17,842,361
2029	9,830,000	7,708,542	-	-	-	17,538,542
2030	8,740,000	7,267,842	-	-	-	16,007,842
2031	6,955,000	6,879,750	-	-	-	13,834,750
2032 - 2036	39,800,000	29,014,550	-	-	-	68,814,550
2037 - 2041	49,470,000	18,819,750	-	-	-	68,289,750
2042 - 2046	27,980,000	9,348,300	-	-	-	37,328,300
2047 - 2051	22,130,000	3,204,300	-	-	-	25,334,300
2052 - 2053	3,340,000	250,500	-	-	-	3,590,500
	188,175,000	99,254,472	415,115	15,765	-	287,860,352
Issuance premium	23,697,632	-	-	-	-	23,697,632
Compensated absences and early retirement incentives	-	-	-	-	6,119,609	6,119,609
School loan revolving fund	-	-	26,650,237	4,755,890	-	31,406,127
	$ 211,872,632	$ 99,254,472	$ 27,065,352	$ 4,771,655	$ 6,119,609	$ 349,083,720

Interest expense (all funds) for the year ended June 30, 2026 was approximately $8,724,000.

The arbitrage liability as of the year ended June 30, 2026 was $1,176,632.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

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

Pension Reform of 2023

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

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

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

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

The District's pension contributions for the year ended June 30, 2026 were equal to the required contribution total. Total pension contributions were approximately $22,203,000. Of the total pension contributions approximately $21,243,000 was contributed to fund the Defined Benefit Plan and approximately $960,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2026 were equal to the required contribution total. Total OPEB contributions were approximately $1,458,000. Of the total OPEB contributions approximately $943,000 was contributed to fund the Defined Benefit Plan and approximately $515,000 was contributed to fund the Defined Contribution Plan.

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

MPSERS (Plan) Non-university Employers	September 30, 2025	September 30, 2024
Total Pension Liability	$ 97,436,103,863	$ 95,765,499,515
Plan Fiduciary Net Position	$ 77,403,114,236	$ 71,283,482,728
Net Pension Liability	$ 20,032,989,627	$ 24,482,016,787
Proportionate Share	0.48760%	0.48451%
Net Pension Liability for the District	$ 97,680,976	$ 118,618,985

For the year ended June 30, 2026, the District recognized pension expense of $6,195,098.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual pension plan investment earnings	$ -	$ 23,343,662
Differences between expected and actual experience	3,783,465	870,036
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,367,608	170,713
Changes of assumptions	3,506,050	5,162,675
Reporting Unit's contributions subsequent to the measurement date	19,468,466	-
	$ 30,125,589	$ 29,547,086

$19,468,466, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ending June 30,	Amount
2027	$ 56,505
2028	(9,288,877)
2029	(7,369,246)
2030	(2,288,345)

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

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

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

MPSERS (Plan) Non-university Employers	September 30, 2025	September 30, 2024
Total other postemployment benefits liability	$ 9,360,649,860	$ 9,991,545,923
Plan fiduciary net position	$ 15,439,767,833	$ 14,295,943,589
Net other postemployment benefits asset	$ (6,079,117,973)	$ (4,304,397,666)
Proportionate share	0.49368%	0.49151%
Net other postemployment benefits asset for the District	$ (30,011,100)	$ (21,156,446)

For the year ended June 30, 2026, the District recognized OPEB benefit of $9,434,225.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual other postemployment benefits plan investment earnings	$ -	$ 4,217,214
Differences between expected and actual experience	-	20,547,021
Changes in proportion and differences between employer contributions and proportionate share of contributions	676,999	148,719
Changes of assumptions	4,005,303	318,294
Reporting Unit's contributions subsequent to the measurement date	798,931	-
	$ 5,481,233	$ 25,231,248

$798,931, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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

Year Ending June 30,	Amount
2026	$ (5,456,364)
2027	(5,392,361)
2028	(4,961,048)
2029	(3,224,501)
2030	(1,155,112)
2031	(359,560)

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

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

	Target Allocation		
Investment Category	Pension	OPEB	Long-term Expected Real Rate of Return*
Domestic Equity Pools	21.0%	16.0%	5.8%
International Equity Pools	14.0%	11.0%	5.6%
Private Equity Pools	16.0%	16.0%	9.3%
Real Estate and Infrastructure Pools	8.0%	5.0%	7.0%
Fixed Income Pools	15.0%	26.0%	2.5%
Absolute Return Pools	13.0%	15.0%	4.4%
Real Return/Opportunistic Pools	9.0%	7.0%	7.0%
Short Term Investment Pools	4.0%	4.0%	1.3%
	100.0%	100.0%	

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 154,145,967	$ 97,680,976	$ 50,652,866

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit asset	$ (25,856,461)	$ (30,011,100)	$ (33,647,308)

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit asset	$ (33,614,128)	$ (30,011,100)	$ (26,228,038)

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 7 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in 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 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2026 are as follows:

Receivable Fund		Payable Fund	
General Fund	$ 15,826	Food Service Fund	$ 15,826

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 9 - TRANSFERS

During the year the general fund transferred $11 to the food service fund to allocate state revenues and $115,161 to the general capital projects fund to close the West Community Education Television fund. Additionally, the community education fund transferred $100,000 to the general fund for indirect cost reimbursement.

NOTE 10 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements.*

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

Municipality	Taxes Abated
Jamestown Township	$ 810,000
City of Hudsonville	320,000
	$ 1,130,000

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

NOTE 11 - CONTINGENT LIABILITIES

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

The District is the subject of certain claims. The District has retained legal counsel to aid in the resolution of the claims. Any adverse effect on the financial condition of the District is not determinable at this time.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

NOTE 13 - CHANGES IN ACCOUNTING PRINCIPLES

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

HUDSONVILLE PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance with Original and Final Budget	Actual	Variance with Final Budget and Actual
	Original	Final			
REVENUES					
Local sources	$ 10,470,768	$ 10,595,587	$ 124,819	$ 10,701,189	$ 105,602
State sources	79,117,382	82,008,394	2,891,012	82,890,695	882,301
Interdistrict sources	9,891,100	11,111,000	1,219,900	11,145,785	34,785
Federal sources	2,287,191	2,637,738	350,547	2,670,786	33,048
TOTAL REVENUES	101,766,441	106,352,719	4,586,278	107,408,455	1,055,736
EXPENDITURES					
Current					
Instruction					
Basic programs	49,077,623	50,268,610	(1,190,987)	49,601,746	666,864
Added needs	14,308,939	14,481,217	(172,278)	14,117,292	363,925
Total instruction	63,386,562	64,749,827	(1,363,265)	63,719,038	1,030,789
Supporting services					
Pupil	7,919,188	8,411,607	(492,419)	8,136,105	275,502
Instructional staff	6,422,301	6,841,785	(419,484)	6,768,626	73,159
Operation/maintenance	10,171,668	9,897,564	274,104	9,570,723	326,841
Pupil transportation	5,303,426	4,656,905	646,521	4,473,680	183,225
Administration	13,569,939	13,482,828	87,111	13,194,313	288,515
Total supporting services	43,386,522	43,290,689	95,833	42,143,447	1,147,242
Community services	553,869	400,592	153,277	328,045	72,547
Capital outlay	-	162,500	(162,500)	165,582	(3,082)
Debt service	257,523	253,357	4,166	253,357	-
Other	105,600	115,200	(9,600)	115,200	-
TOTAL EXPENDITURES	107,690,076	108,972,165	(1,282,089)	106,724,669	2,247,496
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,923,635)	(2,619,446)	3,304,189	683,786	3,303,232
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	5,000	9,000	4,000	5,625	(3,375)
Transfers in	100,000	100,000	-	100,000	-
Transfers out	-	(115,161)	(115,161)	(115,172)	(11)
TOTAL OTHER FINANCING SOURCES (USES)	105,000	(6,161)	(111,161)	(9,547)	(3,386)
NET CHANGE IN FUND BALANCE	(5,818,635)	(2,625,607)	$ 3,193,028	674,239	$ 3,299,846
FUND BALANCE					
Beginning of year	30,084,111	30,084,111		30,084,111	
End of year	$ 24,265,476	$ 27,458,504		$ 30,758,350	

HUDSONVILLE PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Reporting Unit's proportion of net pension liability (%)	0.48760%	0.48451%	0.47088%	0.46748%	0.46601%	0.45965%	0.44767%	0.43766%	0.42768%	0.41329%
Reporting Unit's proportionate share of net pension liability	$ 97,680,976	$ 118,618,985	$ 152,405,255	$ 175,814,674	$ 110,329,347	$ 157,894,246	$ 148,254,233	$ 131,567,977	$ 110,828,957	$ 103,111,660
Reporting Unit's covered-employee	$ 53,889,770	$ 52,094,435	$ 48,080,516	$ 45,158,154	$ 42,280,150	$ 41,399,853	$ 39,446,618	$ 37,949,513	$ 36,135,959	$ 35,583,352
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	181.26%	227.70%	316.98%	389.33%	260.95%	381.39%	375.84%	346.69%	306.70%	289.78%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	79.44%	74.44%	65.91%	60.77%	72.60%	59.49%	60.08%	62.12%	64.21%	63.27%

HUDSONVILLE PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED OF THE YEAR ENDED JUNE 30)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required pension contributions	$ 21,242,838	$ 21,609,795	$ 19,803,350	$ 21,275,934	$ 16,119,737	$ 14,030,985	$ 12,796,179	$ 11,953,043	$ 6,630,224	$ 8,898,423
Pension contributions in relation to statutorily required contributions	21,242,838	21,609,795	19,803,350	21,275,934	16,119,737	14,030,985	12,796,179	11,953,043	6,630,224	8,898,423
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll (pension)	$ 56,031,542	$ 53,665,480	$ 51,721,545	$ 48,406,346	$ 44,473,114	$ 41,701,845	$ 41,298,069	$ 39,011,522	$ 37,313,016	$ 35,950,784
Pension contributions as a percentage of covered-employee payroll	37.91%	40.27%	38.29%	43.95%	36.25%	33.65%	30.98%	30.64%	17.77%	24.75%

HUDSONVILLE PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net other postemployment benefits liability/asset (%)	0.49368%	0.49151%	0.47851%	0.46462%	0.46844%	0.46725%	0.45158%	0.44594%	0.42806%
Reporting Unit's proportionate share of net other postemployment benefits liability (asset)	$ (30,011,100)	$ (21,156,446)	$ (2,706,947)	$ 9,840,973	$ 7,150,216	$ 25,032,022	$ 32,413,372	$ 35,447,355	$ 37,907,128
Reporting Unit's covered-employee payroll	$ 53,889,770	$ 52,094,435	$ 48,080,516	$ 45,158,154	$ 42,280,150	$ 41,399,853	$ 39,446,618	$ 37,949,513	$ 36,135,959
Reporting Unit's proportionate share of net other postemployment benefits liability/asset as a percentage of its covered-employee payroll	55.69%	40.61%	5.63%	21.79%	16.91%	60.46%	82.17%	93.41%	104.90%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	164.94%	143.08%	105.04%	83.09%	87.33%	59.76%	48.67%	43.10%	36.39%

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

HUDSONVILLE PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED OF THE YEAR ENDED JUNE 30)

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required other postemployment benefits contributions	$ 943,488	$ 276,860	$ 4,262,236	$ 3,833,902	$ 3,890,575	$ 3,395,540	$ 3,318,548	$ 3,064,365	$ 2,736,235
Other postemployment benefits contributions in relation to statutorily required contributions	943,488	276,860	4,262,236	3,833,902	3,890,575	3,395,540	3,318,548	3,064,365	2,736,235
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll (OPEB)	$ 56,031,542	$ 53,665,480	$ 51,721,545	$ 48,406,346	$ 44,473,114	$ 41,701,845	$ 41,298,069	$ 39,011,522	$ 37,313,016
Other post employment benefit contributions as a percentage of covered-employee payroll	1.68%	0.52%	8.24%	7.92%	8.75%	8.14%	8.04%	7.86%	7.33%

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

HUDSONVILLE PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2026

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

b. Public hearings are conducted to obtain taxpayer comments.

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

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

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

NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between Original and Final Budget:

	Variance	Explanation
REVENUES		
State sources	$ 2,891,012	The final State Aid Act was passed after the original budget needed to be adopted by the District in June of 2025. There were also increases in sections of the Great Start Readiness Program that weren't included in the original budget.
Interdistrict sources	1,219,900	The original budget was prepared with an expected decrease in the county distribution of Act 18, Special Education Millage. That decrease did not take place in the 2025-26 year.
EXPENDITURES		
Instruction - Basic	(1,190,987)	Several grants that were not a part of the original budget were added later in the final version of the State Aid Act. Most notable of the new grant funding added was the Educator Compensation grant.

Significant Variances Between Final Budget and Actual:

	Variance	Explanation
REVENUES		
State sources	$ 882,301	The District opted to recognize eligible At-Risk revenues and expenses after drafting of the revised budget. There was also an increase in the last payment for the state retirement reimbursement categorical that exceeded the final budget estimate.

NOTE 3 - PENSION INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

NOTE 3 - PENSION INFORMATION (continued)

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

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

NOTE 4 - OPEB INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

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

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

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

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

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

NOTE 4 - OPEB INFORMATION (continued)

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

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

ADDITIONAL SUPPLEMENTARY INFORMATION

HUDSONVILLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2026

	Special Revenue				
	Food Service	Community Education	Student/ School Activities	General Capital Projects	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	$ -	$ 300,745	$ 259,621	$ -	$ 560,366
Investments	-	1,250,796	1,107,305	469,848	2,827,949
Receivables					
Accounts receivable	-	2,107	6,688	-	8,795
Intergovernmental	19,677	100	7,651	-	27,428
TOTAL ASSETS	$ 19,677	$ 1,553,748	$ 1,381,265	$ 469,848	$ 3,424,538
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 3,851	$ 23,038	$ 39,823	$ -	$ 66,712
Due to other funds	15,826	-	-	-	15,826
Accrued salaries and related items	-	33,225	306	-	33,531
Unearned revenue	-	155,234	-	-	155,234
TOTAL LIABILITIES	19,677	211,497	40,129	-	271,303
FUND BALANCES					
Committed					
Capital projects	-	-	-	469,848	469,848
Student/school activities	-	-	1,341,136	-	1,341,136
Community service	-	1,342,251	-	-	1,342,251
TOTAL FUND BALANCES	-	1,342,251	1,341,136	469,848	3,153,235
TOTAL LIABILITIES AND FUND BALANCES	$ 19,677	$ 1,553,748	$ 1,381,265	$ 469,848	$ 3,424,538

HUDSONVILLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2026

	Special Revenue				
	Food Service	Community Education	Student/ School Activities	General Capital Projects	Total Nonmajor Funds
REVENUES					
Local sources	$ 152,210	$ 2,191,113	$ 1,627,116	$ 15,901	$ 3,986,340
Federal sources	26,779	-	-	-	26,779
TOTAL REVENUES	178,989	2,191,113	1,627,116	15,901	4,013,119
EXPENDITURES					
Community service activities	-	2,046,411	-	-	2,046,411
Food service	191,346	-	-	-	191,346
Student/school activities	-	-	1,655,598	-	1,655,598
Capital outlay	-	-	-	144,466	144,466
TOTAL EXPENDITURES	191,346	2,046,411	1,655,598	144,466	4,037,821
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,357)	144,702	(28,482)	(128,565)	(24,702)
OTHER FINANCING SOURCES (USES)					
Transfers in	11	-	-	115,161	115,172
Transfers out	-	(100,000)	-	-	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	11	(100,000)	-	115,161	15,172
NET CHANGE IN FUND BALANCES	(12,346)	44,702	(28,482)	(13,404)	(9,530)
FUND BALANCES					
Beginning of year	12,346	1,297,549	1,369,618	483,252	3,162,765
End of year	$ -	$ 1,342,251	$ 1,341,136	$ 469,848	$ 3,153,235

HUDSONVILLE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2026

$61,255,000 Refunding bonds issued December 13, 2017.

Principal Due May 1	Interest Due May 1	Interest Due November 1	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ 2,360,000	$ 1,272,500	$ 1,272,500	2027	$ 4,905,000
2,475,000	1,213,500	1,213,500	2028	4,902,000
2,600,000	1,151,625	1,151,625	2029	4,903,250
2,730,000	1,086,625	1,086,625	2030	4,903,250
2,865,000	1,018,375	1,018,375	2031	4,901,750
3,010,000	946,750	946,750	2032	4,903,500
3,160,000	871,500	871,500	2033	4,903,000
3,320,000	792,500	792,500	2034	4,905,000
3,485,000	709,500	709,500	2035	4,904,000
3,660,000	622,375	622,375	2036	4,904,750
3,845,000	530,875	530,875	2037	4,906,750
4,035,000	434,750	434,750	2038	4,904,500
4,240,000	333,875	333,875	2039	4,907,750
4,450,000	227,875	227,875	2040	4,905,750
4,665,000	116,625	116,625	2041	4,898,250
$ 50,900,000	$ 11,329,250	$ 11,329,250		$ 73,558,500

The bonds were approved by the Board of Education at the November 9, 2017 meeting to be used to refunding a portion of a prior bond issue. The bonds carry interest rates of 5.00%.

HUDSONVILLE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2026

$8,400,000 Refunding bonds issued January 14, 2020.

Principal Due May 1	Interest Due May 1	Interest Due November 1	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ 1,150,000	$ 95,675	$ 95,675	2027	$ 1,341,350
2,050,000	81,294	81,294	2028	2,212,588
2,100,000	55,146	55,146	2029	2,210,292
2,100,000	28,046	28,046	2030	2,156,092
$ 7,400,000	$ 260,161	$ 260,161		$ 7,920,322

The bonds were approved by the Board of Education at the January 13, 2020 meeting to refinance a portion of the principal and interest relating to borrowings from the State of Michigan through the school loan revolving fund. The bonds will carry interest rates from 2.50% to 2.67%.

HUDSONVILLE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2026

$81,795,000 Building and site and refunding bonds issued March 10, 2020.

Principal Due May 1	Interest Due May 1	Interest Due November 1	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ 1,900,000	$ 1,531,125	$ 1,531,125	2027	$ 4,962,250
1,995,000	1,483,625	1,483,625	2028	4,962,250
2,095,000	1,433,750	1,433,750	2029	4,962,500
2,200,000	1,381,375	1,381,375	2030	4,962,750
2,310,000	1,326,375	1,326,375	2031	4,962,750
2,425,000	1,268,625	1,268,625	2032	4,962,250
2,550,000	1,208,000	1,208,000	2033	4,966,000
2,650,000	1,157,000	1,157,000	2034	4,964,000
2,755,000	1,104,000	1,104,000	2035	4,963,000
2,865,000	1,048,900	1,048,900	2036	4,962,800
2,980,000	991,600	991,600	2037	4,963,200
3,100,000	932,000	932,000	2038	4,964,000
3,225,000	870,000	870,000	2039	4,965,000
3,355,000	805,500	805,500	2040	4,966,000
3,490,000	738,400	738,400	2041	4,966,800
3,625,000	668,600	668,600	2042	4,962,200
3,775,000	596,100	596,100	2043	4,967,200
3,925,000	520,600	520,600	2044	4,966,200
4,080,000	442,100	442,100	2045	4,964,200
4,245,000	360,500	360,500	2046	4,966,000
4,415,000	275,600	275,600	2047	4,966,200
4,590,000	187,300	187,300	2048	4,964,600
4,775,000	95,500	95,500	2049	4,966,000
$ 73,325,000	$ 20,426,575	$ 20,426,575		$ 114,178,150

The bonds were approved by the Board of Education at the February 24, 2020 meeting to be used for school building and site purposes. The bonds will carry interest rates ranging from 4.00% to 5.00%.

HUDSONVILLE PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2026

$48,060,000 Building and site bonds issued May 2, 2023.

Principal Due May 1	Interest Due May 1	Interest Due November 1	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ 2,235,000	$ 1,055,750	$ 1,055,750	2027	$ 4,346,500
2,265,000	999,875	999,875	2028	4,264,750
2,295,000	943,250	943,250	2029	4,181,500
945,000	885,875	885,875	2030	2,716,750
995,000	862,250	862,250	2031	2,719,500
1,045,000	837,375	837,375	2032	2,719,750
1,095,000	811,250	811,250	2033	2,717,500
1,145,000	783,875	783,875	2034	2,712,750
1,210,000	755,250	755,250	2035	2,720,500
1,295,000	725,000	725,000	2036	2,745,000
1,360,000	692,625	692,625	2037	2,745,250
1,445,000	658,625	658,625	2038	2,762,250
1,550,000	622,500	622,500	2039	2,795,000
1,665,000	583,750	583,750	2040	2,832,500
1,665,000	542,125	542,125	2041	2,749,250
1,665,000	500,500	500,500	2042	2,666,000
1,665,000	458,875	458,875	2043	2,582,750
1,665,000	417,250	417,250	2044	2,499,500
1,665,000	375,625	375,625	2045	2,416,250
1,670,000	334,000	334,000	2046	2,338,000
1,670,000	292,250	292,250	2047	2,254,500
1,670,000	250,500	250,500	2048	2,171,000
1,670,000	208,750	208,750	2049	2,087,500
1,670,000	167,000	167,000	2050	2,004,000
1,670,000	125,250	125,250	2051	1,920,500
1,670,000	83,500	83,500	2052	1,837,000
1,670,000	41,750	41,750	2053	1,753,500
$ 42,230,000	$ 15,014,625	$ 15,014,625		$ 72,259,250

The bonds were approved by the Board of Education at the April 13, 2023 meeting to be used for school building and site purposes as well as a portion to be used to refund the School District's outstanding 2013 refunding bonds. The bonds will carry interest rates of 5.00%.

HUDSONVILLE PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2026

$17,430,000 refunding bonds issued October 15, 2025.

Principal Due May 1	Interest Due May 1	Interest Due November 1	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ 2,755,000	$ 358,000	$ 358,000	2027	$ 3,471,000
745,000	289,125	289,125	2028	1,323,250
740,000	270,500	270,500	2029	1,281,000
765,000	252,000	252,000	2030	1,269,000
785,000	232,875	232,875	2031	1,250,750
780,000	213,250	213,250	2032	1,206,500
805,000	193,750	193,750	2033	1,192,500
825,000	173,625	173,625	2034	1,172,250
850,000	153,000	153,000	2035	1,156,000
870,000	131,750	131,750	2036	1,133,500
890,000	110,000	110,000	2037	1,110,000
885,000	87,750	87,750	2038	1,060,500
880,000	65,625	65,625	2039	1,011,250
875,000	43,625	43,625	2040	962,250
870,000	21,750	21,750	2041	913,500
$ 14,320,000	$ 2,596,625	$ 2,596,625		$ 19,513,250

The bonds were approved by the Board of Education at the October 9, 2025 meeting to be used to refund the School District's outstanding 2015 building and site and refunding bonds. The bonds will carry interest rates of 5.00%.

HUDSONVILLE PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2026

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Fund (SLRF). These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under this program are summarized as follows:

Year Ended June 30,	Net Loan Proceeds (Repayments)	Net Interest Accrued (Repayments)	Total
2012	$ 2,500,000	$ 18,944	$ 2,518,944
2013	3,291,584	101,312	3,392,896
2014	3,130,670	229,259	3,359,929
2015	2,218,037	333,516	2,551,553
2016	(9,583,315)	(670,953)	(10,254,268)
2017	2,532,665	65,341	2,598,006
2018	2,012,061	142,886	2,154,947
2019	1,596,436	219,579	1,816,015
2020	(7,695,947)	(583,053)	(8,279,000)
2020	3,802,846	165,869	3,968,715
2021	6,855,000	153,783	7,008,783
2022	7,242,200	293,302	7,535,502
2023	5,724,000	681,117	6,405,117
2024	2,480,000	1,115,291	3,595,291
2025	544,000	1,274,537	1,818,537
2026	-	1,215,160	1,215,160
Total	$ 26,650,237	$ 4,755,890	$ 31,406,127

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

To the Board of Education
Hudsonville Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hudsonville Public Schools as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Hudsonville Public Schools' basic financial statements and have issued our report thereon dated October 12, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Maner Costerisan PC

Lansing, Michigan
October 12, 2026

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October 12, 2026

To the Board of Education
Hudsonville Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hudsonville Public Schools for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

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

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

> Estimates have been used to calculate the net pension liability and the net other postemployment benefit asset. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit asset in determining that they are reasonable in relation to the financial statements taken as a whole.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

This information is intended solely for the use of the management and members of the Board of Education of Hudsonville Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC

Lansing, Michigan