

HOPKINS PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Hopkins Public Schools

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public 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 Hopkins Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hopkins Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 August 21, 2026 on our consideration of Hopkins Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hopkins Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hopkins Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

Lansing, Michigan
August 21, 2026

HOPKINS PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

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

If you have any questions about this report or need any additional information, please contact the Business Services Office, Hopkins Public Schools, 400 Clark Street, Hopkins, Michigan 49328, phone: (269) 793-7261.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial report contains basic financial statements. Those financial statements present the District's finance 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.)

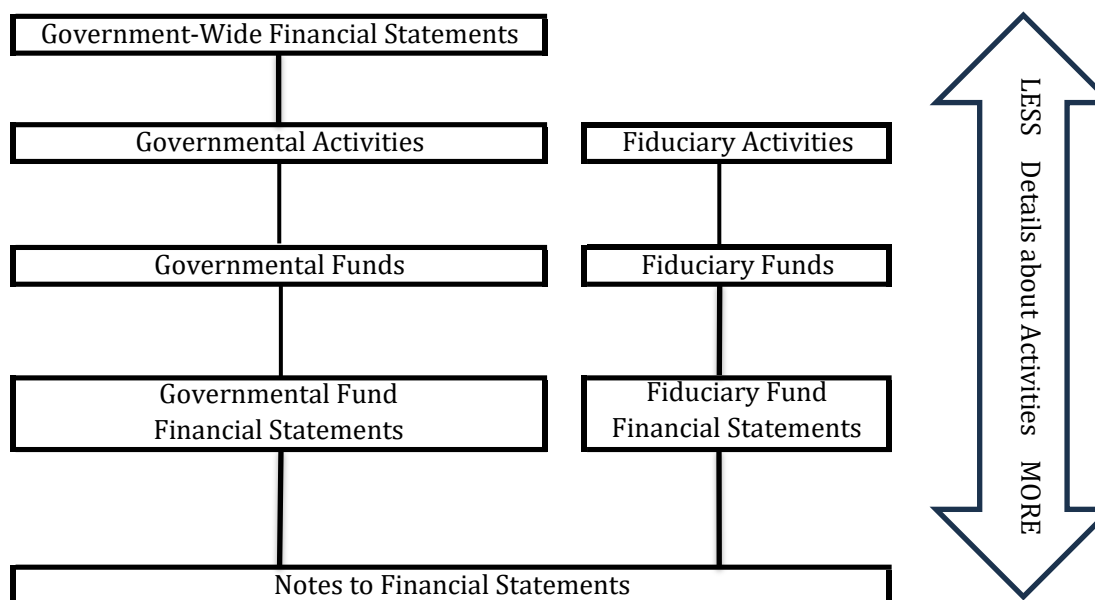
- *Governmental Activities* comprise of the District's most basic functions, such as instruction, support services, and food services. Governmental activities primarily are financed by property taxes from non-personal residence exemption properties, state aid foundation, and federal grants. These statements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

The remaining basic financial statements present the District's finances in greater detail 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 except those that involve reporting resources for which the District acts as a trustee or custodian. 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.

HOPKINS PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

HOPKINS PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

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 the construction.

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

	Financial Statements		
	<u>Government-wide</u>	<u>Fiduciary Fund</u>	<u>Governmental Funds</u>
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		* 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,		* 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.

HOPKINS PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF THE DISTRICT'S FINANCES

Table A-1 Hopkins Public Schools' Net Position				
	2026	2025	Dollar Change	Total Percentage Change
Assets				
Current assets	\$ 8,460,698	\$ 7,316,304	\$ 1,144,394	16%
Net other postemployment benefits asset	5,508,784	3,862,514	1,646,270	43%
Capital assets	27,627,616	28,828,378	(1,200,762)	-4%
Total assets	41,597,098	40,007,196	1,589,902	4%
Deferred outflows of resources	6,173,142	8,135,474	(1,962,332)	-24%
Liabilities				
Long-term liabilities outstanding	11,422,450	15,239,520	(3,817,070)	-25%
Other liabilities	2,485,443	2,118,208	367,235	17%
Net pension liability	17,498,929	22,171,066	(4,672,137)	-21%
Total liabilities	31,406,822	39,528,794	(8,121,972)	-21%
Deferred inflows of resources	12,482,009	12,869,129	(387,120)	-3%
Net position				
Net investment in capital assets	17,640,100	15,147,822	2,492,278	17%
Restricted for debt service	1,139,863	603,849	536,014	89%
Restricted for capital projects - sinking fund	1,489,223	1,015,082	474,141	47%
Restricted for net other postemployment benefits	5,508,784	3,862,514	1,646,270	43%
Unrestricted	(21,896,561)	(24,884,520)	2,987,959	12%
Total net position	\$ 3,881,409	\$ (4,255,253)	\$ 8,136,662	191%

Table A-1 shows that as of June 30, 2026, the District's total net position, or assets and deferred outflows minus liabilities and deferred inflows, was nearly \$3,900,000, an approximate increase of \$8,140,000 or 191% compared with 2025. This increase is primarily due to an approximate \$3,000,000 or 12% increase in unrestricted net position, approximately \$1,600,000 or 43% increase in restricted for other post-employment benefits, as well as a nearly \$2,500,000 or 17% increase 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 increase in net position. The total increase to net position of the District's governmental activities was over \$8,140,000. Various events contributed to this increase; however, the primary factor affecting the change in net position are decreases in expenses for certain programs and functions.

**HOPKINS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table A-2
Changes in Hopkins Public Schools' Net Position**

	2026	2025	Dollar Change	Total Percentage Change
Revenues				
Operating grants and contributions	\$ 5,810,098	\$ 6,401,006	\$ (590,908)	-9%
Charges for services	69,787	71,899	(2,112)	-3%
General revenues				
Property taxes	6,253,298	5,901,022	352,276	6%
State aid - unrestricted	12,945,889	13,247,288	(301,399)	-2%
Other	1,306,713	1,028,827	277,886	27%
Total revenues	<u>26,385,785</u>	<u>26,650,042</u>	<u>(264,257)</u>	-1%
Expenses				
Instruction	8,481,316	9,071,584	(590,268)	-7%
Support services	6,925,046	7,357,189	(432,143)	-6%
Community services	8,727	19,010	(10,283)	-54%
Food services	864,562	906,169	(41,607)	-5%
Student/school activities	419,210	431,933	(12,723)	-3%
Interest on long-term debt	516,055	550,489	(34,434)	-6%
Unallocated depreciation/amortization	<u>1,034,207</u>	<u>1,020,016</u>	<u>14,191</u>	1%
Total expenses	<u>18,249,123</u>	<u>19,356,390</u>	<u>(1,107,267)</u>	-6%
Change in net position	8,136,662	7,293,652	<u>\$ 843,010</u>	12%
Net position-beginning of year	<u>(4,255,253)</u>	<u>(11,548,905)</u>		63%
Net position-end of year	<u>\$ 3,881,409</u>	<u>\$ (4,255,253)</u>		191%

Decline in Instruction and Support Services Expenses

There were notable decreases in expenses related to instruction and support services. The decreases are attributable to reduced allocation of pension and other postemployment benefits (OPEB) expenses recognized under government-wide accounting standards, decreased expenses related to compensated absences, and reduced operating grant-related expenditures which resulted from decreased operating grants and contributions when compared to the prior year.

HOPKINS PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENTAL FUNDS

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

Table A-3				
Revenues, Expenditures, and Changes in Fund Balances				
	<u>General Fund</u>		<u>Sinking Fund</u>	
	<u>2026</u>	<u>2025</u>	<u>2026</u>	<u>2025</u>
REVENUES	\$ 19,870,747	\$ 19,563,863	\$ 671,498	\$ 634,191
EXPENDITURES	<u>20,155,248</u>	<u>20,334,933</u>	<u>197,357</u>	<u>109,582</u>
Excess (deficiency) of revenues over expenditures	<u>(284,501)</u>	<u>(771,070)</u>	<u>474,141</u>	<u>524,609</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	3,500	-	-
Proceeds from issuance of debt	-	335,210	-	-
Transfers in	<u>60,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
Total other financial sources	60,000	378,710	-	-
Net change in fund balance	(224,501)	(392,360)	474,141	524,609
Fund balance - beginning of year	<u>2,656,701</u>	<u>3,049,061</u>	<u>1,015,082</u>	<u>490,473</u>
Fund balance - end of year	<u>\$ 2,432,200</u>	<u>\$ 2,656,701</u>	<u>\$ 1,489,223</u>	<u>\$ 1,015,082</u>

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

General Fund

The fund balance of the District's general fund decreased by 8.45%. Excluding the transfer from the food service fund, the general fund's fund balance would have been \$60,000 less. The decline in fund balance is attributable to (1) stagnant revenue sources, (2) rising costs overall which results in difficulty finding areas to reduce expenditures.

The overall fund balance at the end of June 30, 2026, represented approximately 12.1% of operating expenditures. The District aims to have a minimum fund balance of 15% of operating expenditures. Within fund balance, approximately 50% of the balance is considered unassigned. The remaining 50% is considered either restricted, committed, or assigned for other items and is not readily available for use.

Sinking Fund

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

**HOPKINS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

SIGNIFICANT CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

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

Table A-4 Hopkins Public Schools' Capital Assets					
	2026			2025	Total Percentage Change
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value	
Land	\$ 739,062	\$ -	\$ 739,062	\$ 739,062	0%
Construction in progress	30,810	-	30,810	206,720	-85%
Building and additions	43,600,269	19,698,652	23,901,617	24,668,883	-3%
Furniture and equipment	4,452,752	2,779,244	1,673,508	1,527,471	10%
Transportation equipment	2,955,440	1,953,388	1,002,052	1,299,219	-23%
Land improvements	64,500	7,762	56,738	52,613	8%
Right to use - subscription-based IT	183,642	102,628	81,014	143,990	-44%
Right to use - equipment	238,025	95,210	142,815	190,420	-25%
Total	<u>\$ 52,264,500</u>	<u>\$ 24,636,884</u>	<u>\$ 27,627,616</u>	<u>\$ 28,828,378</u>	-4%

A significant reason for the decrease in the net capital assets is the additions of capital assets was outpaced by depreciation during the year. Additionally, the District completed a safety and security project and placed into service \$207,000 of prior year construction in process which began depreciation during 2026.

Long-term Obligations

Overall, the carrying value of the District's long-term obligations decreased 25% from the prior year. See Table A-5 for the carrying value of the District's long-term obligations.

Table A-5 Hopkins Public Schools' Outstanding Long-Term Obligations			
	2026	2025	Total Percentage Change
General obligation bonds	\$ 10,261,714	\$ 13,972,051	-27%
Notes from direct borrowings and direct placements	164,613	258,966	-36%
Compensated absences and termination benefits	996,123	1,008,503	-1%
Total	<u>\$ 11,422,450</u>	<u>\$ 15,239,520</u>	-25%

During 2026, the District did not incur any new general obligation bonds or notes from direct borrowings and direct placements. Therefore, outstanding long-term obligations were reduced by repayments of principal in 2026. The total amount of principal paid in the current year was approximately \$3,800,000.

HOPKINS PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

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 approved the 2026-27 budget based on projected enrollment of approximately 1,415 students, which is consistent with the 2025-26 audited pupil count. The budget also assumes a foundation allowance of \$10,300 per pupil, as approved by the State School Aid Act.
- To assist with cash flow during periods when expenditures precede the receipt of state and local sources, the District plans to issue a \$2.4 million State Aid Note for the 2026-27 fiscal year. State Aid payments begin in October, while the majority of winter property tax collections are received between January and March.
- The District will levy 18 mills for operating purposes during the Winter 2026 tax levy, generating an estimated \$1.35 million in local operating revenue. This revenue represents approximately 10% of the District's foundation allowance funding. The District will also levy 1.5323 mills for its sinking fund, which is expected to generate approximately \$700,000 for facility maintenance and capital improvements. Additionally, a 6.54 mill debt levy is expected to generate approximately \$3 million to meet the District's annual debt service obligations.
- The District expects to complete a bond refinancing during the fall of 2026. The refinancing is anticipated to reduce future interest costs and shorten the repayment period for a portion of the District's outstanding long-term obligations, resulting in long-term savings for the District.
- Voters will be asked to consider a bond proposal on the November 3, 2026 ballot. If approved, the proposal would authorize approximately \$98.7 million in bond funding to replace the existing middle school, construct a new auditorium connecting the middle school and high school, improve safety and security throughout the District, and complete selected athletic facility improvements.
- The District will continue to participate in Michigan's statewide school meals program during the 2026-27 school year, allowing all students to receive breakfast and lunch at no cost to families.
- There are no expired collective bargaining agreements or employee contracts entering the 2026-27 fiscal year. The District anticipates negotiating two agreements that are scheduled to expire on June 30, 2027, the collective bargaining agreement with the teachers' union and the nonunion employment agreement for food service staff. The District will monitor the financial impact of future negotiations as part of financial planning.

BASIC FINANCIAL STATEMENTS

HOPKINS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,032,480
Accounts receivable	13,465
Intergovernmental	3,119,523
Inventories	105,166
Prepays	190,064
Net other postemployment benefits asset	5,508,784
Capital assets, not being depreciated	769,872
Capital assets, net of accumulated depreciation/amortization	26,857,744
TOTAL ASSETS	41,597,098
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges, net of amortization	278,011
Related to other postemployment benefits	995,600
Related to pensions	4,899,531
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,173,142
LIABILITIES	
Accounts payable	116,743
Accrued salaries and related items	1,210,135
Accrued retirement	506,969
Accrued interest	60,394
State aid note payable	400,000
Unearned revenue	191,202
Noncurrent liabilities	
Due within one year	3,513,394
Due in more than one year	7,909,056
Net pension liability	17,498,929
TOTAL LIABILITIES	31,406,822
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	4,699,331
Related to pensions	6,374,646
Related to state aid funding for pension	1,408,032
TOTAL DEFERRED INFLOWS OF RESOURCES	12,482,009
NET POSITION	
Net investment in capital assets	17,640,100
Restricted for debt service	1,139,863
Restricted for capital projects - sinking fund	1,489,223
Restricted for net other postemployment benefits	5,508,784
Unrestricted	(21,896,561)
TOTAL NET POSITION	\$ 3,881,409

See notes to financial statements.

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 8,481,316	\$ -	\$ 3,521,933	\$ (4,959,383)
Support services	6,925,046	-	816,394	(6,108,652)
Community services	8,727	-	-	(8,727)
Food services	864,562	69,787	1,060,867	266,092
Student/school activities	419,210	-	410,904	(8,306)
Interest on long-term debt	516,055	-	-	(516,055)
Unallocated depreciation/amortization	1,034,207	-	-	(1,034,207)
Total governmental activities	<u>\$ 18,249,123</u>	<u>\$ 69,787</u>	<u>\$ 5,810,098</u>	<u>(12,369,238)</u>
General revenues				
Property taxes, levied for general purposes				1,242,665
Property taxes, levied for debt service				4,343,447
Property taxes, levied for sinking fund				667,186
Investment earnings				117,569
State sources - unrestricted				12,945,889
Intermediate sources				657,810
Other				531,334
Total general revenues				<u>20,505,900</u>
CHANGE IN NET POSITION				8,136,662
NET POSITION, beginning of year				<u>(4,255,253)</u>
NET POSITION, end of year				<u>\$ 3,881,409</u>

See notes to financial statements.

**HOPKINS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026**

	General Fund	Sinking Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,427,921	\$ 1,507,847	\$ 2,096,712	\$ 5,032,480
Accounts receivable	13,465	-	-	13,465
Intergovernmental	3,043,973	-	75,550	3,119,523
Due from other funds	60,000	-	-	60,000
Inventories	95,354	-	9,812	105,166
Prepays	190,064	-	-	190,064
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 4,830,777</u>	<u>\$ 1,507,847</u>	<u>\$ 2,182,074</u>	<u>\$ 8,520,698</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 98,119	\$ 18,624	\$ -	\$ 116,743
Accrued salaries and related items	1,210,135	-	-	1,210,135
Accrued retirement	506,969	-	-	506,969
Due to other funds	-	-	60,000	60,000
Unearned revenue	183,354	-	7,848	191,202
State aid note payable	400,000	-	-	400,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>2,398,577</u>	<u>18,624</u>	<u>67,848</u>	<u>2,485,049</u>
FUND BALANCES				
Nonspendable				
Inventories	95,354	-	9,812	105,166
Prepays	190,064	-	-	190,064
Restricted				
Debt service	-	-	1,200,257	1,200,257
Capital projects	-	1,489,223	-	1,489,223
Food service	-	-	435,416	435,416
Committed for student/school activities	-	-	305,289	305,289
Assigned				
Capital projects funds	-	-	163,452	163,452
Subsequent year expenditures	919,130	-	-	919,130
Unassigned	1,227,652	-	-	1,227,652
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>2,432,200</u>	<u>1,489,223</u>	<u>2,114,226</u>	<u>6,035,649</u>
	<u>\$ 4,830,777</u>	<u>\$ 1,507,847</u>	<u>\$ 2,182,074</u>	<u>\$ 8,520,698</u>

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

Total governmental fund balances		\$ 6,035,649
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - deferred charges on refunding	\$ 278,011	
Deferred outflows of resources - related to pensions	4,899,531	
Deferred outflows of resources - related to other postemployment benefits	995,600	
Deferred inflows of resources - related to pensions	(6,374,646)	
Deferred inflows of resources - related to other postemployment benefits	(4,699,331)	
Deferred inflows of resources - related to state aid funding for pension	<u>(1,408,032)</u>	
		(6,308,867)
Some assets are not current financial resources and therefore are not reported in the governmental funds balance sheet.		
Noncurrent assets at year end consist of the following:		
Net other postemployment benefit asset		5,508,784
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	52,264,500	
Accumulated depreciation/amortization is	<u>(24,636,884)</u>	
		27,627,616
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds and notes payable		(10,426,327)
Compensated absences and termination benefits		(996,123)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(60,394)
Net pension liability		<u>(17,498,929)</u>
Net position of governmental activities		<u>\$ 3,881,409</u>

See notes to financial statements.

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

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources				
Property taxes	\$ 1,242,665	\$ 667,186	\$ 4,343,447	\$ 6,253,298
Tuition	5,880	-	-	5,880
Investment earnings	67,461	2,856	47,252	117,569
Food sales	-	-	69,337	69,337
Student/school activity income	-	-	410,904	410,904
Other	229,180	-	159,718	388,898
	<u>1,545,186</u>	<u>670,042</u>	<u>5,030,658</u>	<u>7,245,886</u>
Total local sources	1,545,186	670,042	5,030,658	7,245,886
State sources	17,227,082	1,456	617,711	17,846,249
Federal sources	256,358	-	452,939	709,297
Incoming transfers and other	842,121	-	-	842,121
	<u>19,870,747</u>	<u>671,498</u>	<u>6,101,308</u>	<u>26,643,553</u>
TOTAL REVENUES	19,870,747	671,498	6,101,308	26,643,553
EXPENDITURES				
Current				
Instruction	11,303,486	-	-	11,303,486
Supporting services	8,703,811	-	-	8,703,811
Food service activities	-	-	993,053	993,053
Student/school activities	-	-	419,210	419,210
Community service activities	8,727	-	-	8,727
Capital outlay	-	197,357	81,792	279,149

See notes to financial statements.

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
EXPENDITURES (continued)				
Debt service				
Principal repayment	\$ 61,905	\$ -	\$ 3,580,000	\$ 3,641,905
Interest	77,319	-	454,010	531,329
Other	<u>-</u>	<u>-</u>	<u>1,248</u>	<u>1,248</u>
TOTAL EXPENDITURES	<u>20,155,248</u>	<u>197,357</u>	<u>5,529,313</u>	<u>25,881,918</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(284,501)</u>	<u>474,141</u>	<u>571,995</u>	<u>761,635</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	250	250
Transfers out	-	-	(60,000)	(60,000)
Transfers in	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>60,000</u>	<u>-</u>	<u>(59,750)</u>	<u>250</u>
NET CHANGE IN FUND BALANCES	(224,501)	474,141	512,245	761,885
FUND BALANCES				
Beginning of year	<u>2,656,701</u>	<u>1,015,082</u>	<u>1,601,981</u>	<u>5,273,764</u>
End of year	<u>\$ 2,432,200</u>	<u>\$ 1,489,223</u>	<u>\$ 2,114,226</u>	<u>\$ 6,035,649</u>

See notes to financial statements.

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

Net change in fund balances total governmental funds \$ 761,885

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization:

Depreciation/amortization expense	(1,576,423)
Capital outlay	404,623
Net book value of assets disposed	(28,962)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	75,668
Accrued interest payable, end of the year	(60,394)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Payments on debt	3,674,353
Amortization of deferred charge on refunding	(45,650)
Amortization of bond premium	130,337

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 and termination benefits, beginning of the year	1,008,503
Accrued compensated absences and termination benefits, end of the year	(996,123)

Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	3,028,113
Other postemployment benefit related items	1,959,956

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 for pension, beginning of the year	1,208,808
State aid funding for pension, end of the year	(1,408,032)

Change in net position of governmental activities	\$ 8,136,662
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**HOPKINS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2026**

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 3,673</u>
NET POSITION	
Restricted for school use/student organizations	<u>\$ 3,673</u>

See notes to financial statements.

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2026**

	Custodial Funds
Deductions	
Payments made on behalf of student organizations	<u>\$ 8,328</u>
Net Position	
Beginning of year	<u>12,001</u>
End of year	<u><u>\$ 3,673</u></u>

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Hopkins Public Schools. 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 *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. Included are all transactions related to the approved current operating budget.

The *Sinking Fund* accounts for the receipt of the sinking fund millage proceeds and acquisition of capital assets or construction of capital projects. The District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following *Other Nonmajor Funds*:

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

The *Capital Improvement Fund* accounts for the receipt of proceeds from the District's sale of its cable television channel and the acquisition or construction of capital facilities or equipment held by the District.

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

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The *Custodial Fund* consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In additions, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds 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, 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.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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 funds 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 capital leases are reported as other financing sources.

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

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

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

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

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Cash and Cash Equivalents

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

Investments

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, 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 \$1,000 and an estimated useful life in excess of two years. 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.

Land is not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease/subsorption period or the estimated useful lives. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes	Lives
Building and additions	50
Land improvements	20
Furniture and equipment	5-15
Transportation equipment	8
Right to use - subscription-based IT	6
Right to use - equipment	5

Leases and Subscription-based IT Arrangements (SBITA)

Lessee/subscriber: The District is a lessee for a noncancelable lease/subsorption of a building and an IT arrangement. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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) (continued)

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/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA 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 judgements related to leases included how the District determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included 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.

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

Defined Benefit Plans

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows

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

Deferred Inflows

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

Net Position Flow Assumption

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

During the years ended June 30, 2020 and 2021, the District issued bonded debt in the amounts of \$5,975,000, and \$3,255,000, respectively, used to make principal and interest payments related to the School Bond Loan fund and the School Loan Revolving fund. 4.8%, and 1.8%, respectively, of these proceeds are not considered capital related debt, as this amount was used to pay off accrued interest. The current allocations of this debt not considered capital related to debt at June 30, 2026 is \$142,800, and \$18,000, respectively.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the superintendent and finance director to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally 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.

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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

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)	18.0000
Commercial Personal Property	6.0000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	10.3400
Sinking fund:	
PRE, Non-PRE, Commercial Personal Property	1.5323

Compensated Absences and Termination Benefits

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.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS

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.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

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.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2026, \$4,700,820 of the District's bank balance of \$5,200,820 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information

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

The District does not have any investments subject to the fair value measurement.

Foreign Currency Risk

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

A reconciliation of cash and cash equivalents as shown on the statement of net position follows:

Per financial statements	
District-wide - cash and cash equivalents	\$ 5,032,480
Fiduciary - cash and cash equivalents	<u>3,673</u>
Total	<u><u>\$ 5,036,153</u></u>

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2025	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2026
Capital assets not being depreciated/amortized				
Land	\$ 739,062	\$ -	\$ -	\$ 739,062
Construction in progress	206,720	30,810	206,720	30,810
Total capital assets not being depreciated/amortized	945,782	30,810	206,720	769,872
Capital assets being depreciated/amortized				
Buildings and additions	43,620,574	87,754	108,059	43,600,269
Furniture and equipment	4,118,481	485,779	151,508	4,452,752
Transportation equipment	2,955,440	-	-	2,955,440
Land improvements	57,500	7,000	-	64,500
Right to use - subscription-based IT	215,985	-	32,343	183,642
Right to use - equipment	238,025	-	-	238,025
Total capital assets being depreciated/amortized	51,206,005	580,533	291,910	51,494,628
Accumulated depreciation/amortization				
Buildings and additions	18,951,691	849,267	102,306	19,698,652
Furniture and equipment	2,591,010	338,095	149,861	2,779,244
Transportation equipment	1,656,221	297,167	-	1,953,388
Land improvements	4,887	2,875	-	7,762
Right to use - subscription-based IT	71,995	41,414	10,781	102,628
Right to use - equipment	47,605	47,605	-	95,210
Total accumulated depreciation/amortization	23,323,409	1,576,423	262,948	24,636,884
Net capital assets being depreciated/amortized	27,882,596	(995,890)	28,962	26,857,744
Net governmental capital assets	\$ 28,828,378	\$ (965,080)	\$ 235,682	\$ 27,627,616

Depreciation/amortization for the fiscal year ended June 30, 2026 amounted to \$1,576,423.

The District allocated depreciation/amortization to the various activities as follows:

Instruction	\$ 245,049
Support services	297,167
Unallocated depreciation/amortization	<u>1,034,207</u>
Total depreciation/amortization	<u>\$ 1,576,423</u>

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

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

	General Fund	Total Nonmajor Funds	Total
State Aid - State of Michigan	\$ 2,978,977	\$ 75,550	\$ 3,054,527
Federal grants	47,043	-	47,043
Intermediate school district	17,953	-	17,953
	<u>\$ 3,043,973</u>	<u>\$ 75,550</u>	<u>\$ 3,119,523</u>

No allowance for doubtful accounts is considered necessary.

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

During the year ending June 30, 2026, the District issued a state aid anticipation note payable in the amount of \$2,780,000 which had an interest rate of 3.29% and matured on August 21, 2026. Proceeds of the note were used to fund school operations. The note was secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the bank may impose a penalty interest rate and at the bank's discretion, accelerate the repayment terms.

Activity for the year ended June 30, 2026 is as follows:

Balance June 30, 2025	Additions	Payments	Balance June 30, 2026
<u>\$ -</u>	<u>\$ 2,780,000</u>	<u>\$ 2,380,000</u>	<u>\$ 400,000</u>

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS

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

General Obligation Bonds

2016 series A general obligation refunding bonds due in annual installments of \$865,000 to \$940,000 through May 1, 2032 with interest at 5.00%.	\$ 5,490,000
2019 series B general obligation refunding bonds due in annual installments of \$1,485,000 to \$1,490,000 through May 1, 2028 with interest at 2.441% to 2.491%.	2,975,000
2021 general obligation refunding bonds due in annual installment of \$1,000,000 through May 1, 2027 with interest at 1.45%	1,000,000
Plus premium on bond issuance, net of amortization	<u>796,714</u>
Total general obligation bonds	<u>10,261,714</u>

Notes From Direct Borrowings and Direct Placements

Copier Lease - During the 2025 fiscal year, the District entered into a five-year lease agreement as lessee for the use of copiers, due in monthly payments of \$4,375 and an interest rate of 3.92%.	148,363
SBITA - During the 2025 fiscal year, the District entered into a three-year lease agreements as lessee for the use of site licenses, due in annual payment of \$16,250 plus interest at 3.92%.	16,250
Accrued retirement benefits	
Obligation under contract for compensated absences and termination benefits	<u>996,123</u>
Total general long-term obligations	<u><u>\$ 11,422,450</u></u>

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize the long-term obligations as of June 30, 2026, including interest of \$1,104,921 are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements				Compensated Absences and Termination Benefits	Total
	Principal	Interest	Copier Lease		SBITA			
			Principal	Interest	Principal	Interest		
2027	\$ 3,350,000	\$ 362,365	\$ 47,532	\$ 4,968	\$ 16,250	\$ 53	\$ -	\$ 3,781,168
2028	2,400,000	268,366	49,429	3,071	-	-	-	2,720,866
2029	930,000	185,750	51,402	1,098	-	-	-	1,168,250
2030	925,000	139,250	-	-	-	-	-	1,064,250
2031	920,000	93,000	-	-	-	-	-	1,013,000
2032	940,000	47,000	-	-	-	-	-	987,000
	9,465,000	1,095,731	148,363	9,137	16,250	53	-	10,734,534
Premium on bond issuance	796,714	-	-	-	-	-	-	796,714
Compensated absences and termination benefits	-	-	-	-	-	-	996,123	996,123
	\$ 10,261,714	\$ 1,095,731	\$ 148,363	\$ 9,137	\$ 16,250	\$ 53	\$ 996,123	\$ 12,527,371

An amount of \$1,200,257 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2026 was \$531,329.

The following is a summary of the changes in liabilities reported as long term obligations:

	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026	Due within One Year
General obligation bonds	\$ 13,972,051	\$ -	\$ 3,710,337	\$ 10,261,714	\$ 3,350,000
Notes from direct borrowings					
direct placements	258,966	-	94,353	164,613	63,782
Accumulated compensated absences and termination benefits*	1,008,503	-	12,380	996,123	99,612
Totals	<u>\$ 15,239,520</u>	<u>\$ -</u>	<u>\$ 3,817,070</u>	<u>\$ 11,422,450</u>	<u>\$ 3,513,394</u>

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (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. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description (continued)

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:

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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.

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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - 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.

HOPKINS PUBLIC SCHOOLS **NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - 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 Benefit
October 1, 2025 - September 30, 2026	15.21% - 26.08%	0.00% - 3.83%
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%

The District's pension contributions for the year ended June 30, 2026 were equal to the required contribution total. Total pension contributions were approximately \$3,954,000. Of the total pension contributions approximately \$3,812,000 was contributed to fund the Defined Benefit Plan and approximately \$142,000 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 \$253,000. Of the total OPEB contributions approximately \$171,000 was contributed to fund the Defined Benefit Plan and approximately \$82,000 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).

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - 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.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2025</u>	<u>September 30, 2024</u>
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	0.08735%	0.09056%
Net pension liability for the District	\$ 17,498,929	\$ 22,171,066

For the year ended June 30, 2026, the District recognized pension expense of \$783,582.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 628,087	\$ 924,861
Net difference between projected and actual earnings on pension plan investments	-	4,181,869
Differences between expected and actual experience	677,784	155,861
Changes in proportion and difference between employer contributions and proportionate share of contributions	91,202	1,112,055
Reporting Unit's contributions subsequent to the measurement date	<u>3,502,458</u>	<u>-</u>
	<u>\$ 4,899,531</u>	<u>\$ 6,374,646</u>

\$3,502,458 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.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - 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 Ending June 30,	Amount
2027	\$ (508,544)
2028	(2,233,450)
2029	(1,709,274)
2030	(526,305)
	<u>\$ (4,977,573)</u>

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.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2025</u>	<u>September 30, 2024</u>
Total other postemployment benefit liability	\$ 9,360,649,860	\$ 9,991,545,923
Plan fiduciary net position	\$ 15,439,767,833	\$ 14,295,943,589
Net other postemployment benefit (asset) liability	\$ (6,079,117,973)	\$ (4,304,397,666)
Proportionate share	0.09062%	0.08973%
Net other postemployment benefit (asset) liability for the District	\$ (5,508,784)	\$ (3,862,514)

For the year ended June 30, 2026, the District recognized OPEB benefit of \$1,789,348.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 735,206	\$ 58,426
Net difference between projected and actual earnings on investments	-	774,104
Differences between expected and actual experience	-	3,771,574
Changes in proportion and difference between employer contributions and proportionate share of contributions	115,199	95,227
Reporting Unit's contributions subsequent to the measurement date	<u>145,195</u>	<u>-</u>
	<u><u>\$ 995,600</u></u>	<u><u>\$ 4,699,331</u></u>

\$145,195, 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2027	\$ (984,572)
2028	(1,003,173)
2029	(953,682)
2030	(625,273)
2031	(216,331)
2032	<u>(65,895)</u>
	<u><u>\$ (3,848,926)</u></u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - 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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

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

<u>Investment Category</u>	<u>Target Allocation</u>		<u>Long-term Expected Real Rate of Return*</u>
	<u>Pension</u>	<u>OPEB</u>	
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%
	<u>100.0%</u>	<u>100.0%</u>	

* Long term rate of return is 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.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 27,614,274	\$ 17,498,929	\$ 9,074,140

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	\$ (4,746,166)	\$ (5,508,784)	\$ (6,176,240)

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	\$ (6,170,149)	\$ (5,508,784)	\$ (4,814,372)

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 2025 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 8 - TRANSFERS

The transfer of \$60,000 from the food service fund to the general fund was for the reimbursement of indirect costs.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Participant's annual dental and vision benefits are limited.

The District continues to carry commercial insurance for all other risks of loss, including property and casualty and other employee health and accident insurance.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - 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 11 - 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 12 - SUBSEQUENT EVENTS

Subsequent to year end, the District approved borrowing \$2,400,000 in state aid notes for fiscal year 2027.

NOTE 13 - CHANGES IN ACCOUNTING PRINCIPLES

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

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

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

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

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2026**

	Original Budget	Final Budget	Variance with Original and Final Budget - Favorable/ (Unfavorable)	Actual	Variance with Final Budget and Actual - Favorable/ (Unfavorable)
REVENUES					
Local sources	\$ 1,328,535	\$ 1,520,356	\$ 191,821	\$ 1,545,186	\$ 24,830
State sources	16,565,482	17,236,189	670,707	17,227,082	(9,107)
Federal sources	180,898	235,043	54,145	256,358	21,315
Incoming transfers and other	719,585	750,233	30,648	842,121	91,888
TOTAL REVENUES	18,794,500	19,741,821	947,321	19,870,747	128,926
EXPENDITURES					
Current					
Instruction					
Basic programs	9,579,586	9,744,315	(164,729)	9,587,757	156,558
Added needs	1,772,870	1,711,790	61,080	1,715,729	(3,939)
Total instruction	11,352,456	11,456,105	(103,649)	11,303,486	152,619
Supporting services					
Pupil	1,099,377	1,135,388	(36,011)	1,117,692	17,696
Instructional staff	694,055	618,372	75,683	571,238	47,134
General administration	455,163	483,702	(28,539)	500,021	(16,319)
School administration	1,427,502	1,489,958	(62,456)	1,470,002	19,956
Business	321,723	359,114	(37,391)	359,562	(448)
Operation/maintenance	2,191,002	2,329,282	(138,280)	2,293,315	35,967
Pupil transportation	1,035,572	991,194	44,378	919,781	71,413
Central services	686,426	762,715	(76,289)	730,291	32,424
Athletics	662,599	739,670	(77,071)	741,909	(2,239)
Total supporting services	8,573,419	8,909,395	(335,976)	8,703,811	205,584
Community services	11,187	8,258	2,929	8,727	(469)
Debt services	16,090	80,000	(63,910)	139,224	(59,224)
TOTAL EXPENDITURES	19,953,152	20,453,758	(500,606)	20,155,248	298,510
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,158,652)	(711,937)	446,715	(284,501)	427,436
OTHER FINANCING SOURCES (USES)					
Transfers in	40,000	60,000	20,000	60,000	-
NET CHANGE IN FUND BALANCE	(1,118,652)	(651,937)	466,715	(224,501)	427,436
FUND BALANCE					
Beginning of year	2,656,701	2,656,701	-	2,656,701	-
End of year	<u>\$ 1,538,049</u>	<u>\$ 2,004,764</u>	<u>\$ 466,715</u>	<u>\$ 2,432,200</u>	<u>\$ 427,436</u>

**HOPKINS PUBLIC 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)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Reporting Unit's proportion of net pension liability (%)	0.08735%	0.09056%	0.09228%	0.09237%	0.08893%	0.08796%	0.08896%	0.088192%	0.08723%	0.08449%
Reporting Unit's proportionate share of net pension liability	\$ 17,498,929	\$ 22,171,066	\$ 29,868,791	\$ 34,739,328	\$ 21,054,334	\$ 30,214,801	\$ 29,461,203	\$ 26,512,080	\$ 22,605,030	\$ 21,079,471
Reporting Unit's covered-employee payroll	\$ 9,531,839	\$ 9,469,751	\$ 9,094,368	\$ 9,036,674	\$ 8,145,539	\$ 7,721,039	\$ 7,793,276	\$ 7,573,471	\$ 7,378,958	\$ 7,214,118
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	183.58%	234.13%	328.43%	384.43%	258.48%	391.33%	378.03%	350.07%	306.34%	292.20%
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%

**HOPKINS PUBLIC 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 PLAN YEAR ENDED JUNE 30)**

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contributions	\$ 3,811,695	\$ 3,877,078	\$ 3,690,333	\$ 4,210,110	\$ 3,054,286	\$ 2,617,149	\$ 2,424,967	\$ 2,314,457	\$ 2,046,009	\$ 1,897,258
Contributions in relation to statutorily required contributions	<u>3,811,695</u>	<u>3,877,078</u>	<u>3,690,333</u>	<u>4,210,110</u>	<u>3,054,286</u>	<u>2,617,149</u>	<u>2,424,967</u>	<u>2,314,457</u>	<u>2,046,009</u>	<u>1,897,258</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 9,820,614	\$ 9,519,854	\$ 9,394,666	\$ 9,034,275	\$ 8,603,791	\$ 8,012,577	\$ 8,038,181	\$ 7,701,203	\$ 7,497,015	\$ 7,373,865
Contributions as a percentage of covered-employee payroll	38.81%	40.73%	39.28%	46.60%	35.50%	32.66%	30.17%	30.05%	27.29%	25.73%

**HOPKINS PUBLIC 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 THE YEAR ENDED SEPTEMBER 30)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net pension liability (%)	0.09062%	0.08973%	0.09097%	0.09292%	0.09025%	0.08719%	0.89110%	0.08889%	0.08730%
Reporting Unit's proportionate share of net OPEB (asset) liability	\$ (5,508,784)	\$ (3,862,514)	\$ (514,610)	\$ 1,968,171	\$ 1,377,500	\$ 4,671,206	\$ 6,396,340	\$ 7,065,884	\$ 7,730,626
Reporting Unit's covered-employee payroll	\$ 9,531,839	\$ 9,469,751	\$ 9,094,368	\$ 9,036,674	\$ 8,145,539	\$ 7,721,039	\$ 7,793,276	\$ 7,573,471	\$ 7,378,958
Reporting Unit's proportionate share of net OPEB liability/asset as a percentage of its covered-employee payroll	57.79%	40.79%	5.66%	21.78%	16.91%	60.50%	82.08%	93.30%	104.77%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	164.94%	143.08%	105.04%	83.09%	87.33%	59.44%	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 which information is available.

**HOPKINS PUBLIC 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	\$ 170,608	\$ 49,339	\$ 779,125	\$ 744,337	\$ 726,876	\$ 704,527	\$ 681,979	\$ 635,405	\$ 598,419
Contributions in relation to statutorily required contributions	170,608	49,339	779,125	744,337	726,876	704,527	681,979	635,405	598,419
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting Unit's covered-employee payroll	\$ 9,820,614	\$ 9,519,854	\$ 9,394,666	\$ 9,034,275	\$ 8,603,791	\$ 8,012,577	\$ 8,038,181	\$ 7,701,203	\$ 7,497,015
Contributions as a percentage of covered-employee payroll	1.74%	0.52%	8.29%	8.24%	8.45%	8.79%	8.48%	8.25%	7.98%

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 which information is available.

HOPKINS PUBLIC 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 (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The final budget was approved prior to June 30, 2026 year-end.

HOPKINS PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between Original and Final Budget

	<u>Variance</u>	<u>Explanation</u>
REVENUES		
Local sources	\$ 191,821	When the original budget was adopted, the District did not anticipate \$73,500 in donations for scoreboards, support for the SRO (School Resource Officer), or the significant increase in property tax revenue from increased taxable values.
State sources	670,707	Due to the state budget being unknown at the time the original budget was adopted, the District did not anticipate the approximate \$345,000 increase in Section 31a or the additions of Section 27l(2) and 27l(4) categoricals which resulted in an increase of \$343,000 in revenue for the District. Other state aid categoricals were unknown at the time as well.
Federal sources	54,145	The original budget did not anticipate the work to complete the safety and security upgrades as part of the COPS federal grant to carry into the 25/26 fiscal year.
EXPENDITURES		
Basic programs	(164,729)	The outcome of the teacher union contract negotiations was not known at the time the original budget was adopted as well as unknown needs for FMLA and other leave benefits for staff.
Instructional staff	75,683	Due to the state budget being unknown at the time the original budget was adopted, it was not known how much state grant funds would be spent on instructional items.
Operation/maintenance	(138,280)	When the original budget was adopted, the District believed the high school roof repair would be complete by the end of the 24/25 fiscal year, but the project extended into the 25/26 fiscal year. Additionally, the District was not aware of the upcoming repairs needed for HVAC units, fire alarms, or fire doors. Lastly, the District paid higher utility costs overall in the 25/26 fiscal year due to weather conditions.
Central services	(76,289)	The original budget did not anticipate the work for safety and security upgrades as part of a federal grant to carry into the 25/26 fiscal year.
Athletics	(77,071)	The District did not anticipate replacing the scoreboards at athletic facilities at the time the original budget was adopted.
Debt services	(63,910)	At the time the original budget was adopted, the District did not know how much of the State Aid Note would be repaid during the 25/26 school year.

HOPKINS PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant Variances Between Final Budget and Actual

	<u>Variance</u>	<u>Explanation</u>
REVENUES		
Incoming transfers and other	\$ 91,888	Actual revenue exceeded the final budget primarily due to the District receiving approximately \$80,000 additional payments from Allegan AESA that were greater than anticipated at the time the final budget was adopted. The remaining variance is attributable to other miscellaneous revenues received near year end which were not anticipated.
EXPENDITURES		
Basic programs	156,558	Actual expenditures were less than final budget due to retirement being estimated using an average rate, but actual retirement was approximately \$64,000 lower than anticipated. Additionally, instructional supplies had significantly less need than anticipated when the final budget was adopted.
Pupil transportation	71,413	Actual transportation expenditures were lower than the final budget primarily due to lower costs for motor fuel, bus repairs and parts, employee retirement and benefits, and other transportation operating expenses than anticipated.

**HOPKINS PUBLIC 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 point for members over 65.

HOPKINS PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

NOTE 4 - OPEB INFORMATION (continued)

Changes in Assumptions

- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.
- 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

**HOPKINS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2026**

	Special Revenue				
	Food Service	Student/ School Activities	Debt Service	Capital Improvement Fund	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	\$ 427,714	\$ 305,289	\$ 1,200,257	\$ 163,452	\$ 2,096,712
Intergovernmental	75,550	-	-	-	75,550
Inventories	9,812	-	-	-	9,812
TOTAL ASSETS	\$ 513,076	\$ 305,289	\$ 1,200,257	\$ 163,452	\$ 2,182,074
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
Unearned revenue	7,848	-	-	-	7,848
TOTAL LIABILITIES	67,848	-	-	-	67,848
FUND BALANCES					
Nonspendable					
Inventories	9,812	-	-	-	9,812
Restricted					
Debt service	-	-	1,200,257	-	1,200,257
Food service	435,416	-	-	-	435,416
Committed	-	305,289	-	-	305,289
Assigned					
Capital projects	-	-	-	163,452	163,452
TOTAL FUND BALANCES	445,228	305,289	1,200,257	163,452	2,114,226
TOTAL LIABILITIES AND FUND BALANCES	\$ 513,076	\$ 305,289	\$ 1,200,257	\$ 163,452	\$ 2,182,074

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

	Special Revenue				
	Food Service	Student/ School Activities	Debt Service	Capital Improvement Fund	Total Nonmajor Funds
REVENUES					
Local sources					
Property taxes	\$ -	\$ -	\$ 4,343,447	\$ -	\$ 4,343,447
Investment earnings	932	-	43,500	2,820	47,252
Student/school activity income	-	410,904	-	-	410,904
Food sales	69,337	-	-	-	69,337
Other	450	-	159,268	-	159,718
Total local sources	70,719	410,904	4,546,215	2,820	5,030,658
State sources	607,928	-	9,783	-	617,711
Federal sources	452,939	-	-	-	452,939
TOTAL REVENUES	1,131,586	410,904	4,555,998	2,820	6,101,308
EXPENDITURES					
Current					
Food service activities	993,053	-	-	-	993,053
Student/school activities	-	419,210	-	-	419,210
Capital outlay	81,792	-	-	-	81,792
Debt service					
Principal repayment	-	-	3,580,000	-	3,580,000
Interest	-	-	454,010	-	454,010
Other	-	-	1,248	-	1,248
TOTAL EXPENDITURES	1,074,845	419,210	4,035,258	-	5,529,313
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	56,741	(8,306)	520,740	2,820	571,995
OTHER FINANCING SOURCES (USES)					
Transfers out	(60,000)	-	-	-	(60,000)
Proceeds from sale of capital assets	250	-	-	-	250
TOTAL OTHER FINANCING SOURCES (USES)	(59,750)	-	-	-	(59,750)
NET CHANGE IN FUND BALANCES	(3,009)	(8,306)	520,740	2,820	512,245
FUND BALANCES					
Beginning of year	448,237	313,595	679,517	160,632	1,601,981
End of year	\$ 445,228	\$ 305,289	\$ 1,200,257	\$ 163,452	\$ 2,114,226

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
YEARS ENDED JUNE 30, 2026 AND 2025**

	<u>2026</u>	<u>2025</u>
LOCAL SOURCES		
Property taxes	\$ 1,242,665	\$ 1,147,300
Tuition	5,880	6,675
Investment earnings	67,461	32,448
Other local revenue	<u>229,180</u>	<u>120,941</u>
TOTAL LOCAL SOURCES	<u>1,545,186</u>	<u>1,307,364</u>
STATE SOURCES		
Foundation grant	13,005,270	12,540,017
Special education	426,157	226,842
At risk	916,166	551,883
Other state revenue	<u>2,879,489</u>	<u>3,654,233</u>
TOTAL STATE SOURCES	<u>17,227,082</u>	<u>16,972,975</u>
FEDERAL SOURCES		
Title I	151,575	169,348
Title II	27,272	28,950
Education stabilization funds	-	76,553
Other federal revenue	<u>77,511</u>	<u>262,122</u>
TOTAL FEDERAL SOURCES	<u>256,358</u>	<u>536,973</u>
INCOMING TRANSFERS AND OTHER TRANSACTIONS		
Special education	658,360	621,409
Other	<u>183,761</u>	<u>125,142</u>
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	<u>842,121</u>	<u>746,551</u>
OTHER FINANCING SOURCES		
Proceeds from sale of capital assets	-	3,500
Proceeds from issuance of debt	-	335,210
Transfer In	<u>60,000</u>	<u>40,000</u>
TOTAL OTHER FINANCING SOURCES	<u>60,000</u>	<u>378,710</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u><u>\$ 19,930,747</u></u>	<u><u>\$ 19,942,573</u></u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2026 AND 2025**

	<u>2026</u>	<u>2025</u>
INSTRUCTION		
Basic programs		
Elementary		
Salaries	\$ 2,537,012	\$ 2,342,352
Benefits	1,958,440	1,905,632
Purchased services	100,693	136,743
Supplies and materials	39,042	44,678
Other expenses	1,143	-
Capital outlay	<u>15,291</u>	<u>241,195</u>
Total elementary	<u>4,651,621</u>	<u>4,670,600</u>
Middle school		
Salaries	1,032,761	1,070,897
Benefits	805,068	870,574
Purchased services	37,931	89,207
Supplies and materials	18,239	19,794
Other expenses	1,143	-
Capital outlay	<u>264</u>	<u>100,379</u>
Total middle school	<u>1,895,406</u>	<u>2,150,851</u>
High school		
Salaries	1,632,815	1,447,982
Benefits	1,211,053	1,148,158
Purchased services	165,263	107,400
Supplies and materials	30,427	31,331
Other expenses	1,129	1,130
Capital outlay	<u>43</u>	<u>239</u>
Total high school	<u>3,040,730</u>	<u>2,736,240</u>
Pre-school		
Supplies and materials	<u>-</u>	<u>650</u>
Summer school		
Salaries	-	9,974
Benefits	-	3,759
Purchased services	-	1,009
Supplies and materials	<u>-</u>	<u>892</u>
Total summer school	<u>-</u>	<u>15,634</u>
Total basic programs	<u>9,587,757</u>	<u>9,573,975</u>
Added needs		
Special education		
Salaries	602,870	533,373
Benefits	430,132	410,740
Purchased services	13,942	53,053
Supplies and materials	1,256	4,142
Other expenses	<u>1,143</u>	<u>-</u>
Total special education	<u>1,049,343</u>	<u>1,001,308</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2026 AND 2025**

	<u>2026</u>	<u>2025</u>
INSTRUCTION (continued)		
Compensatory education		
Salaries	\$ 297,561	\$ 406,132
Benefits	201,073	283,611
Purchased services	400	450
Supplies and materials	<u>646</u>	<u>1,816</u>
Total compensatory education	<u>499,680</u>	<u>692,009</u>
Vocational education		
Salaries	87,932	81,439
Benefits	65,881	64,200
Purchased services	8,079	6,713
Supplies and materials	3,753	53,973
Other expenses	<u>1,061</u>	<u>1,506</u>
Total vocational education	<u>166,706</u>	<u>207,831</u>
Total added needs	<u>1,715,729</u>	<u>1,901,148</u>
TOTAL INSTRUCTION	<u>11,303,486</u>	<u>11,475,123</u>
SUPPORTING SERVICES		
Pupil services		
Salaries	448,998	405,399
Benefits	339,570	327,687
Purchased services	295,238	394,527
Supplies and materials	8,968	11,473
Other expenses	<u>24,918</u>	<u>1,766</u>
Total pupil services	<u>1,117,692</u>	<u>1,140,852</u>
Instructional staff services		
Salaries	227,421	282,497
Benefits	172,312	212,976
Purchased services	86,134	107,276
Supplies and materials	79,815	39,822
Other expenses	<u>5,556</u>	<u>6,028</u>
Total instructional staff services	<u>571,238</u>	<u>648,599</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2026 AND 2025**

	<u>2026</u>	<u>2025</u>
SUPPORTING SERVICES (continued)		
General administration		
Salaries	\$ 197,857	\$ 190,850
Benefits	138,614	118,729
Purchased services	137,724	124,209
Supplies and materials	9,345	8,840
Other expenses	<u>16,481</u>	<u>18,457</u>
Total general administration	<u>500,021</u>	<u>461,085</u>
School administration		
Salaries	800,799	783,983
Benefits	665,065	597,816
Purchased services	3,980	3,487
Supplies and materials	-	4,328
Other expenses	<u>158</u>	<u>3,050</u>
Total school administration	<u>1,470,002</u>	<u>1,392,664</u>
Business services		
Salaries	169,209	204,262
Benefits	157,745	194,530
Purchased services	13,642	16,075
Supplies and materials	1,991	1,308
Other expenses	<u>16,975</u>	<u>4,857</u>
Total business services	<u>359,562</u>	<u>421,032</u>
Operations and maintenance		
Salaries	643,689	656,953
Benefits	510,826	542,726
Purchased services	578,517	454,852
Supplies and materials	545,286	459,133
Other expenses	8,758	10,491
Capital outlay	<u>6,239</u>	<u>24,080</u>
Total operations and maintenance	<u>2,293,315</u>	<u>2,148,235</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2026 AND 2025**

	<u>2026</u>	<u>2025</u>
SUPPORTING SERVICES (continued)		
Transportation		
Salaries	\$ 437,702	\$ 430,531
Benefits	265,921	262,422
Purchased services	100,653	48,307
Supplies and materials	66,141	113,860
Other expenses	29,667	26,921
Capital outlay	<u>19,697</u>	<u>173,972</u>
Total transportation	<u>919,781</u>	<u>1,056,013</u>
Central services		
Salaries	301,585	284,078
Benefits	202,422	190,510
Purchased services	63,904	54,460
Supplies and materials	6,917	821
Other expenses	825	87
Capital outlay	<u>154,638</u>	<u>280,903</u>
Total central services	<u>730,291</u>	<u>810,859</u>
Athletics		
Salaries	215,839	189,841
Benefits	144,270	132,676
Purchased services	225,501	246,191
Supplies and materials	26,833	43,631
Other expenses	20,882	9,480
Capital outlay	<u>108,584</u>	<u>44,810</u>
Total athletics	<u>741,909</u>	<u>666,629</u>
TOTAL SUPPORTING SERVICES	<u>8,703,811</u>	<u>8,745,968</u>
COMMUNITY SERVICES		
Salaries	-	1,050
Benefits	-	401
Purchased services	6,561	5,311
Supplies and materials	<u>2,166</u>	<u>5,885</u>
TOTAL COMMUNITY SERVICES	<u>8,727</u>	<u>12,647</u>
DEBT SERVICES		
Principal payments	61,905	76,244
Interest	<u>77,319</u>	<u>24,951</u>
TOTAL DEBT SERVICES	<u>139,224</u>	<u>101,195</u>
TOTAL EXPENDITURES	<u>\$ 20,155,248</u>	<u>\$ 20,334,933</u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2026**

	2016 <u>Refunding A</u>	2018 <u>Refunding</u>	2019 <u>Refunding A</u>	2019 <u>Refunding B</u>	2021 <u>Refunding</u>	Total Nonmajor Debt Service
ASSETS						
Cash and cash equivalents	<u>\$ 326,298</u>	<u>\$ 98,414</u>	<u>\$ 125,891</u>	<u>\$ 359,950</u>	<u>\$ 289,704</u>	<u>\$ 1,200,257</u>
FUND BALANCES						
Restricted for debt service	<u>\$ 326,298</u>	<u>\$ 98,414</u>	<u>\$ 125,891</u>	<u>\$ 359,950</u>	<u>\$ 289,704</u>	<u>\$ 1,200,257</u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2026**

	2016 Refunding A	2018 Refunding	2019 Refunding A	2019 Refunding B	2021 Refunding	Total Nonmajor Debt Service
REVENUES						
Local sources						
Property taxes	\$ 1,134,169	\$ 436,865	\$ 420,063	\$ 1,209,780	\$ 1,142,570	\$ 4,343,447
Investment earnings	11,359	4,375	4,207	12,116	11,443	43,500
Other	42,458	16,799	15,153	43,641	41,217	159,268
State sources	2,553	985	946	2,726	2,573	9,783
TOTAL REVENUES	1,190,539	459,024	440,369	1,268,263	1,197,803	4,555,998
EXPENDITURES						
Principal payments	825,000	405,000	350,000	1,000,000	1,000,000	3,580,000
Interest	307,500	10,125	14,000	96,885	25,500	454,010
Other	500	-	126	300	322	1,248
TOTAL EXPENDITURES	1,133,000	415,125	364,126	1,097,185	1,025,822	4,035,258
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	57,539	43,899	76,243	171,078	171,981	520,740
FUND BALANCES						
Beginning of year	268,759	54,515	49,648	188,872	117,723	679,517
End of year	\$ 326,298	\$ 98,414	\$ 125,891	\$ 359,950	\$ 289,704	\$ 1,200,257

**HOPKINS PUBLIC SCHOOLS
CUSTODIAL FUNDS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND NET POSITION BY GROUP
YEAR ENDED JUNE 30, 2026**

	Balance June 30, 2025	Additions	Deductions	Balance June 30, 2026
Class of 2017	\$ 192	\$ -	\$ 192	\$ -
Class of 2018	243	-	243	-
Class of 2026	3,431	-	3,431	-
Class of 2027	1,003	-	1,003	-
Class of 2027 Mackinac Money	5,237	-	1,764	3,473
Class of 2028	695	-	695	-
Class of 2029	600	-	600	-
Class of 2030	400	-	400	-
Class of 2031	200	-	-	200
	<u>\$ 12,001</u>	<u>\$ -</u>	<u>\$ 8,328</u>	<u>\$ 3,673</u>

**HOPKINS PUBLIC SCHOOLS
BONDED DEBT
2016 SERIES A REFUNDING BONDS
JUNE 30, 2026**

2016 Refunding Bonds - Series A

Fiscal Year Ending June 30,	Interest Rate	Interest Due		Principal Due May 1	Total Due Annually
		November 1	May 1		
2027	5.00%	\$ 137,250	\$ 137,250	\$ 865,000	\$ 1,139,500
2028	5.00%	115,625	115,625	910,000	1,141,250
2029	5.00%	92,875	92,875	930,000	1,115,750
2030	5.00%	69,625	69,625	925,000	1,064,250
2031	5.00%	46,500	46,500	920,000	1,013,000
2032	5.00%	23,500	23,500	940,000	987,000
Total 2016 Series A bonded debt		<u>\$ 485,375</u>	<u>\$ 485,375</u>	<u>\$ 5,490,000</u>	<u>\$ 6,460,750</u>

Total amount of original issue was \$12,450,000.

HOPKINS PUBLIC SCHOOLS
2019 SERIES B REFUNDING BONDS
JUNE 30, 2026

2019 Refunding Bonds - Series B

Fiscal Year Ending	Interest Rate	Interest Due		Principal Due May 1	Total Due Annually
		November 1	May 1		
2027	2.441%	\$ 36,682	\$ 36,683	\$ 1,485,000	\$ 1,558,365
2028	2.491%	18,558	18,558	1,490,000	1,527,116
Total 2019 series B bonded debt		<u>\$ 55,240</u>	<u>\$ 55,241</u>	<u>\$ 2,975,000</u>	<u>\$ 3,085,481</u>

Total amount of original issue was \$5,975,000.

**HOPKINS PUBLIC SCHOOLS
2021 REFUNDING BONDS
JUNE 30, 2026**

2021 Refunding Bonds

Fiscal Year Ending	Interest Rate	Interest Due		Principal Due May 1	Total Due Annually
		November 1	May 1		
2027	1.450%	\$ 7,250	\$ 7,250	\$ 1,000,000	\$ 1,014,500

Total amount of original issue was \$3,255,000.



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

To the Board of Education of
Hopkins Public 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 Hopkins Public Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Hopkins Public Schools' basic financial statements, and have issued our report thereon dated August 21, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hopkins Public 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 Hopkins Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Hopkins Public Schools' internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Maney Costeiran PC

Lansing, Michigan
August 21, 2026



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #300,
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☎ 517.323.7500

August 21, 2026

To the Board of Education
Hopkins Public Schools

In planning and performing our audit of the financial statements of Hopkins Public Schools as of and for the year ended June 30, 2026, in accordance with auditing standards generally accepted in the United States of America, we considered Hopkins Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated August 21, 2026 on the financial statements of Hopkins Public Schools. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Hopkins Public Schools develop a plan to spend down the excess by June 30, 2027.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC

Lansing, Michigan



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August 21, 2026

To the Board of Education
Hopkins Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information orally during our discussion on July 21, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hopkins Public Schools are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 103, *Financial Reporting Model Improvements* and No. 104, *Disclosure of Certain Capital Assets* during the year ended June 30, 2026. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by Hopkins Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's calculation of the depreciation expense is based on the estimated useful lives of the capital assets.

Management's calculation of the accrued compensated absences is based on current hourly rates, historical usage, and policies regarding payment of sick and vacation banks.

The calculation of the net pension liability and related deferred outflows and inflows of resources is based on an actuarial study which utilized certain actuarial assumptions.

The calculation of the net other post-employment benefits asset and related deferred outflows and inflows of resources is based upon an actuarial study which utilized certain actuarial assumptions.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 21, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Maney Costeiran PC

Lansing, Michigan