HARTLAND CONSOLIDATED SCHOOLS

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

YEAR ENDED JUNE 30, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Hartland Consolidated Schools

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hartland Consolidated Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Hartland Consolidated 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 Hartland Consolidated Schools, as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hartland Consolidated 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 Hartland Consolidated 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 Hartland Consolidated 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 Hartland Consolidated 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 Hartland Consolidated 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 31, 2026 on our consideration of Hartland Consolidated 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 Hartland Consolidated 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 Hartland Consolidated Schools' internal control over financial reporting and compliance.

Lansing, Michigan
October 31, 2026

HARTLAND CONSOLIDATED SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

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

If you have any questions about this report or need any additional information, please contact Business Services Office, Hartland Consolidated Schools, Howell, Michigan 48843.

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.)

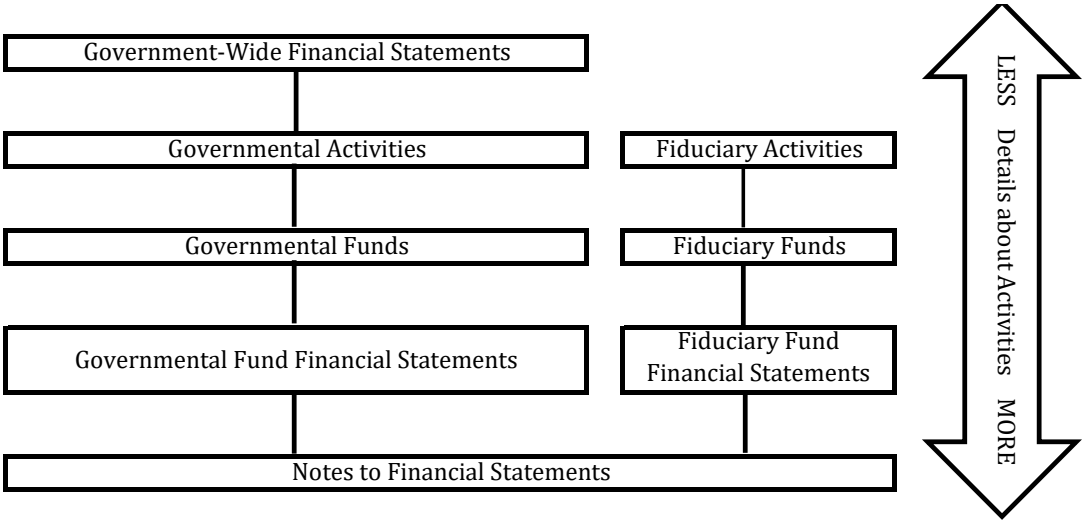
- *Governmental Activities* comprise the District's most basic functions, such as instruction, support services, athletics, food services, community services, and student activities. Governmental activities primarily are financed by property taxes from non-personal residence exemption properties, state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

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

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

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

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



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

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

	Financial Statements	
	Government-wide and Fiduciary Funds	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
Hartland Consolidated Schools' Net Position

	2026	2025	Dollar Change	Total Percentage Change
ASSETS				
Current assets	$ 58,423,314	$ 56,867,236	$ 1,556,078	2.7%
Net other postemployment benefits asset	20,413,826	12,752,889	7,660,937	60.1%
Capital assets	126,205,346	128,543,008	(2,337,662)	-1.8%
TOTAL ASSETS	205,042,486	198,163,133	6,879,353	3.5%
DEFERRED OUTFLOWS OF RESOURCES	20,628,130	25,772,837	(5,144,707)	-20.0%
LIABILITIES				
Long-term obligations	114,140,469	130,769,994	(16,629,525)	-12.7%
Net pension liability	58,520,211	72,325,080	(13,804,869)	-19.1%
Other liabilities	9,218,130	7,982,888	1,235,242	15.5%
TOTAL LIABILITIES	181,878,810	211,077,962	(29,199,152)	-13.8%
DEFERRED INFLOWS OF RESOURCES	42,454,408	41,511,127	943,281	2.3%
NET POSITION				
Net investment in capital assets	13,394,460	3,384,400	10,010,060	295.8%
Restricted for debt service	12,816,866	11,481,017	1,335,849	11.6%
Restricted for capital projects (sinking fund)	2,359,520	1,651,756	707,764	42.8%
Restricted for net other postemployment benefits	20,413,826	12,752,889	7,660,937	60.1%
Unrestricted	(47,647,274)	(57,923,181)	10,275,907	17.7%
TOTAL NET POSITION	$ 1,337,398	$ (28,653,119)	$ 29,990,517	104.7%

Table A-1 shows that as of June 30, 2026, the District's total net position - assets and deferred outflows minus liabilities and deferred inflows - was $1,337,398, an improvement of $29,990,517 or 104.7% compared with 2025. This increase is primarily due to a $10,275,907 or 17.7% increase in unrestricted net position, a $7,660,937 or 60.1% improvement in net position restricted for net other postemployment benefits, a $707,764 or 42.8% improvement in restricted for sinking fund, a $1,335,849 or 11.6% improvement in restricted for debt service, and a $10,010,060 or 295.8% improvement in net investment in capital assets. 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 noted above. The current year increase in net position of $29,990,517 was $115,445 greater than the increase in net position during the previous year. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

1. Decrease in revenues from operating grants and contributions
2. Increase in revenues from property taxes
3. Increase in revenues from unrestricted state sources
4. A decrease in expenses and improvement from pension/OPEB adjustments

Table A-2
Changes in Hartland Consolidated Schools' Net Position

	2026	2025	Dollar Change	Total Percentage Change
REVENUES				
Program revenues				
Charges for services	$ 4,565,652	$ 4,426,356	$ 139,296	3.1%
Operating grants and contributions	18,624,696	22,778,974	(4,154,278)	-18.2%
Capital grants and contributions	669,898	673,521	(3,623)	-0.5%
General revenues				
Property taxes	25,434,049	23,975,170	1,458,879	6.1%
State sources, unrestricted	43,631,347	42,536,578	1,094,769	2.6%
Intermediate sources, unrestricted	3,418,521	3,100,054	318,467	10.3%
Investment earnings	1,570,153	1,875,946	(305,793)	-16.3%
Other	39,348	47,060	(7,712)	-16.4%
TOTAL REVENUES	97,953,664	99,413,659	(1,459,995)	-1.5%
EXPENSES				
Instruction	30,327,123	31,385,559	(1,058,436)	-3.4%
Support services	18,133,032	19,773,850	(1,640,818)	-8.3%
Athletics	1,318,245	1,221,864	96,381	7.9%
Food services	2,610,135	2,437,021	173,114	7.1%
Community services	2,860,439	2,914,566	(54,127)	-1.9%
Student activities	1,977,778	1,483,776	494,002	33.3%
Interest on long-term debt	4,057,131	4,592,848	(535,717)	-11.7%
Unallocated depreciation	6,679,264	5,729,103	950,161	16.6%
TOTAL EXPENSES	67,963,147	69,538,587	(1,575,440)	-2.3%
Change in net position	29,990,517	29,875,072	$ 115,445	0.4%
Net position, beginning of year	(28,653,119)	(58,528,191)		51.0%
Net position, end of year	$ 1,337,398	$ (28,653,119)		104.7%

Decrease in Revenues from Operating Grants and Contributions

Operating grants and contributions decreased by $4,154,278, or 18.2%, during the fiscal year. The decrease was primarily attributable to a larger Section 147c funding deferral recognized at the government-wide level in the current year compared to the prior year. The year-over-year change in the related accounting adjustment reduced operating grants and contributions reported in the current year, while operating grant activity otherwise remained relatively consistent with the prior year.

Increase in Property Taxes

Property tax revenue increased by $1,458,879, or 6.1% during the year, primarily due to growth of the District's taxable property values. Property taxes are levied on taxable property values in accordance with Michigan law, and increases in taxable values generally result in higher property tax collections. Taxable value growth is generally limited to the lesser of inflation or 5% annually, unless ownership of a property changes, at which time the taxable value may be reset based on the property's state equalized value.

Increase in Revenue from Unrestricted State Sources

Unrestricted state aid increased by $1,094,769, or 2.6% during the fiscal year primarily due to an increase in the State of Michigan's foundation allowance, which provides the District's core per-pupil operational funding. Although pupil membership declined during the year, the increase in the foundation allowance more than offset the reduction in per-pupil funding associated with lower enrollment.

Decrease in Expenses and Pension/OPEB Adjustments

Total expenses for the District decreased by 2.3% overall. Reported expenses were affected by pension and other postemployment benefit (OPEB) accounting adjustments. Although favorable pension and OPEB adjustments were recognized during both the current and prior years, current-year adjustments were significantly more favorable and contributed to the overall decrease in reported expenses. These adjustments are noncash and actuarially determined based on factors such as plan assumptions, investment performance, experience, and the District's proportionate share of plan activity. Because the plans are administered at the state level, the District has limited control over these adjustments, and the amounts may fluctuate significantly from year to year.

Excluding the effect of these pension and OPEB accounting adjustments, operating expenses increased during the year, as discussed in the General Fund section of management's discussion and analysis.

GOVERNMENTAL FUNDS

The District reports three major funds individually in the governmental fund financial statements. These funds are the combined general fund, capital projects set aside, and the combined debt service 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
Hartland Consolidated Schools' Revenues, Expenditures, and Changes in Fund Balances

	Combined General Fund		Capital Projects Set Aside		Combined Debt Service Fund	
	2026	2025	2026	2025	2026	2025
REVENUES	$ 72,668,955	$ 72,579,328	$ 205,858	$ 289,367	$ 19,540,948	$ 18,633,313
EXPENDITURES	71,268,019	68,947,312	802,470	587,689	18,375,298	17,657,471
Excess (deficiency) of revenues over (under) expenditures	1,400,936	3,632,016	(596,612)	(298,322)	1,165,650	975,842
OTHER FINANCING SOURCES (USES)						
Proceeds from bond issuance	-	-	-	-	12,215,000	-
Premium on bond issuance	-	-	-	-	1,148,545	-
Payment to refunded bond escrow agent	-	-	-	-	(13,208,267)	-
Proceeds from the sale of capital assets	45,160	76,339	-	-	-	-
Transfers in	214,721	202,909	-	1,350,000	-	11,152,249
Transfers out	-	(1,350,000)	-	-	-	-
Total other financing sources (uses)	259,881	(1,070,752)	-	1,350,000	155,278	11,152,249
Net change in fund balance	1,660,817	2,561,264	(596,612)	1,051,678	1,320,928	12,128,091
Fund balance, beginning of year	21,532,684	18,971,420	6,344,098	5,292,420	12,128,091	-
Fund balance, end of year	$ 23,193,501	$ 21,532,684	$ 5,747,486	$ 6,344,098	$ 13,449,019	$ 12,128,091

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

Combined General Fund

The fund balance of the District's general fund increased by 7.7%. While revenues remained relatively steady, expenditures increased at a greater rate. The increase in expenditures was primarily attributable to higher payroll and related costs, particularly within the instructional and support services functions, resulting from the addition of teachers and paraprofessionals and the contractual 7% increase to the teacher salary schedule. As a result, fund balance in the general fund increased by less than the increase in the previous year.

The overall fund balance at the end of June 30, 2026, represented approximately 32.5% of operating expenditures. Within fund balance, approximately 91.8% of the balance is considered unassigned. The remaining 8.2% is considered either nonspendable or assigned for other items, and is not readily available for use.

Capital Projects Set Aside

The fund balance of the Capital Projects Set Aside fund is considered to be 100% assigned. These resources have been designated for future capital improvement projects throughout the District, including improvements to District facilities funded through transfers from the general fund. Although the balance remains available for its intended capital purposes, it is not intended to be used for general operating expenditures.

Combined Debt Service Fund

The fund balance for the debt service fund is considered to be 100% restricted. This means that the fund balance can only be used for the restricted purpose, which is paying the long-term obligations of the District.

SIGNIFICANT CAPITAL ASSETS 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, decreased 1.8% over 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Hartland Consolidated Schools' Capital Assets

	2026			2025	Total
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Percentage Change
Land	$ 2,419,502	$ -	$ 2,419,502	$ 2,419,502	0.0%
Construction in progress	151,786	-	151,786	1,752,057	-91.3%
Buildings and improvements	219,355,954	106,730,476	112,625,478	113,421,790	-0.7%
Furniture and equipment	24,899,717	17,359,535	7,540,182	7,652,197	-1.5%
Transportation	7,096,225	3,627,827	3,468,398	3,297,462	5.2%
Total	$ 253,923,184	$ 127,717,838	$ 126,205,346	$ 128,543,008	-1.8%

A significant factor in the change in net capital assets relates to the District's continued investment in capital improvements and equipment during 2026. The District recorded approximately $4.4 million of capital asset additions during the year, including athletic facility improvements, roofing and security projects, district-wide drinking fountain replacements, buses, playground improvements, and various food service equipment upgrades. While these additions enhanced and modernized District facilities and equipment, annual depreciation expense exceeded current-year additions, resulting in a net decrease in capital assets of approximately 1.8%.

Long-term Obligations

Overall, the carrying value of the District's long-term obligations decreased by 12.7% from the prior year. See Table A-5 for the carrying value of the District's long-term obligations.

Table A-5
Hartland Consolidated Schools
Outstanding Long-Term Obligations

	2026	2025	Total Percentage Change
General obligation bonds - net	$ 107,200,303	$ 121,181,277	-11.5%
Compensated absences	569,734	611,403	-6.8%
Notes from direct borrowing and direct placement	5,897,200	8,442,878	-30.2%
	$ 113,667,237	$ 130,235,558	-12.7%

During 2026, the District issued general obligation refunding bonds to refund the remaining 2016 refunding bonds. As a result of this refunding, the District reduced its total debt service requirements by $1,025,066. This resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of $958,328, plus an additional estimated savings in Michigan School Loan Revolving Fund interest expense avoidance of $21,863. In addition to this refunding, the District continued to make scheduled principal payments on its outstanding bonded debt and also reduced its outstanding notes from direct borrowing and direct placement through principal and interest payments on its Michigan School Loan Revolving Fund obligation. As a result of these debt reduction activities, total long-term obligations decreased by approximately $16.6 million during the fiscal year.

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's general fund budget is substantially reliant on funding provided by the State of Michigan. Each fiscal year, the State establishes a foundation allowance, which is multiplied by the District's pupil count to determine the primary source of operational funding. In addition to the foundation allowance, the State also authorizes a number of one-time categorical funding allocations. Collectively, these sources account for approximately 79% of the District's total general fund revenue.

- At the time of budget adoption, the State of Michigan had not finalized the 2026-2027 foundation allowance or categorical funding. Based on preliminary legislative proposals, the District estimated a foundation allowance of $10,300 per pupil, which is an increase of $250 per pupil over the prior fiscal year. Furthermore, an enrollment decline of 39 students was projected based on estimated provided by the District's enrollment consultant. Enrollment projections are based on multiple factors, including but not limited to housing development, birth rates, and school of choice trends. Finally, a reduction in categorical funding was estimated given that the substantial on-time allocations provided in 2025-2026 were not expected to continue in subsequent years. The District will amend its budget accordingly once the final student enrollment figures and confirmed per pupil funding amounts are available.

BASIC FINANCIAL STATEMENTS

HARTLAND CONSOLIDATED SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 28,273,625
Receivables	
Accounts	108,741
Intergovernmental	10,838,916
Inventories	200,173
Prepaids	458,269
Net other postemployment benefits asset	20,413,826
Restricted cash and cash equivalents	7,336,996
Restricted investments	11,206,594
Capital assets not being depreciated	2,571,288
Capital assets, net of accumulated depreciation	123,634,058
TOTAL ASSETS	205,042,486
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding, net of amortization	301,627
Related to pensions	16,771,179
Related to other postemployment benefits	3,555,324
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,628,130
LIABILITIES	
Accounts payable	574,216
Due to other governmental units	1,517,031
Accrued salaries and related items	3,965,133
Accrued interest	632,153
Accrued retirement	973,132
Unearned revenue	1,556,465
Noncurrent liabilities	
Arbitrage liability	473,232
Due within one year	24,957,236
Due in more than one year	88,710,001
Net pension liability	58,520,211
TOTAL LIABILITIES	181,878,810
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding, net of amortization	1,961,918
Related to pensions	18,482,720
Related to other postemployment benefits	17,343,943
Related to state aid funding for pensions	4,665,827
TOTAL DEFERRED INFLOWS OF RESOURCES	42,454,408
NET POSITION	
Net investment in capital assets	13,394,460
Restricted for debt service	12,816,866
Restricted for capital projects (sinking fund)	2,359,520
Restricted for net other postemployment benefits	20,413,826
Unrestricted	(47,647,274)
TOTAL NET POSITION	$ 1,337,398

See notes to financial statements.

HARTLAND CONSOLIDATED SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities					
Instruction	$ 30,327,123	$ 22,254	$ 9,848,343	$ -	$ (20,456,526)
Support services	18,133,032	37,917	3,729,815	-	(14,365,300)
Athletics	1,318,245	543,230	29,899	-	(745,116)
Food services	2,610,135	334,457	3,059,529	-	783,851
Community services	2,860,439	3,627,794	291,789	-	1,059,144
Student activities	1,977,778	-	1,665,321	-	(312,457)
Interest on long-term debt and related	4,057,131	-	-	669,898	(3,387,233)
Unallocated depreciation	6,679,264	-	-	-	(6,679,264)
Total governmental activities	$ 67,963,147	$ 4,565,652	$ 18,624,696	$ 669,898	(44,102,901)
General revenues					
Property taxes, levied for general purposes					6,274,314
Property taxes, levied for debt service					18,244,149
Property taxes, levied for capital projects					915,586
Investment earnings					1,570,153
State sources, unrestricted					43,631,347
Intermediate sources, unrestricted					3,418,521
Other					39,348
Total general revenues					74,093,418
CHANGE IN NET POSITION					29,990,517
NET POSITION, beginning of year					(28,653,119)
NET POSITION, end of year					$ 1,337,398

See notes to financial statements.

HARTLAND CONSOLIDATED SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	Combined General Fund	Capital Projects Set Aside	Combined Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 20,237,920	$ 5,515,435	$ -	$ 2,520,270	$ 28,273,625
Receivables					
Accounts	100,810	-	-	7,931	108,741
Intergovernmental	10,643,110	-	-	195,806	10,838,916
Due from other funds	-	328,102	-	3,701	331,803
Prepaids	441,769	-	-	16,500	458,269
Inventories	166,396	-	-	33,777	200,173
Restricted cash and cash equivalents	-	-	2,242,425	5,094,571	7,336,996
Restricted investments	-	-	11,206,594	-	11,206,594
TOTAL ASSETS	$ 31,590,005	$ 5,843,537	$ 13,449,019	$ 7,872,556	$ 58,755,117
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 434,873	$ 96,051	$ -	$ 43,292	$ 574,216
Accrued salaries and related items	3,951,784	-	-	13,349	3,965,133
Accrued retirement	969,576	-	-	3,556	973,132
Due to other funds	5,938	-	-	325,865	331,803
Due to other governmental units	1,517,031	-	-	-	1,517,031
Unearned revenue	1,517,302	-	-	39,163	1,556,465
Arbitrage liability	-	-	-	473,232	473,232
TOTAL LIABILITIES	8,396,504	96,051	-	898,457	9,391,012
FUND BALANCES					
Nonspendable					
Inventories	166,396	-	-	33,777	200,173
Prepaids	441,769	-	-	16,500	458,269
Restricted					
Debt service	-	-	13,449,019	-	13,449,019
Food services	-	-	-	1,247,872	1,247,872
Capital projects	-	-	-	4,275,550	4,275,550

See notes to financial statements.

	Combined General Fund	Capital Projects Set Aside	Combined Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
FUND BALANCES (continued)					
Assigned					
Subsequent year expenditures	$ 1,303,114	$ -	$ -	$ -	$ 1,303,114
Capital projects	-	5,747,486	-	-	5,747,486
Committed					
Student activities	-	-	-	1,400,400	1,400,400
Unassigned	21,282,222	-	-	-	21,282,222
TOTAL FUND BALANCES	23,193,501	5,747,486	13,449,019	6,974,099	49,364,105
TOTAL LIABILITIES AND FUND BALANCES	$ 31,590,005	$ 5,843,537	$ 13,449,019	$ 7,872,556	$ 58,755,117

Total Governmental Fund Balances		$ 49,364,105
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pensions		16,771,179
Deferred outflows of resources - related to other postemployment benefits		3,555,324
Deferred outflows of resources - deferred loss on refunding, net of amortization		301,627
Deferred inflows of resources - deferred gain on refunding, net of amortization		(1,961,918)
Deferred inflows of resources - related to pensions		(18,482,720)
Deferred inflows of resources - related to other postemployment benefits		(17,343,943)
Deferred inflows of resources - related to state pension funding		(4,665,827)
Some assets are not current financial resources and therefore are not reported in the governmental funds balance sheet. Such noncurrent asset(s) at year-end consist of:		
Net other postemployment benefits asset		20,413,826
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$ 253,923,184	
Accumulated depreciation is	(127,717,838)	
		126,205,346
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(107,200,303)
Notes from direct borrowings and direct placements		(5,897,200)
Compensated absences		(569,734)
Accrued interest		(632,153)
Net pension liability		(58,520,211)
Net Position of Governmental Activities		$ 1,337,398

See notes to financial statements.

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

	Combined General Fund	Formerly Major 2022 Capital Projects	Capital Projects Set Aside	Combined Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Local sources	$ 11,169,451	$ -	$ 205,858	$ 18,794,720	$ 3,164,238	$ 33,334,267
State sources	57,309,010	-	-	76,330	2,082,211	59,467,551
Federal sources	491,846	-	-	669,898	1,017,449	2,179,193
Interdistrict and other	3,698,648	-	-	-	-	3,698,648
TOTAL REVENUES	72,668,955	-	205,858	19,540,948	6,263,898	98,679,659
EXPENDITURES						
Current						
Instruction	43,215,285	-	-	-	-	43,215,285
Supporting services	22,917,751	-	-	-	-	22,917,751
Athletics	1,293,252	-	-	-	-	1,293,252
Food service activities	-	-	-	-	2,893,291	2,893,291
Student activities	-	-	-	-	2,006,395	2,006,395
Community services	3,431,303	-	-	-	-	3,431,303
Other	-	-	5,548	-	20,652	26,200
Debt service						
Principal repayment	-	-	-	14,299,917	-	14,299,917
Interest	-	-	-	3,912,679	-	3,912,679
Bond issuance cost	-	-	-	155,278	-	155,278
Other	-	-	-	7,424	-	7,424
Capital outlay	410,428	-	796,922	-	3,146,853	4,354,203
TOTAL EXPENDITURES	71,268,019	-	802,470	18,375,298	8,067,191	98,512,978
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,400,936	-	(596,612)	1,165,650	(1,803,293)	166,681

See notes to financial statements.

	Combined General Fund	Formerly Major 2022 Capital Projects	Capital Projects Set Aside	Combined Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)						
Proceeds from bond issuance	$ -	$ -	$ -	12,215,000	$ -	$ 12,215,000
Premium on bond issuance	-	-	-	1,148,545	-	1,148,545
Payment to refunded bond escrow agent	-	-	-	(13,208,267)	-	(13,208,267)
Proceeds from the sale of capital assets	45,160	-	-	-	-	45,160
Transfers in	214,721	-	-	-	-	214,721
Transfers out	-	-	-	-	(214,721)	(214,721)
TOTAL OTHER FINANCING SOURCES (USES)	259,881	-	-	155,278	(214,721)	200,438
NET CHANGE IN FUND BALANCES	1,660,817	-	(596,612)	1,320,928	(2,018,014)	367,119
FUND BALANCES						
Beginning of year, as previously stated	21,532,684	2,958,450	6,344,098	12,128,091	6,033,663	48,996,986
Adjustments to beginning fund balances	-	(2,958,450)	-	-	2,958,450	-
Beginning of year, as restated	21,532,684	-	6,344,098	12,128,091	8,992,113	48,996,986
End of year	$ 23,193,501	$ -	$ 5,747,486	$ 13,449,019	$ 6,974,099	$ 49,364,105

See notes to financial statements.

HARTLAND CONSOLIDATED 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	$ 367,119
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:	
Depreciation expense	(6,679,264)
Capital outlay	4,395,673
Proceeds from the sale of capital assets	(45,160)
Loss on disposal of capital assets	(8,911)
Accrued interest on long-term obligations is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest, beginning of the year	647,074
Accrued interest, end of the year	(632,153)
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, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
Proceeds from bond issuance	(12,215,000)
Premium on bond issuance	(1,148,545)
Payments on general obligation bonds	11,770,000
Payment to bond refunding escrow agent	13,208,267
Amortization of general obligation bonds issuance premiums	186,343
Amortization of deferred loss on refunding	(75,408)
Amortization of deferred gain on refunding	217,991
Payments on notes from direct borrowings and direct placements, including interest	2,873,879
Accrued interest on school loan revolving fund	(328,201)
Compensated absences and termination benefits 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, beginning of the year	611,403
Accrued compensated absences, end of the year	(569,734)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	10,559,820
Other postemployment benefits related items	7,581,319
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:	
State aid funding, beginning of the year	3,939,832
State aid funding, end of the year	(4,665,827)
Change in Net Position of Governmental Activities	$ 29,990,517

See notes to financial statements.

HARTLAND CONSOLIDATED SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2026

	Private Purpose Trust - 5/3 Bank	Private Purpose Trust - Ameritrust
ASSETS		
Cash and cash equivalents	$ 23,077	$ 7,089
NET POSITION		
Restricted for individuals, organizations, and other governments	$ 23,077	$ 7,089

See notes to financial statements.

HARTLAND CONSOLIDATED SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2026

	Private Purpose Trust - 5/3 Bank	Private Purpose Trust - Ameritrust
ADDITIONS		
Interest and contributions	$ 16,000	$ 20,317
DEDUCTIONS		
Scholarships/projects awarded	16,550	39,224
CHANGE IN NET POSITION	(550)	(18,907)
NET POSITION		
Beginning of year	23,627	25,996
End of year	$ 23,077	$ 7,089

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Hartland Consolidated Schools (the "District") is governed by the Hartland Consolidated 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.

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 nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

The *Combined 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 *Combined Debt Service Fund* is used to account for resources accumulated and payments made for principal and interest on long-term obligations of the District.

The *Capital Projects Set Aside Fund* is used to account for the accumulation and disbursement of funds for construction projects and capital improvements. Financing is provided with transfers from the general fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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 and student activities as special revenue funds.

The *2022 Capital Projects Fund and 2020 Capital Projects Fund* account for the receipt of debt proceeds and the acquisition of capital assets or construction of major projects funded with bonds approved by the voters on August 4, 2020. The approved bonds were issued in two separate series, Series I in 2020 (accounted for in the nonmajor *2020 Capital Projects* Fund) and Series II in 2022 (accounted for in the nonmajor *2022 Capital Projects* Fund). For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The projects for which the Series I bonds were issued were considered substantially complete as of June 30, 2024. The projects for which the Series II bonds were issued are not yet considered substantially complete and a subsequent year audit is expected.

The following is a summary of revenues and other financing sources and expenditures and other financing uses for the *2022 Capital Projects Fund* and *2020 Capital Projects Fund* bond activity since inception of the funds through the current fiscal year:

	2022 Capital Projects Fund	2020 Capital Projects Fund
Revenues and other financing sources	$ 23,317,728	$ 24,577,209
Expenditures and other financing uses	$ 21,401,698	$ 24,577,209

The above revenue and other financing sources figures include $21,999,263 and $23,886,917 of bond proceeds and related premiums from the 2022 and 2020 issuances, respectively.

The *Capital Projects Sinking Fund* accounts for the receipt of property taxes levied for sinking fund and the 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.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. The *Private Purpose Trust* funds account for assets held by the District under the terms of formal trust agreements. Fiduciary funds are not included in the government-wide statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

During 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 and advances to/from 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 fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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 receivables.

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

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

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

Cash and Cash Equivalents

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

Investments

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments (continued)

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.

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, buildings and additions, furniture and equipment, transportation equipment, and outdoor 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 a 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets (continued)

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

Capital Asset Classes	Lives
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 10 years
Transportation	5 - 10 years

Defined Benefit Plan

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

Deferred Outflows and Deferred Inflows

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 loss on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

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 four 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 net pension liability and net other postemployment benefit asset and the actual results. The amounts are amortized over a period determined by the actuary. The fourth is a deferred gain on refunding which 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 investment in capital assets, school loan revolving fund principal proceeds of $5,866,322 are considered capital-related debt. Accrued interest on the school loan revolving fund of $30,878 is not considered capital-related debt.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases and Subscription-based IT Arrangements (SBITA)

Lessee/subscriber: At times, the District is a lessee for noncancelable leases/subscriptions of equipment and/or subscription-based IT arrangements. When significant, the District recognizes a lease/SBITA liability and an intangible right-to-use lease/subscription asset in the government-wide financial statements. The District recognizes lease/SBITA liabilities with an initial, individual value that it considers significant to the government-wide financial statements, or with annual lease payments that are considered significant to the fund in which they are accounted for.

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

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

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

- Thelease/subscription term includes the noncancelable period of the lease/subscription. Lease/subscription payments include in the measurement of the lease/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 lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

The District does not currently report any significant leases/SBITA assets or liabilities.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

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.

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)	17.9136
Commercial Personal Property	5.9136
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	9.4900
Sinking fund	
PRE, Non-PRE, Commercial Personal Property	0.4763

Compensated Absences

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

Long-term Obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2026, $4,569,245 of the District's bank balance of $35,675,392 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 $35,640,787.

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
Federated Government Obligations Fund	$ 306	0.1205
U.S. treasuries and U.S. treasury STRIPS	11,206,288	0.7028
Total fair value	$ 11,206,594	
Portfolio weighted average maturity		0.7028

One day maturity equals 0.0027, one year equals 1.00.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk (continued)

Investment Type	Fair Value	Rating	Rating Agency
Federated Government Obligations Fund	$ 306	AAAm	Standard & Poor's
U.S. treasuries and U.S. treasury STRIPS	11,206,288	AA+	Standard & Poor's
Total	$ 11,206,594		

Foreign Currency Risk

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

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				
U.S. treasuries and U.S. treasury STRIPS	$ 11,206,288	$ -	$ -	$ 11,206,288

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.

Investments in Entities That Calculate Net Asset Value Per Share

The District holds shares or interests in certain federated government obligation funds, where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities That Calculate Net Asset Value Per Share (continued)

The federated government obligation funds include investments that the District does not control. The investment pools invest primarily in high-quality money market instruments, including U.S. government and agency obligations, to protect the investment principal and provide liquidity.

At the year ended June 30, 2026, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Federated Government Obligations Fund	$ 306	$ -	No restrictions	None

The deposits 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	Fiduciary Activities	Total
Cash and cash equivalents	$ 28,273,625	$ 30,166	$ 28,303,791
Restricted cash and cash equivalents	7,336,996	-	7,336,996
Restricted investments	11,206,594	-	11,206,594
	$ 46,817,215	$ 30,166	$ 46,847,381

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2025	Additions / Reclassifications	Disposals / Reclassifications	Balance June 30, 2026
Capital assets not being depreciated				
Land	$ 2,419,502	$ -	$ -	$ 2,419,502
Construction in progress	1,752,057	2,633,592	4,233,863	151,786
Subtotal	4,171,559	2,633,592	4,233,863	2,571,288
Capital assets being depreciated				
Buildings and improvements	215,196,754	4,159,200	-	219,355,954
Furniture and equipment	23,870,442	1,029,275	-	24,899,717
Transportation	6,829,463	807,469	540,707	7,096,225
Subtotal	245,896,659	5,995,944	540,707	251,351,896
Accumulated depreciation				
Buildings and improvements	101,774,964	4,955,512	-	106,730,476
Furniture and equipment	16,218,245	1,141,290	-	17,359,535
Transportation	3,532,001	582,462	486,636	3,627,827
Total accumulated depreciation	121,525,210	6,679,264	486,636	127,717,838
Net capital assets being depreciated	124,371,449	(683,320)	54,071	123,634,058
Net governmental capital assets	$ 128,543,008	$ 1,950,272	$ 4,287,934	$ 126,205,346

Depreciation for the fiscal year ended June 30, 2026 amounted to $6,679,264. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

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

	Government-wide
Other governmental units	
State aid	$ 10,106,638
Federal revenue	441,778
ISD and other	290,500
	$ 10,838,916

Amounts due from other governmental units include amounts due from federal, state, and local sources for various projects and programs. No allowance for doubtful accounts is considered necessary.

NOTE 5 - LONG-TERM OBLIGATIONS

The District issues general obligation bonds and uses notes from direct borrowings and direct placements to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds and notes from direct borrowings and direct placements are direct obligations and pledge the full faith and credit of the District.

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

	Compensated Absences*	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Total
Balance, July 1, 2025	$ 611,403	$ 121,181,277	$ 8,442,878	$ 130,235,558
Additions	-	13,363,545	328,201	13,691,746
Deletions	(41,669)	(27,344,519)	(2,873,879)	(30,260,067)
Balance, June 30, 2026	569,734	107,200,303	5,897,200	113,667,237
Due within one year	400,893	24,556,343	-	24,957,236
Due in more than one year	$ 168,841	$ 82,643,960	$ 5,897,200	$ 88,710,001

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

During the year ended June 30, 2026, the District issued $12,215,000 of general obligation refunding bonds with an interest rate of 5.00% to refund the 2027 through 2035 bond payments of the 2016 refunding bonds. The bonds mature at various times through May 1, 2035. The general obligation refunding bonds were issued at premium of $1,148,545. After paying issuance costs of $155,278 the net proceeds were $13,208,267. The net proceeds from the issuance of the general obligation refunding bonds were used to purchase U.S. Treasury State and Local Government Series (SLGS) securities, which were deposited with an escrow agent. The escrowed securities and related earnings were sufficient to redeem the refunded bonds on May 1, 2026. As a result of the current refunding, the District reduced its total debt service requirements by $1,025,066, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of $958,328.

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

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

General Obligation Bonds	
2010 Building and site bonds due in an annual installment of $12,180,000 on May 1, 2027 with interest of 6.65%.	$ 12,180,000
2019 Refunding bonds due in annual installments of $3,725,000 to $7,565,000 through May 1, 2031 with interest from 2.24% to 2.56%.	27,765,000
2020 Refunding bonds due in annual installments of $3,290,000 to $5,110,000 through May 1, 2029 with interest from 1.82% to 2.08%.	13,385,000
2020 Building and site bonds due in annual installments of $675,000 to $1,450,000 through May 1, 2045 with interest from 2.25% to 2.50%.	20,225,000
2022 Building and site bonds due in annual installments of $630,000 to $1,150,000 through May 1, 2047 with interest of 4.00%.	18,955,000
2026 Refunding bonds due in annual installments of $865,000 to $2,180,000 through May 1, 2035 with interest of 5.00%	12,215,000
Bond issuance premiums	2,475,303
Total general obligation bonds	107,200,303
Notes from direct borrowings and direct placements	
Borrowings from the State of Michigan under the School Loan Revolving Fund Program, including interest at 3.77% at year end.	5,897,200
Total general obligation bonds and notes from direct borrowings and direct placements	113,097,503
Compensated absences	569,734
Total long-term obligations	$ 113,667,237

Interest expenditures for all governmental funds for the year ended June 30, 2026 was approximately $3,913,000.

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize debt outstanding as of June 30, 2026, including interest, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences	Totals
	Principal	Interest	Principal	Interest		
2027	$ 24,370,000	$ 3,682,646	$ -	$ -	$ -	$ 28,052,646
2028	13,455,000	2,443,136	-	-	-	15,898,136
2029	11,460,000	2,082,234	-	-	-	13,542,234
2030	9,765,000	1,775,044	-	-	-	11,540,044
2031	9,970,000	1,470,084	-	-	-	11,440,084
2032 - 2036	12,550,000	4,955,360	-	-	-	17,505,360
2037 - 2041	10,955,000	3,006,922	-	-	-	13,961,922
2042 - 2046	11,050,000	1,239,506	-	-	-	12,289,506
2047	1,150,000	46,000	-	-	-	1,196,000
	104,725,000	20,700,932	-	-	-	125,425,932
School loan revolving fund	-	-	5,866,322	30,878	-	5,897,200
Issuance premiums	2,475,303	-	-	-	-	2,475,303
Compensated absences	-	-	-	-	569,734	569,734
	$ 107,200,303	$ 20,700,932	$ 5,866,322	$ 30,878	$ 569,734	$ 134,368,169

Borrowing from the State of Michigan - The school loan revolving fund payable represents a note 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. An interest rate of 3.77% has been assessed as of June 30, 2026. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 9.49 mills. The school district is required to levy 9.49 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 9.49 debt 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. The State of Michigan has issued a mandatory repayment date of May 1, 2035, for all amounts still outstanding as of that date.

The 2010 building and site gross interest payments due are reflected as part of the above annual requirements for general obligation bonds. These bonds were issued under the Federal government's "Build America Bonds" program. It is the expectation of the District that through this program they will receive an interest subsidy credit payment from the Federal government each time interest payments are made on these bonds. For the year ended June 30, 2026, the District received $669,898 in federal tax credits to offset interest payments as part of the "Build America Bonds" program. The District anticipates receiving $706,440 in federal tax credits in future periods over the remaining life of the bonds. These estimated federal tax credits anticipated to be received in future periods are not netted against future interest payments in the above table.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

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

Pension Reform of 2023

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

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

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

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

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

	Pension	Other Postemployment Benefits
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 $13,375,000. Of the total pension contributions approximately $13,018,000 was contributed to fund the Defined Benefit Plan and approximately $357,000 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 $810,000. Of the total OPEB contributions approximately $593,000 was contributed to fund the Defined Benefit Plan and approximately $217,000 was contributed to fund the Defined Contribution Plan.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

MPSERS (Plan) Non-University Employers	September 30, 2025	September 30, 2024
Total pension liability	$ 97,436,103,863	$ 95,765,499,515
Plan fiduciary net position	$ 77,403,114,236	$ 71,283,482,728
Net pension liability	$ 20,032,989,627	$ 24,482,016,787
Proportionate share	0.29212%	0.29542%
Net pension liability for the District	$ 58,520,211	$ 72,325,080

For the year ended June 30, 2026, the District recognized pension expense of $2,458,489.

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 plan investment earnings	$ -	$ 13,985,077
Differences between expected and actual experience	2,266,656	521,235
Changes in proportion and differences between employer contributions and proportionate share of contributions	714,712	883,474
Changes of assumptions	2,100,458	3,092,934
Reporting Unit's contributions subsequent to the measurement date	11,689,353	-
	$ 16,771,179	$ 18,482,720

$11,689,353, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ended June 30,	Amount
2027	$ (715,600)
2028	(6,255,282)
2029	(4,910,214)
2030	(1,519,798)

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	0.33580%	0.29628%
Net other postemployment benefits asset for the District	$ (20,413,826)	$ (12,752,889)

For the year ended June 30, 2026, the District recognized OPEB benefit of $6,988,472.

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	$ -	$ 2,868,588
Differences between expected and actual experience	-	13,976,273
Changes in proportion and differences between employer contributions and proportionate share of contributions	354,843	282,575
Changes of assumptions	2,724,444	216,507
Reporting Unit's contributions subsequent to the measurement date	476,037	-
	$ 3,555,324	$ 17,343,943

$476,037, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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

Year Ended June 30,	Amount
2027	$ (3,903,737)
2028	(3,685,108)
2029	(3,424,839)
2030	(2,233,833)
2031	(779,116)
2032	(238,023)

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.

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.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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.

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.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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	$ 92,348,121	$ 58,520,211	$ 30,345,892

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	$ (17,587,803)	$ (20,413,826)	$ (22,887,209)

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

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	$ (22,864,639)	$ (20,413,826)	$ (17,840,553)

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 - CONTINGENT LIABILITIES

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

NOTE 8 - RISK MANAGEMENT

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

The shared-risk pool program in which the District participates operated 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 9 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2026. $1,916,030 is restricted and recorded as restricted fund balance in the 2022 capital projects fund.

NOTE 10 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2026, the District did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements made by the District.

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables balances at June 30, 2026 are as follows:

Receivable fund		Payable fund	
Capital projects set aside	$ 328,102	Combined general fund	$ 5,938
Nonmajor funds	3,701	Nonmajor funds	325,865
	$ 331,803		$ 331,803

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 12 - TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Interfund transfers for the year ended June 30, 2026 were as follows:

Transfer in fund		Transfer out fund	
Combined general fund	$ 214,721	Nonmajor funds	$ 214,721

NOTE 13 - CHANGES IN ACCOUNTING PRINCIPLE

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

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

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

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

NOTE 14 - ADJUSTMENTS TO BEGINNING FUND BALANCES/NET POSITION

During fiscal year 2026, the changes to or within the financial reporting entity resulted in adjustments to beginning fund balance as follows:

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances	
	2022 Capital Projects Fund	Nonmajor Governmental Funds
Fund balance, as previously stated	$ 2,958,450	$ 6,033,663
Change from major to nonmajor fund	(2,958,450)	2,958,450
Fund balance, as restated	$ -	$ 8,992,113

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

HARTLAND CONSOLIDATED SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (NON-GAAP)*
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	$ 10,052,145	$ 10,616,444	$ 564,299	$ 10,626,221	$ 9,777
State sources	54,693,863	57,607,286	2,913,423	57,260,471	(346,815)
Federal sources	266,929	465,389	198,460	491,846	26,457
Interdistrict and other	3,399,961	3,702,960	302,999	3,698,648	(4,312)
TOTAL REVENUES	68,412,898	72,392,079	3,979,181	72,077,186	(314,893)
EXPENDITURES					
Current					
Instruction					
Basic programs	33,151,812	33,269,905	(118,093)	32,664,694	605,211
Added needs	9,583,408	10,686,611	(1,103,203)	10,550,591	136,020
Total instruction	42,735,220	43,956,516	(1,221,296)	43,215,285	741,231
Supporting services					
Pupil support	2,208,203	2,193,623	14,580	2,167,031	26,592
Instructional staff	1,559,213	1,865,429	(306,216)	1,801,143	64,286
General administration	1,826,098	1,961,201	(135,103)	1,953,936	7,265
School administration	4,418,213	4,320,168	98,045	4,305,184	14,984
Business services	628,940	670,182	(41,242)	635,849	34,333
Operation/maintenance	7,970,677	8,247,521	(276,844)	8,115,546	131,975
Pupil transportation	3,207,488	3,303,166	(95,678)	3,108,015	195,151
Central	596,044	623,775	(27,731)	619,254	4,521
Other	260,180	215,680	44,500	211,793	3,887
Community services	3,288,518	3,456,227	(167,709)	3,431,303	24,924
Capital outlay	360,000	417,456	(57,456)	385,435	32,021
TOTAL EXPENDITURES	69,058,794	71,230,944	(2,172,150)	69,949,774	1,281,170
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(645,896)	1,161,135	(1,807,031)	2,127,412	966,277
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of capital assets	45,000	45,160	160	45,160	-
Transfers in	204,000	245,000	41,000	214,721	(30,279)
Transfers out	(711,778)	(748,104)	(36,326)	(726,476)	21,628
TOTAL OTHER FINANCING SOURCES (USES)	(462,778)	(457,944)	4,834	(466,595)	(8,651)
NET CHANGE IN FUND BALANCE	(1,108,674)	703,191	1,811,865	1,660,817	957,626
FUND BALANCE					
Beginning of year	21,327,449	21,327,449	-	21,327,449	-
End of year	$ 20,218,775	$ 22,030,640	$ 1,811,865	$ 22,988,266	$ 957,626

*Schedule does not include Athletics subfund

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Reporting Unit's proportion of net pension liability (%)	0.29212%	0.29542%	0.29258%	0.29027%	0.29158%	0.30713%	0.31391%	0.30992%	0.30821%	0.30621%
Reporting Unit's proportionate share of net pension liability	$ 58,520,211	$ 72,325,080	$ 94,695,824	$ 109,167,341	$ 69,032,576	$ 105,501,936	$ 103,955,501	$ 93,167,832	$ 79,869,067	$ 76,396,790
Reporting Unit's covered-employee payroll	$ 31,628,639	$ 30,820,254	$ 29,049,970	$ 28,088,045	$ 25,700,168	$ 26,624,991	$ 27,566,352	$ 26,467,896	$ 25,791,629	$ 25,961,095
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	185.02%	234.67%	325.98%	388.66%	268.61%	396.25%	377.11%	352.00%	309.67%	294.27%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	79.44%	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

HARTLAND CONSOLIDATED SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF
THE YEAR ENDED JUNE 30)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	$ 13,018,309	$ 13,066,921	$ 12,467,728	$ 13,539,471	$ 9,783,491	$ 8,902,630	$ 8,565,606	$ 8,353,601	$ 7,905,937	$ 7,424,055
Contributions in relation to statutorily required contributions	13,018,309	13,066,921	12,467,728	13,539,471	9,783,491	8,902,630	8,565,606	8,353,601	7,905,937	7,424,055
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 32,513,284	$ 31,599,596	$ 30,499,300	$ 28,459,093	$ 26,679,260	$ 25,640,156	$ 26,871,786	$ 27,298,635	$ 26,227,843	$ 26,765,504
Contributions as a percentage of covered-employee payroll	40.04%	41.35%	40.88%	47.58%	36.67%	34.72%	31.88%	30.60%	30.14%	27.74%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net other postemployment benefits liability/asset (%)	0.33580%	0.29628%	0.29345%	0.29140%	0.28593%	0.30154%	0.31601%	0.31139%	0.30810%
Reporting Unit's proportionate share of net other postemployment benefits liability (asset)	$ (20,413,826)	$ (12,752,889)	$ (1,660,025)	$ 6,172,087	$ 4,364,402	$ 16,154,225	$ 22,682,569	$ 24,752,065	$ 27,283,294
Reporting Unit's covered-employee payroll	$ 31,628,639	$ 30,820,254	$ 29,049,970	$ 28,088,045	$ 25,700,168	$ 26,624,991	$ 27,566,352	$ 26,467,896	$ 25,791,629
Reporting Unit's proportionate share of net other postemployment benefits liability/asset as a percentage of its covered-employee payroll	64.54%	41.38%	5.71%	21.97%	16.98%	60.67%	82.28%	93.52%	105.78%
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%	48.46%	42.95%	36.39%

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

HARTLAND CONSOLIDATED SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF
THE YEAR ENDED JUNE 30)

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	$ 592,847	$ 168,770	$ 2,505,647	$ 2,290,729	$ 2,174,146	$ 2,133,710	$ 2,159,309	$ 2,144,315	$ 1,894,365
Contributions in relation to statutorily required contributions	592,847	168,770	2,505,647	2,290,729	2,174,146	2,133,710	2,159,309	2,144,315	1,894,365
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 32,513,284	$ 31,599,596	$ 30,499,300	$ 28,459,093	$ 26,679,260	$ 25,640,156	$ 26,871,786	$ 27,298,635	$ 26,227,843
Contributions as a percentage of covered-employee payroll	1.82%	0.53%	8.22%	8.05%	8.15%	8.32%	8.04%	7.86%	7.22%

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.

HARTLAND CONSOLIDATED SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

b. Public hearings are conducted to obtain taxpayer comments.

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

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 the June 30, 2026 year-end.

NOTE 2 - BUDGETARY COMPARISON

Significant variances between original and final budget:

	Variance	Explanation
REVENUES		
Local sources	$ 564,299	The final budget for local-source revenue increased primarily due to approximately $330,000 of additional property tax revenue. At original budget adoption, the District generally incorporates anticipated per-pupil funding increases within state-source revenue and subsequently updates the related local and state revenue estimates through the budget amendment process. The remaining increase primarily reflects community education program revenue that exceeded the amounts initially projected based on prior-year activity.

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant variances between original and final budget (continued):

	Variance	Explanation
REVENUES		
State sources	2,913,423	The final budget for state-source revenue increased primarily due to categorical funding that was not known at the time the original budget was adopted. The increase also included approximately $100,000 of GSRP start-up funding and approximately $350,000 associated with the expansion of the GSRP program through the addition of classrooms, neither of which was included in the original budget.
EXPENDITURES		
Instruction - Added needs	(1,103,203)	At the time the original budget was adopted, estimated costs associated with contractual increases and anticipated staffing changes were budgeted within instruction. During the budget amendment process, those costs were allocated among instruction, added needs, and pupil support based on the actual nature of the expenditures. The final budget also reflected the addition of six paraeducators during the year.

Significant variances between final budget and actual:

	Variance	Explanation
REVENUES		
State sources	$ (346,815)	Actual state-source revenue was below the final budget primarily because the final budget included the full GSRP award, including the portion allocated to staffing provided by the Livingston Educational Service Agency (LESA). Because the District was not required to record the portion administered by LESA, both the related revenue and the offsetting expenditures budgeted within Instruction - Basic Programs were lower than budgeted.
EXPENDITURES		
Instruction - Basic programs	605,211	Actual expenditures for Instruction - Basic Programs were below the final budget primarily because the budget included costs associated with the full GSRP award, including the portion allocated to staffing provided by the Livingston Educational Service Agency (LESA). Because the District was not required to record the LESA-administered portion, both the related expenditures and the offsetting state-source revenue were lower than budgeted. The remaining favorable variance resulted from salaries and benefits, supplies, and purchased services being slightly below budget across multiple accounts.

HARTLAND CONSOLIDATED SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

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.
- 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 points 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.

NOTE 4 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 2022 - The discount rate and investment rate of return used in the September 30, 2021, actuarial valuation decreased by 0.95 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.

- 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

HARTLAND CONSOLIDATED SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
COMBINED GENERAL FUND
JUNE 30, 2026

	General Fund	Athletics	Eliminating Entries	Combined General fund
REVENUES				
Local sources	$ 10,626,221	$ 543,230	$ -	$ 11,169,451
State sources	57,260,471	48,539	-	57,309,010
Federal sources	491,846	-	-	491,846
Interdistrict and other	3,698,648	-	-	3,698,648
TOTAL REVENUES	72,077,186	591,769	-	72,668,955
EXPENDITURES				
Current				
Instruction				
Basic programs	32,664,694	-	-	32,664,694
Added needs	10,550,591	-	-	10,550,591
Total instruction	43,215,285	-	-	43,215,285
Supporting services				
Pupil support	2,167,031	-	-	2,167,031
Instructional staff	1,801,143	-	-	1,801,143
General administration	1,953,936	-	-	1,953,936
School administration	4,305,184	-	-	4,305,184
Business services	635,849	-	-	635,849
Operation/maintenance	8,115,546	-	-	8,115,546
Pupil transportation	3,108,015	-	-	3,108,015
Central	619,254	-	-	619,254
Other	211,793	-	-	211,793
Athletics	-	1,293,252	-	1,293,252
Community services	3,431,303	-	-	3,431,303
Capital outlay	385,435	24,993	-	410,428
TOTAL EXPENDITURES	69,949,774	1,318,245	-	71,268,019
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,127,412	(726,476)	-	1,400,936
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	45,160	-	-	45,160
Transfers in	214,721	726,476	(726,476)	214,721
Transfers out	(726,476)	-	726,476	-
TOTAL OTHER FINANCING SOURCES (USES)	(466,595)	726,476	-	259,881
NET CHANGE IN FUND BALANCE	1,660,817	-	-	1,660,817
FUND BALANCE				
Beginning of year	21,327,449	205,235	-	21,532,684
End of year	$ 22,988,266	$ 205,235	$ -	$ 23,193,501

HARTLAND CONSOLIDATED SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2026

	Special Revenue		Capital Projects			
	Food Service	Student Activities	2020 Capital Projects	2022 Capital Projects	Sinking Fund	Total
ASSETS						
Cash and cash equivalents	$ 1,109,049	$ 1,411,221	$ -	$ -	$ -	$ 2,520,270
Receivables						
Accounts	8	7,923	-	-	-	7,931
Intergovernmental	195,806	-	-	-	-	195,806
Due from other funds	-	-	3,701		-	3,701
Prepaids	-	16,500	-	-	-	16,500
Inventories	33,777	-	-	-	-	33,777
Restricted cash and cash equivalents	-	-	3,834	2,700,092	2,390,645	5,094,571
TOTAL ASSETS	$ 1,338,640	$ 1,435,644	$ 7,535	$ 2,700,092	$ 2,390,645	$ 7,872,556
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 923	$ 18,744	$ -	$ -	$ 23,625	$ 43,292
Accrued salaries and related items	13,349	-	-	-	-	13,349
Accrued retirement	3,556	-	-	-	-	3,556
Due to other funds	-	-	-	318,365	7,500	325,865
Unearned revenue	39,163	-	-	-	-	39,163
Arbitrage liability	-	-	7,535	465,697	-	473,232
TOTAL LIABILITIES	56,991	18,744	7,535	784,062	31,125	898,457
FUND BALANCES						
Nonspendable						
Inventories	33,777	-	-	-	-	33,777
Prepaids	-	16,500	-	-	-	16,500
Restricted						
Food service	1,247,872	-	-	-	-	1,247,872
Capital projects	-	-	-	1,916,030	2,359,520	4,275,550
Committed						
Student activities	-	1,400,400	-	-	-	1,400,400
TOTAL FUND BALANCES	1,281,649	1,416,900	-	1,916,030	2,359,520	6,974,099
TOTAL LIABILITIES AND FUND BALANCES	$ 1,338,640	$ 1,435,644	$ 7,535	$ 2,700,092	$ 2,390,645	$ 7,872,556

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

	Special Revenue		Capital Projects			
	Food Service	Student Activities	2020 Capital Projects	2022 Capital Projects	Sinking Fund	Total
REVENUES						
Local sources	$ 334,457	$ 1,665,321	$ 44,756	$ 141,239	$ 978,465	$ 3,164,238
State sources	2,080,336	-	-	-	1,875	2,082,211
Federal sources	1,017,449	-	-	-	-	1,017,449
TOTAL REVENUES	3,432,242	1,665,321	44,756	141,239	980,340	6,263,898
EXPENDITURES						
Current						
Food service activities	2,893,291	-	-	-	-	2,893,291
Student activities	-	2,006,395	-	-	-	2,006,395
Other	-	-	7,724	12,928	-	20,652
Capital outlay	583,091	-	1,120,455	1,170,731	272,576	3,146,853
TOTAL EXPENDITURES	3,476,382	2,006,395	1,128,179	1,183,659	272,576	8,067,191
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(44,140)	(341,074)	(1,083,423)	(1,042,420)	707,764	(1,803,293)
OTHER FINANCING SOURCES (USES)						
Transfers out	(214,721)	-	-	-	-	(214,721)
NET CHANGE IN FUND BALANCES	(258,861)	(341,074)	(1,083,423)	(1,042,420)	707,764	(2,018,014)
FUND BALANCES						
Beginning of year, as previously stated	1,540,510	1,757,974	1,083,423	-	1,651,756	6,033,663
Adjustments to beginning fund balances	-	-	-	2,958,450	-	2,958,450
Beginning of year, as restated	1,540,510	1,757,974	1,083,423	2,958,450	1,651,756	8,992,113
End of year	$ 1,281,649	$ 1,416,900	$ -	$ 1,916,030	$ 2,359,520	$ 6,974,099

HARTLAND CONSOLIDATED SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2026

2010 Building and Site Bonds

Fiscal Year	Interest rate	Principal Due	Interest Due		Estimated Federal Tax Credits	Total Due Annually
			May 1	November 1		
2027	6.650%	$ 12,180,000	$ 404,985	$ 404,985	$ (706,440)	$ 12,283,530

HARTLAND CONSOLIDATED SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2026

2019 Refunding Bonds

Fiscal Year	Interest Rate	Principal Due	Interest Due May 1	Interest Due November 1	Total Due Annually
2027	2.241%	$ 3,725,000	$ 333,859	$ 333,859	$ 4,392,718
2028	2.291%	5,000,000	292,120	292,120	5,584,240
2029	2.341%	5,375,000	234,845	234,845	5,844,690
2030	2.461%	6,100,000	171,931	171,931	6,443,862
2031	2.561%	7,565,000	96,870	96,870	7,758,740
Total		$ 27,765,000	$ 1,129,625	$ 1,129,625	$ 30,024,250

HARTLAND CONSOLIDATED SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2026

2020 Refunding Bonds

Fiscal Year	Interest Rate	Principal Due	Interest Due		Total Due Annually
			May 1	November 1	
2027	1.818%	$ 5,110,000	$ 129,976	$ 129,976	$ 5,369,952
2028	1.979%	4,985,000	83,526	83,526	5,152,052
2029	2.079%	3,290,000	34,200	34,200	3,358,400
Total		$ 13,385,000	$ 247,702	$ 247,702	$ 13,880,404

HARTLAND CONSOLIDATED SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2026

2020 Building and Site Bonds

Fiscal Year	Interest Rate	Principal Due	Interest Due May 1	Interest Due November 1	Total Due Annually
2027	2.250%	$ 675,000	$ 232,891	$ 232,891	$ 1,140,782
2028	2.250%	700,000	225,297	225,297	1,150,594
2029	2.250%	725,000	217,422	217,422	1,159,844
2030	2.250%	775,000	209,266	209,266	1,193,532
2031	2.250%	800,000	200,547	200,547	1,201,094
2032	2.250%	850,000	191,547	191,547	1,233,094
2033	2.250%	900,000	181,985	181,985	1,263,970
2034	2.250%	925,000	171,860	171,860	1,268,720
2035	2.250%	975,000	161,453	161,453	1,297,906
2036	2.250%	1,100,000	150,485	150,485	1,400,970
2037	2.250%	1,125,000	138,110	138,110	1,401,220
2038	2.250%	1,175,000	125,453	125,453	1,425,906
2039	2.250%	1,225,000	112,235	112,235	1,449,470
2040	2.250%	1,275,000	98,453	98,453	1,471,906
2041	2.250%	1,325,000	84,110	84,110	1,493,220
2042	2.375%	1,375,000	69,203	69,203	1,513,406
2043	2.375%	1,400,000	52,875	52,875	1,505,750
2044	2.500%	1,450,000	36,250	36,250	1,522,500
2045	2.500%	1,450,000	18,125	18,125	1,486,250
Total		$ 20,225,000	$ 2,677,567	$ 2,677,567	$ 25,580,134

HARTLAND CONSOLIDATED SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2026

2022 Building and Site Bonds

Fiscal Year	Interest rate	Principal Due	Interest Due May 1	Interest Due November 1	Total Due Annually
2027	4.000%	$ 630,000	$ 379,100	$ 379,100	$ 1,388,200
2028	4.000%	655,000	366,500	366,500	1,388,000
2029	4.000%	685,000	353,400	353,400	1,391,800
2030	4.000%	710,000	339,700	339,700	1,389,400
2031	4.000%	740,000	325,500	325,500	1,391,000
2032	4.000%	770,000	310,700	310,700	1,391,400
2033	4.000%	800,000	295,300	295,300	1,390,600
2034	4.000%	835,000	279,300	279,300	1,393,600
2035	4.000%	870,000	262,600	262,600	1,395,200
2036	4.000%	905,000	245,200	245,200	1,395,400
2037	4.000%	940,000	227,100	227,100	1,394,200
2038	4.000%	950,000	208,300	208,300	1,366,600
2039	4.000%	965,000	189,300	189,300	1,343,600
2040	4.000%	980,000	170,000	170,000	1,320,000
2041	4.000%	995,000	150,400	150,400	1,295,800
2042	4.000%	1,015,000	130,500	130,500	1,276,000
2043	4.000%	1,050,000	110,200	110,200	1,270,400
2044	4.000%	1,070,000	89,200	89,200	1,248,400
2045	4.000%	1,110,000	67,800	67,800	1,245,600
2046	4.000%	1,130,000	45,600	45,600	1,221,200
2047	4.000%	1,150,000	23,000	23,000	1,196,000
Total		$ 18,955,000	$ 4,568,700	$ 4,568,700	$ 28,092,400

HARTLAND CONSOLIDATED SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2026

2026 Refunding Bonds

Fiscal Year	Interest rate	Principal Due	Interest Due May 1	Interest Due November 1	Total Due Annually
2027	5.000%	$ 2,050,000	$ 305,375	$ 415,649	$ 2,771,024
2028	5.000%	2,115,000	254,125	254,125	2,623,250
2029	5.000%	1,385,000	201,250	201,250	1,787,500
2030	5.000%	2,180,000	166,625	166,625	2,513,250
2031	5.000%	865,000	112,125	112,125	1,089,250
2032	5.000%	895,000	90,500	90,500	1,076,000
2033	5.000%	900,000	68,125	68,125	1,036,250
2034	5.000%	905,000	45,625	45,625	996,250
2035	5.000%	920,000	23,000	23,000	966,000
Total		$ 12,215,000	$ 1,266,750	$ 1,377,024	$ 14,858,774

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

To the Board of Education of
Hartland Consolidated Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hartland Consolidated Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Hartland Consolidated Schools' basic financial statements, and have issued our report thereon dated October 31, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hartland Consolidated Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hartland Consolidated Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Hartland Consolidated 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hartland Consolidated 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.

Lansing, Michigan
October 31, 2026