

**HAMILTON COMMUNITY SCHOOLS**

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

**YEAR ENDED JUNE 30, 2025**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Hamilton Community Schools

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Community Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Hamilton Community 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 Hamilton Community Schools as of June 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Hamilton Community 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.

### ***Change in Accounting Principle***

As discussed in Note 12 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hamilton Community 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 Hamilton Community 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 Hamilton Community 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 Hamilton Community Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2025 on our consideration of Hamilton Community 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 Hamilton Community 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 Hamilton Community Schools' internal control over financial reporting and compliance.

*Maney Costeiran PC*

October 15, 2025

## **HAMILTON COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Hamilton Community Schools' ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2025. Please read it in conjunction with the District's financial statements which immediately follow this section. A comparative analysis with the prior year has been provided.

### **District-Wide Financial Statements**

The first two statements are District-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, liabilities, deferred inflows of resources, and deferred outflows of resources, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term obligations of the District resulting in total net position.

Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. To assess the District's overall financial health, one should consider additional factors which may include the State's and/or region's economic condition, changes in the District's property tax base, and age and condition of its capital assets.

### **Fund Financial Statements**

For the most part, the fund financial statements are comparable to financial statements for the previous fiscal year. The fund level statements are reported on a modified accrual basis in that only those assets that are deemed "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with requirements of the Michigan Department of Education's "Accounting Manual". In the state of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds categorized as Special Revenue, Debt Service, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**HAMILTON COMMUNITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Summary of Net Position**

The following schedule summarizes the net position at June 30, 2025 and 2024:

<b>Hamilton Community Schools</b>		
	<u>2025</u>	<u>2024*</u>
Current assets and other assets	\$ 59,368,080	\$ 47,234,626
Net other postemployment benefits asset	7,401,370	958,258
Capital assets	<u>58,287,269</u>	<u>48,731,598</u>
Total assets	<u>125,056,719</u>	<u>96,924,482</u>
Deferred outflows of resources	<u>14,908,147</u>	<u>19,882,443</u>
Long-term liabilities outstanding	63,791,712	43,994,050
Net pension liability	41,795,080	55,384,224
Other liabilities	<u>8,357,848</u>	<u>8,545,826</u>
Total liabilities	<u>113,944,640</u>	<u>107,924,100</u>
Deferred inflows of resources	<u>25,142,842</u>	<u>18,904,503</u>
Net position		
Net investment in capital assets	29,860,765	27,448,790
Restricted for debt service	1,774,157	1,109,567
Restricted for net other postemployment benefits	7,401,370	958,258
Unrestricted	<u>(38,158,908)</u>	<u>(39,538,293)</u>
Total net position	<u>\$ 877,384</u>	<u>\$ (10,021,678)</u>
*The 2024 numbers have not been updated for the adoption of GASB 101.		



## **HAMILTON COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Analysis of Net Position**

During the fiscal year ended June 30, 2025, the District's net position improved. A few of the more significant factors affecting net position during the year are discussed below:

➤ **Cash Equivalents, Deposits, and Investments**

At June 30, 2025, the District's cash equivalents, deposits and investments amounted to \$52.6 million. This represented an increase of \$13.4 million over the previous year, primarily due to operating income and bond proceeds in the current year.

➤ **Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2025, \$12,490,043 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained below.

The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net increase to capital assets in the amount of \$9.6 million for the fiscal year ended June 30, 2025.

➤ **Depreciation Expense**

GASB 34 requires school districts to maintain records of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in the net position.

➤ **Bonded Debt**

For the fiscal year ended June 30, 2025, the District's bonded debt increased by \$17.9 million as a result of the repayments of previously issued bonds and proceeds from the 2025 bond.

➤ **Accumulated Compensated Absences and Termination Benefits**

At June 30, 2025, the District had an obligation to employees for the portion of earned compensated absences and termination benefits that they would be entitled to upon separation in the amount of \$2,948,830.

**HAMILTON COMMUNITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Results of Operations**

For the fiscal years ended June 30, 2025 and 2024, the results of operations, on a District-wide basis, were:

<b>Changes in Hamilton Community Schools' Net Position</b>				
	Fiscal Year Ended June 30, 2025		Fiscal Year Ended June 30, 2024*	
	Amount	%	Amount	%
Revenues				
Program revenues				
Charges for services	\$ 268,722	0.49%	\$ 1,553,051	2.81%
Operating grants and contributions	18,603,081	34.04%	18,308,468	33.17%
General revenues				
Property taxes	10,712,342	19.60%	9,680,557	17.54%
Investment earnings	1,630,526	2.98%	1,917,384	3.47%
State aid - unrestricted	22,755,657	41.64%	23,120,400	41.90%
Other	685,865	1.25%	611,302	1.11%
Total revenues	<u>54,656,193</u>	<u>100.00%</u>	<u>55,191,162</u>	<u>100.00%</u>
Expenses				
Instruction	21,133,936	50.49%	22,133,818	51.12%
Support services	13,910,496	33.24%	14,361,553	33.17%
Community services	493,606	1.18%	554,033	1.28%
Food services	1,384,261	3.31%	1,403,152	3.24%
Student/school activities	556,717	1.33%	675,194	1.56%
Interest on long-term debt	1,648,046	3.94%	1,642,265	3.79%
Unallocated depreciation	<u>2,724,997</u>	<u>6.51%</u>	<u>2,528,227</u>	<u>5.84%</u>
Total expenses	<u>41,852,059</u>	<u>100.00%</u>	<u>43,298,242</u>	<u>100.00%</u>
Change in net position	<u>\$ 12,804,134</u>		<u>\$ 11,892,920</u>	
*The 2024 numbers have not been updated for the adoption of GASB 101.				

## HAMILTON COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

### Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

➤ **Property Taxes**

The District levied 18.0 mills of property taxes for operations on non-principal residence exempt property for the 2024 tax year. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time that property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value. At June 30, 2025, there were no significant unpaid property taxes.

➤ **State Sources**

The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. For the 2024-2025 fiscal year, the District received \$9,608 per student full time equivalent. The student foundation allowance amount remained the same when compared to the 2023-2024 fiscal year.

➤ **Operating Grants**

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2025, federal, state, and other grants amounted to \$18.6 million. This represents a \$300,000 increase over the prior year.

### Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	2024 - 2025	2023 - 2024	Increase (Decrease)
Instruction	\$ 27,212,859	\$ 24,928,903	\$ 2,283,956
Supporting services	16,475,070	14,758,201	1,716,869
Food service activities	1,619,272	1,533,434	85,838
Student/school activities	556,717	675,194	(118,477)
Community service activities	583,369	595,088	(11,719)
Debt service	4,845,806	7,133,273	(2,287,467)
Intergovernmental expenditures	38,400	67,200	(28,800)
Capital outlay	10,755,215	3,035,688	7,719,527
Bond issuance costs	382,298	-	382,298
<b>Total expenditures</b>	<b>\$ 62,469,006</b>	<b>\$ 52,726,981</b>	<b>\$ 9,742,025</b>

# HAMILTON COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

## General Fund Budgetary Highlights

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the annual operating budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30, 2025.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations for the fiscal year ending June 30, 2025.

	Original Budget	Final Budget	Actual	Final Variance with Budget	% Variance
Total revenues	<u>\$ 43,420,232</u>	<u>\$ 45,580,466</u>	<u>\$ 45,409,648</u>	<u>\$ (170,818)</u>	-0.37%
Expenditures					
Instruction	\$ 26,175,935	\$ 27,396,515	\$ 27,212,859	\$ 183,656	0.67%
Supporting services	16,052,215	16,748,098	16,475,070	273,028	1.63%
Capital outlay	-	52,365	52,365	-	0.00%
Community services	612,857	592,474	583,369	9,105	1.54%
Intergovernmental expenditures	-	38,400	38,400	-	0.00%
Total expenditures	<u>\$ 42,841,007</u>	<u>\$ 44,827,852</u>	<u>\$ 44,362,063</u>	<u>\$ 465,789</u>	1.04%
Other financing sources (uses)	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>	<u>\$ -</u>	<u>\$ 150,000</u>	100.00%

The original budget adopted by the Board in June 2024 was amended twice during the year. The amendments, approved in February and June 2025, reflected necessary changes to both revenues and expenditures based on projections made by the Chief Financial Officer.

## Capital Assets

By the end of the 2024-2025 fiscal year, the District had invested approximately \$101.3 million as the original cost in a broad range of capital assets, including land, school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$2.7 million, bringing the accumulated depreciation to roughly \$43.1 million as of June 30, 2025.

Hamilton Community Schools' Capital Assets				
	2025			2024
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 2,169,583	\$ -	\$ 2,169,583	\$ 2,169,583
Construction in progress	13,240,510	-	13,240,510	3,223,388
Buildings and improvements	77,829,685	38,252,532	39,577,153	41,344,299
Furniture and fixtures	3,520,655	2,116,830	1,403,825	413,009
Vehicles	3,560,682	2,496,470	1,064,212	853,108
Transportation equipment	1,026,211	194,225	831,986	728,211
Total	<u>\$ 101,347,326</u>	<u>\$ 43,060,057</u>	<u>\$ 58,287,269</u>	<u>\$ 48,731,598</u>

# HAMILTON COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

## Long-term Obligations

At June 30, 2025, the District had approximately \$63.8 million in long-term obligations which included \$60.8 million in outstanding bonded debt. The bonded debt obligation increased during the year as \$20.5 million in bond proceeds were received during the year. In addition to the bonded debt, the District has obligation for compensated absences estimated at roughly \$2,949,000 at the end of the fiscal year.

<b>Hamilton Community Schools Outstanding Long-term Obligations</b>		
	2025	2024*
General obligation bonds and other debt	\$ 60,842,882	\$ 43,016,755
Compensated absences and termination benefits	2,948,830	977,295
	\$ 63,791,712	\$ 43,994,050
*The 2024 numbers have not been updated for the adoption of GASB 101.		

## Factors Bearing on the District's Future

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

- The uncertainty of future student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan and the District. One of the most important factors affecting the District's budget is student count. General Fund revenue is generated from the State's per pupil allowance, and a combination of State aid and property taxes. Under State law, the District cannot assess additional property tax revenue for general operations.
- In the fall of 2024, the District used the remaining funds from the Emergency Education Relief, Supplemental Elementary and Secondary School Emergency Relief, and the American Rescue Plan Elementary and Secondary Schools Emergency Relief Fund. Due to the loss of funding, the District will continue to monitor and make adjustments to the District budget based on changing State grant funds, due to the instability of the State Budget and State Aid funding.
- In May 2023, voters approved a \$41.18 million bond proposal focusing on safety and security, educational technology, and building and site improvements. Bond work will be spread out over two series and provide upgrades and updates to each school building within the District. As of June 2025, the first series of work had neared completion and included significant upgrades at Hamilton Elementary and Sandyview Learning Center buildings, as well as upgrades to the dehumidification system at the Middle School pool. In late Spring of 2025, work for the second series commenced. The scope of this work will include upgrades to Bentheim Elementary and Blue Star Elementary, as well as the Middle School and High School buildings.

## **HAMILTON COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS**

- The District continues to analyze the condition of its buildings and grounds, staffing, and operational supports, seeking to put the resources to the best uses possible in order to provide a safe and appropriate environment for its students, staff, and the Hamilton community. Administration continues to look at options and opportunities to fund such needs in light of ongoing budgetary pressures. To address the current and future needs, the District has continued to determine the feasibility of right-sizing where needed, to ensure the efficient and effective functionality of all of the available resources throughout the District.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional information, please contact the Chief Financial Officer at Hamilton Community Schools, 4815 136th Ave., Hamilton, MI 49419-9604.

## **BASIC FINANCIAL STATEMENTS**

**HAMILTON COMMUNITY SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2025**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,858,089
Investments	22,918,491
Receivables	
Accounts receivable	435
Interest receivable	18
Intergovernmental	6,141,713
Prepays	656,325
Inventories	15,076
Net other postemployment benefits asset	7,401,370
Restricted cash and cash equivalents - capital projects	20,777,933
Capital assets not being depreciated	15,410,093
Capital assets, net of accumulated depreciation	42,877,176
<b>TOTAL ASSETS</b>	<b>125,056,719</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	191,346
Related to other postemployment benefits	1,836,880
Related to pensions	12,879,921
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>14,908,147</b>
<b>LIABILITIES</b>	
Accounts payable	3,128,012
Accrued interest	393,916
Accrued salaries and related items	2,903,237
Accrued retirement	1,067,423
Unearned revenue	865,260
Noncurrent liabilities	
Due within one year	3,417,325
Due in more than one year	60,374,387
Net pension liability	41,795,080
<b>TOTAL LIABILITIES</b>	<b>113,944,640</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	13,008,631
Related to other postemployment benefits	9,807,053
Related to state aid funding for pension	2,327,158
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>25,142,842</b>
<b>NET POSITION</b>	
Net investment in capital assets	29,860,765
Restricted for debt service	1,774,157
Restricted for net other postemployment benefits	7,401,370
Unrestricted	(38,158,908)
<b>TOTAL NET POSITION</b>	<b>\$ 877,384</b>

See notes to financial statements.



**HAMILTON COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2025**

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	\$ 21,133,936	\$ -	\$ 13,898,729	\$ (7,235,207)
Support services	13,910,496	126,091	2,500,064	(11,284,341)
Community services	493,606	-	-	(493,606)
Food services	1,384,261	142,631	1,581,714	340,084
Student/school activities	556,717	-	622,574	65,857
Interest on long-term debt	1,648,046	-	-	(1,648,046)
Unallocated depreciation	2,724,997	-	-	(2,724,997)
Total governmental activities	<u>\$ 41,852,059</u>	<u>\$ 268,722</u>	<u>\$ 18,603,081</u>	<u>(22,980,256)</u>
General revenues				
Property taxes, levied for general purposes				5,429,666
Property taxes, levied for debt service				5,282,676
Investment earnings				1,630,526
State sources - unrestricted				22,755,657
Other				<u>685,865</u>
Total general revenues				<u>35,784,390</u>
CHANGE IN NET POSITION				12,804,134
NET POSITION, beginning of year, as previously reported				(10,021,678)
Adjustment to beginning net position				(1,905,072)
NET POSITION, beginning of year, as restated				<u>(11,926,750)</u>
Net position, end of year				<u>\$ 877,384</u>

See notes to financial statements.

**HAMILTON COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2025**

	General Fund	2019 Capital Projects	2023 Capital Projects	2025 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,835,634	\$ -	\$ -	\$ -	\$ 6,022,455	\$ 8,858,089
Investments	22,918,491	-	-	-	-	22,918,491
Receivables						
Accounts receivable	-	-	-	-	435	435
Interest receivable	-	-	-	-	18	18
Due from other funds	-	-	1,688,947	12,335,565	8,554	14,033,066
Intergovernmental	6,119,856	-	-	-	21,857	6,141,713
Prepays	656,325	-	-	-	-	656,325
Inventories	-	-	-	-	15,076	15,076
Restricted cash and cash equivalents	-	2,191,066	10,582,926	7,888,374	115,567	20,777,933
<b>TOTAL ASSETS</b>	<b>\$ 32,530,306</b>	<b>\$ 2,191,066</b>	<b>\$ 12,271,873</b>	<b>\$ 20,223,939</b>	<b>\$ 6,183,962</b>	<b>\$ 73,401,146</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 619,612	\$ 197,602	\$ 1,253,429	\$ 1,010,815	\$ 46,554	\$ 3,128,012
Accrued salaries and related items	2,903,237	-	-	-	-	2,903,237
Accrued retirement	1,067,423	-	-	-	-	1,067,423
Due to other funds	14,033,066	-	-	-	-	14,033,066
Unearned revenue	840,627	-	-	-	24,633	865,260
<b>TOTAL LIABILITIES</b>	<b>19,463,965</b>	<b>197,602</b>	<b>1,253,429</b>	<b>1,010,815</b>	<b>71,187</b>	<b>21,996,998</b>
<b>FUND BALANCES</b>						
Nonspendable						
Inventories	-	-	-	-	15,076	15,076
Prepays	656,325	-	-	-	-	656,325
Restricted for:						
Capital projects	-	1,993,464	11,018,444	19,213,124	-	32,225,032
Food service	-	-	-	-	681,951	681,951
Debt service	-	-	-	-	2,168,073	2,168,073
Committed for:						
Capital projects	-	-	-	-	2,765,242	2,765,242
Student/school activities	-	-	-	-	482,433	482,433
Assigned for:						
Compensated absences and termination benefits	2,948,830	-	-	-	-	2,948,830
Unassigned						
General fund	9,461,186	-	-	-	-	9,461,186
<b>TOTAL FUND BALANCES</b>	<b>13,066,341</b>	<b>1,993,464</b>	<b>11,018,444</b>	<b>19,213,124</b>	<b>6,112,775</b>	<b>51,404,148</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 32,530,306</b>	<b>\$ 2,191,066</b>	<b>\$ 12,271,873</b>	<b>\$ 20,223,939</b>	<b>\$ 6,183,962</b>	<b>\$ 73,401,146</b>

See notes to financial statements.

**HAMILTON COMMUNITY SCHOOLS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE**  
**SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

<b>Total governmental fund balances</b>		\$ 51,404,148
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred charge on refunding, net of amortization	\$ 191,346	
Deferred inflows of resources - related to state pension funding	(2,327,158)	
Deferred outflows of resources - related to other post employment benefits	1,836,880	
Deferred outflows of resources - related to pensions	12,879,921	
Deferred inflows of resources - related to other postemployment benefits	(9,807,053)	
Deferred inflows of resources - related to pensions	<u>(13,008,631)</u>	
		(10,234,695)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Noncurrent assets at year-end consist of:		
Net other postemployment benefits asset		7,401,370
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	101,347,326	
Accumulated depreciation is	<u>(43,060,057)</u>	
		58,287,269
Long-term obligations are not due and payable in the current period and are not reported in the funds.		
General obligation bonds		(60,842,882)
Compensated absences and termination benefits		(2,948,830)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(393,916)
Net pension liability		<u>(41,795,080)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 877,384</u></u>

**HAMILTON COMMUNITY SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2025**

	General Fund	2019 Capital Projects	2023 Capital Projects	2025 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Local sources						
Property taxes	\$ 5,429,666	\$ -	\$ -	\$ -	\$ 5,282,676	\$ 10,712,342
Tuition	215,543	-	-	-	-	215,543
Food sales	-	-	-	-	142,631	142,631
Investment earnings	1,030,315	154,194	273,338	107,809	64,870	1,630,526
Student/school activities	-	-	-	-	622,574	622,574
Other	314,331	-	-	-	29,723	344,054
Total local sources	6,989,855	154,194	273,338	107,809	6,142,474	13,667,670
State sources	32,589,010	-	-	-	1,055,719	33,644,729
Federal sources	1,806,042	-	-	-	822,085	2,628,127
Intermediate school districts	4,024,741	-	-	-	-	4,024,741
<b>TOTAL REVENUES</b>	<b>45,409,648</b>	<b>154,194</b>	<b>273,338</b>	<b>107,809</b>	<b>8,020,278</b>	<b>53,965,267</b>
<b>EXPENDITURES</b>						
Current						
Instruction	27,212,859	-	-	-	-	27,212,859
Supporting services	16,475,070	-	-	-	-	16,475,070
Food service activities	-	-	-	-	1,619,272	1,619,272
Student/school activities	-	-	-	-	556,717	556,717
Community service activities	583,369	-	-	-	-	583,369
Debt service						
Principal repayment	-	-	-	-	3,330,000	3,330,000
Interest	-	-	-	-	1,513,806	1,513,806
Other	-	-	-	-	2,000	2,000
Intergovernmental expenditures	38,400	-	-	-	-	38,400
Capital outlay	52,365	1,674,822	7,245,133	1,768,102	14,793	10,755,215
Bond issuance costs	-	-	-	382,298	-	382,298
<b>TOTAL EXPENDITURES</b>	<b>44,362,063</b>	<b>1,674,822</b>	<b>7,245,133</b>	<b>2,150,400</b>	<b>7,036,588</b>	<b>62,469,006</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,047,585</b>	<b>(1,520,628)</b>	<b>(6,971,795)</b>	<b>(2,042,591)</b>	<b>983,690</b>	<b>(8,503,739)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from issuance of bonds	-	-	-	20,530,000	-	20,530,000
Premium from issuance of bonds	-	-	-	725,715	-	725,715
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,255,715</b>	<b>-</b>	<b>21,255,715</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,047,585</b>	<b>(1,520,628)</b>	<b>(6,971,795)</b>	<b>19,213,124</b>	<b>983,690</b>	<b>12,751,976</b>
<b>FUND BALANCES</b>						
Beginning of year	12,018,756	3,514,092	17,990,239	-	5,129,085	38,652,172
End of year	<u>\$ 13,066,341</u>	<u>\$ 1,993,464</u>	<u>\$ 11,018,444</u>	<u>\$ 19,213,124</u>	<u>\$ 6,112,775</u>	<u>\$ 51,404,148</u>

See notes to financial statements.

**HAMILTON COMMUNITY 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, 2025**

**Net change in fund balances total governmental funds** \$ 12,751,976

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

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

Depreciation expense	(2,724,997)
Capital outlay	12,490,043
Net book value of assets disposed	(209,375)

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	260,676
Accrued interest payable, end of the year	(393,916)

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

Payments on bonded debt	3,330,000
Amortization of deferred charge on refunding	(38,270)
Amortization of bond premium	99,588
Proceeds from issuance of bonds	(20,530,000)
Premium from issuance of bonds	(725,715)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Unavailable revenue, beginning of the year	(461,281)
Unavailable revenue, end of the year	-

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 governmental funds.

Accrued compensated absences and termination benefits, beginning of the year, as restated	2,882,367
Accrued compensated absences and termination benefits, end of the year	(2,948,830)

Internal service fund change in net position	163,977
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Other postemployment benefits items	2,853,286
Pension related items	4,978,489

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period.

Change in state aid funding for pension	1,026,116
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<b>Change in net position of governmental activities</b>	<b><u><u>\$ 12,804,134</u></u></b>
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**HAMILTON COMMUNITY SCHOOLS  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 YEAR ENDED JUNE 30, 2025**

	<u>Internal Service Fund</u>
OPERATING REVENUE	
Charges for services	<u>\$ 165,945</u>
OPERATING EXPENSE	
Claims	277
Other expenses	<u>1,691</u>
TOTAL OPERATING EXPENSES	<u>1,968</u>
OPERATING INCOME	<u>163,977</u>
CHANGE IN NET POSITION	163,977
NET POSITION	
Beginning of year	<u>(163,977)</u>
End of year	<u><u>\$ -</u></u>

See notes to financial statements.

**HAMILTON COMMUNITY SCHOOLS  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2025**

	<u>Internal Service Fund</u>
CASH FLOWS FOR OPERATING ACTIVITIES	
Charges for services	\$ 1,968
Claims	(277)
Other expenses	<u>(1,691)</u>
Net cash provided by operating activities	<u>-</u>
Beginning of year	<u>-</u>
End of year	<u><u>\$ -</u></u>
CASH FOR OPERATING ACTIVITIES	
Operating income	\$ 163,977
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Changes in operating assets and liabilities which provided (used) cash	
Accounts receivable	328,399
Prepaid expenses	20,000
Checks written for future deposits	<u>(512,376)</u>
	<u><u>\$ -</u></u>

See notes to financial statements.

## **HAMILTON COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

#### Reporting Entity

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

#### Basis of Presentation - Government-wide Financial Statements

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

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

#### Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *2019 Capital Projects Fund* includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete, and a subsequent year audit is expected.

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



# HAMILTON COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of Presentation - Fund Financial Statements (continued)

#### *Major Governmental Funds (continued):*

The *2025 Capital Projects Fund* includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete, and a subsequent year audit is expected.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2019, 2023, and 2025 capital projects funds. The following is a summary of the cumulative revenue and expenditures for the capital projects funds' activities:

	Capital Projects		
	2019 Capital Projects	2023 Capital Projects	2025 Capital Projects
Revenue and other financing sources	<u>\$ 7,054,899</u>	<u>\$ 21,653,827</u>	<u>\$ 21,363,524</u>
Expenditures	<u>\$ 5,061,435</u>	<u>\$ 10,635,383</u>	<u>\$ 2,150,400</u>

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 the special revenue funds.

The *Capital Projects Funds* - the building and site and 2017 capital projects funds - account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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. The District has various nonmajor debt service funds.

The *Internal Service Fund* recognizes, as operating revenue, internal transfers intended to recover the cost of providing specific benefits to employees. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

## HAMILTON COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

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

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

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

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

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.

## **HAMILTON COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Measurement Focus and Basis of Accounting (continued)

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

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

#### Budgetary Information

##### *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. The capital projects fund is appropriated on a project-length basis. 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 budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2025. Although the district does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

**HAMILTON COMMUNITY 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

*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.

*Inventories and Prepaids*

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.

**HAMILTON COMMUNITY 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)

*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 \$5,000 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 and construction in progress are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	20 - 50
Furniture and equipment	5 - 10
Vehicles	5 - 10
Infrastructure	25

*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.

*Deferred Outflows*

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

## HAMILTON COMMUNITY 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 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 benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability/asset and the actual results. The amounts are amortized over a period determined by the actuary.

##### *Net Position Flow Assumption*

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

##### *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.

**HAMILTON COMMUNITY 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 Policies (continued)*

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.

Revenues and Expenditures/Expenses

*Program Revenues*

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

*Property Taxes*

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

For the year ended June 30, 2025, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	4.35

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenues and Expenditures/Expenses (continued)

*Compensated Absences and Termination Benefits*

The District recognizes a liability for compensated absences and termination benefits 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 and termination benefits is reported as incurred in the government-wide financial statements. The liability for compensated absences and termination benefits includes salary and related benefits, where applicable.

*Long-term Obligations*

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2025 the District had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, \$29,435,181 of the District's bank balance of \$29,706,531 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$29,636,022.

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.



**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment Pool - CMC	\$ 1,191	n/a
MILAF External Investment Pool - MAX	2,752	n/a
Michigan Class Investment Pool	<u>22,914,548</u>	0.105
Total fair value	<u><u>\$ 22,918,491</u></u>	
Portfolio weighted average maturity		<u><u>0.1050</u></u>

One day maturity equals 0.0027, one year equals 1.00.

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment Pool - CMC	\$ 1,191	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	2,752	AAAm	Standard & Poor's
Michigan Class Investment Pool	<u>22,914,548</u>	AAAm	Standard & Poor's
Total fair value	<u><u>\$ 22,918,491</u></u>		

Foreign Currency Risk

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

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

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). As of June 30, 2025, the District did not have investments in commercial paper and corporate bonds.

Fair Value Measurement

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

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

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.

At June 30, 2025, the District does not have any investments subject to fair value measurement.

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

	Amortized Cost
MILAF External Investment Pool - CMC	\$ 1,191
MILAF External Investment Pool - MAX	2,752
Total	<u>\$ 3,943</u>

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Investments in Entities that Calculate Net Asset Value per Share

The District holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At the year ended June 30, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Michigan Class Investment Pool	<u>\$ 22,914,548</u>	<u>\$ -</u>	No Restrictions	None

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2025:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 8,858,089
Investments	22,918,491
Restricted cash and cash equivalents - capital projects	<u>20,777,933</u>
	<u>\$ 52,554,513</u>

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS**

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Assets not being depreciated				
Land	\$ 2,169,583	\$ -	\$ -	\$ 2,169,583
Construction in progress	3,223,388	10,017,122	-	13,240,510
Subtotal	5,392,971	10,017,122	-	15,410,093
Capital assets being depreciated				
Building and improvements	77,598,315	815,627	584,257	77,829,685
Furniture and equipment	2,644,772	1,092,488	216,605	3,520,655
Vehicles	3,506,770	425,553	371,641	3,560,682
Infrastructure	886,958	139,253	-	1,026,211
Subtotal	84,636,815	2,472,921	1,172,503	85,937,233
Accumulated depreciation				
Building and improvements	36,254,016	2,386,667	388,151	38,252,532
Furniture and equipment	2,231,763	100,403	215,336	2,116,830
Vehicles	2,653,662	202,449	359,641	2,496,470
Infrastructure	158,747	35,478	-	194,225
Total accumulated depreciation	41,298,188	2,724,997	963,128	43,060,057
Net capital assets being depreciated	43,338,627	(252,076)	209,375	42,877,176
Net governmental capital assets	\$ 48,731,598	\$ 9,765,046	\$ 209,375	\$ 58,287,269

Depreciation expense for the fiscal year ended June 30, 2025 amounted to \$2,724,997. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2025 consist of the following:

	<u>Governmental Funds</u>
Other governmental units	
State aid	\$ 5,600,627
Federal revenue	415,382
ISD and other	<u>125,704</u>
	<u><u>\$ 6,141,713</u></u>

Amounts due from other intergovernmental units include amounts due from federal, state, and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

**NOTE 5 - LONG-TERM OBLIGATIONS**

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

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2025:

	<u>General Obligation Bonds</u>	<u>Compensated Absences and Termination Benefits*</u>	<u>Total</u>
Balance July 1, 2024, as restated	\$ 43,016,755	\$ 2,882,367	\$ 45,899,122
Additions	21,255,715	66,463	21,322,178
Deletions	<u>(3,429,588)</u>	<u>-</u>	<u>(3,429,588)</u>
Balance June 30, 2025	60,842,882	2,948,830	63,791,712
Total due within one year	<u>2,975,000</u>	<u>442,325</u>	<u>3,417,325</u>
Total due in more than one year	<u><u>\$ 57,867,882</u></u>	<u><u>\$ 2,506,505</u></u>	<u><u>\$ 60,374,387</u></u>

\*The change in the compensated absences and termination benefits liability is presented as a net change.

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

Long-term obligations at June 30, 2025 is comprised of the following:

General Obligation Bonds

2015 Refunding bonds, due in annual installments of \$1,000,000 through May 1, 2030, with interest from 4.00% to 5.00%.	\$ 5,000,000
2016 Building and Site bonds, due in semiannual installments of \$100,000 to \$705,000 through May 1, 2046, with interest from 3.00% to 3.125%.	13,830,000
2019 Building and Site bonds, due in semiannual installments of \$55,000 to \$385,000 through May 1, 2046, with interest from 3.00% to 4.00%.	5,790,000
2023 Building and Site bonds, due in semiannual installments of \$100,000 to \$650,000 through May 1, 2053, with interest from 4.00% to 5.00%.	13,900,000
2025 Building and Site bonds, due in semiannual installments of \$505,000 to \$2,330,000 through November 1, 2054, with interest from 4.50% to 5.00%.	20,530,000
Plus premium on bond refunding	<u>1,792,882</u>
Total general obligation bonds	60,842,882
Compensated absences and termination benefits	<u>2,948,830</u>
Total general long-term obligations	<u><u>\$ 63,791,712</u></u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets, and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2025, \$5,000,000 bonds outstanding are considered defeased.

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

The annual requirements to amortize debt outstanding as of June 30, 2025, including interest payments are as follows:

Year Ending June 30,	General Obligation Bonds		Compensated Absences and Termination Benefits	Total
	Principal	Interest		
2026	\$ 2,975,000	\$ 2,359,470	\$ -	\$ 5,334,470
2027	3,285,000	2,260,196	-	5,545,196
2028	3,650,000	2,107,596	-	5,757,596
2029	4,060,000	1,936,146	-	5,996,146
2030	2,300,000	1,794,096	-	4,094,096
2031 - 2035	10,460,000	7,587,105	-	18,047,105
2036 - 2040	10,325,000	5,516,730	-	15,841,730
2041 - 2045	10,060,000	3,554,619	-	13,614,619
2046 - 2050	7,130,000	1,806,788	-	8,936,788
2051 - 2055	4,805,000	446,903	-	5,251,903
	59,050,000	29,369,649	-	88,419,649
Premium on bond refunding	1,792,882	-	-	1,792,882
Compensated absences and termination benefits	-	-	2,948,830	2,948,830
	<u>\$ 60,842,882</u>	<u>\$ 29,369,649</u>	<u>\$ 2,948,830</u>	<u>\$ 93,161,361</u>

Interest expense (all funds) for the year ended June 30, 2025 was approximately \$1,514,000.

**NOTE 6 - 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](http://www.michigan.gov/orsschools).

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

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Plan Description (continued)

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.



## HAMILTON COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS

### NOTE 6 - 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.

## **HAMILTON COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS**

### **NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

#### Pension Reform 2012 (continued)

Employees who first work on or after September 4, 2012, 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.

#### 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.

## **HAMILTON COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS**

### **NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

#### Retiree Healthcare Reform of 2012

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

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

#### Regular Retirement (no reduction factor for age)

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

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

#### Member Contributions

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

#### Employer Contributions

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

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

# **HAMILTON COMMUNITY SCHOOLS** **NOTES TO FINANCIAL STATEMENTS**

## **NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

### Employer Contributions (continued)

Pension and OPEB contributions made in the fiscal year ending September 30, 2024, were determined as of the September 30, 2021, actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021, are amortized over a 15-year period beginning October 1, 2023, 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, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately \$8,261,000. Of the total pension contributions approximately \$7,963,000 was contributed to fund the Defined Benefit Plan and approximately \$298,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately \$272,000. Of the total OPEB contributions approximately \$104,000 was contributed to fund the Defined Benefit Plan and approximately \$168,000 was contributed to fund the Defined Contribution Plan.

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

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

The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures.

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

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

<u><i>MPERS (Plan) Non-university Employers</i></u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total pension liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan fiduciary net position	\$ 71,283,482,728	\$ 62,581,762,238
Net pension liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate share	0.17072%	0.17112%
Net pension liability for the District	\$ 41,795,080	\$ 55,384,224

For the year ended June 30, 2025, the District recognized pension expense of \$2,984,363.

At June 30, 2025, 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	\$ 4,357,385	\$ 3,062,258
Net difference between projected and actual earnings on pension plan investments	-	7,976,273
Differences between expected and actual experience	1,133,930	454,109
Changes in proportion and differences between employer contributions and proportionate share of contributions	56,427	1,515,991
Employer contributions subsequent to the measurement date	<u>7,332,179</u>	<u>-</u>
	<u><u>\$ 12,879,921</u></u>	<u><u>\$ 13,008,631</u></u>

\$7,332,179, 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.

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

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

Year Ended June 30,	Amount
2026	\$ (1,909,281)
2027	(285,089)
2028	(3,176,970)
2029	(2,089,549)

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

The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023, 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>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total OPEB liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan fiduciary net position	\$ 14,295,943,589	\$ 11,789,347,341
Net OPEB liability (asset)	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.17195%	0.16939%
Net OPEB liability (asset) for the District	\$ (7,401,370)	\$ (958,258)

For the year ended June 30, 2025, the District recognized OPEB benefit of \$2,749,076.

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,616,566	\$ 185,811
Net difference between projected and actual earnings on OPEB plan investments	-	1,401,164
Differences between expected and actual experience	-	7,843,192
Changes in proportion and differences between employer contributions and proportionate share of contributions	171,774	376,886
Employer contributions subsequent to the measurement date	48,540	-
	<u>\$ 1,836,880</u>	<u>\$ 9,807,053</u>

\$48,540, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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

Year Ended June 30,	Amount
2026	\$ (2,561,696)
2027	(1,620,621)
2028	(1,586,420)
2029	(1,380,202)
2030	(734,300)
2031	(135,474)

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions

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

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

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

**Inflation** - 3.0%.

**Mortality Assumptions -**

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

*Active:* PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale 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, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.



**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

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

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

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

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

The target asset allocation at September 30, 2024, and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

\* Long term rate of return are net of administrative expenses and 2.3% inflation.

**Rate of Return** - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Pension Discount Rate** - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that 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.

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**OPEB Discount Rate** - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that 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	\$ 61,272,036	\$ 41,795,080	\$ 25,576,766

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability (asset)	\$ (5,719,840)	\$ (7,401,370)	\$ (8,855,231)

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

	Other Postemployment Benefits		
	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability (asset)	\$ (8,855,246)	\$ (7,401,370)	\$ (5,842,096)

# HAMILTON COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS

## NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

### Pension and OPEB Plan Fiduciary Net Position

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

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

## NOTE 7 - 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. The District purchases commercial insurance to cover any losses that may result from the above described activities. No settlements have occurred in excess of coverage for the year ended June 30, 2025.

## NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>		<u>Payable Fund</u>	
2023 Capital Projects Fund	\$ 1,688,947	General Fund	<u>\$ 14,033,066</u>
2025 Capital Projects Fund	12,335,565		
Food Service Fund	<u>8,554</u>		
Total	<u>\$ 14,033,066</u>		

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

## NOTE 9 - CONTINGENT LIABILITIES

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

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - TAX ABATEMENTS**

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

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

<u>Municipality</u>	<u>Taxes Abated</u>
Holland	<u>\$ 2,132,340</u>

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

There are no abatements made by the District.

**NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
  - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
    - 1) Overview of the Financial Statements,
    - 2) Financial Summary,
    - 3) Detailed Analyses,
    - 4) Significant Capital Asset and Long-Term Financing Activity,
    - 5) Currently Known Facts, Decisions, or Conditions;
  - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
  - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
  - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
  - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- 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 of should be presented after the fund financial statements;

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)**

- 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.

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued 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. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

**NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*.

**Summary:** This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

**NOTE 13 - ADJUSTMENTS TO BEGINNING NET POSITION**

During fiscal year 2025, changes to beginning net position, are as follows:

	<u>Governmental Activities</u>
Net position, as previously reported	\$ (10,021,678)
Change in accounting principle (GASB 101)	<u>(1,905,072)</u>
Net position, as restated	<u><u>\$ (11,926,750)</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**HAMILTON COMMUNITY SCHOOLS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local sources	\$ 5,826,905	\$ 7,075,154	\$ 6,989,855	\$ (85,299)
State sources	32,056,149	32,735,284	32,589,010	(146,274)
Federal sources	1,677,178	1,787,467	1,806,042	18,575
Intermediate school districts	3,860,000	3,982,561	4,024,741	42,180
<b>TOTAL REVENUES</b>	<b>43,420,232</b>	<b>45,580,466</b>	<b>45,409,648</b>	<b>(170,818)</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	22,056,944	22,915,431	22,808,922	106,509
Added needs	4,118,991	4,481,084	4,403,937	77,147
<b>Total instruction</b>	<b>26,175,935</b>	<b>27,396,515</b>	<b>27,212,859</b>	<b>183,656</b>
Supporting services				
Pupil	2,792,594	2,532,917	2,558,991	(26,074)
Instructional staff	2,225,093	2,709,917	2,827,762	(117,845)
General administration	610,799	558,334	598,302	(39,968)
School administration	2,002,594	1,974,904	1,973,460	1,444
Business	479,477	467,950	479,482	(11,532)
Operations and maintenance	3,691,276	3,650,454	3,583,470	66,984
Pupil transportation	2,287,236	2,427,154	2,001,903	425,251
Central	946,096	1,389,820	1,366,729	23,091
Athletics	1,017,050	1,036,648	1,084,971	(48,323)
<b>Total supporting services</b>	<b>16,052,215</b>	<b>16,748,098</b>	<b>16,475,070</b>	<b>273,028</b>
Capital outlay	-	52,365	52,365	-
Community services	612,857	592,474	583,369	9,105
Intergovernmental expenditures	-	38,400	38,400	-
<b>TOTAL EXPENDITURES</b>	<b>42,841,007</b>	<b>44,827,852</b>	<b>44,362,063</b>	<b>465,789</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>579,225</b>	<b>752,614</b>	<b>1,047,585</b>	<b>294,971</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(150,000)	(150,000)	-	150,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 429,225</b>	<b>\$ 602,614</b>	<b>1,047,585</b>	<b>\$ 444,971</b>
<b>FUND BALANCE</b>				
Beginning of year			12,018,756	
End of year			<u>\$ 13,066,341</u>	

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting Unit's proportion of net pension liability (%)	0.17072%	0.17112%	0.17750%	0.18044%	0.17853%	0.17531%	0.17143%	0.16627%	0.16002%	0.15785%
Reporting Unit's proportionate share of net pension liability	\$ 41,795,080	\$ 55,384,224	\$ 66,756,722	\$ 42,720,480	\$ 61,326,358	\$ 58,055,274	\$ 51,536,155	\$ 43,088,631	\$ 39,924,107	\$ 38,553,896
Reporting Unit's covered-employee payroll	\$ 18,192,075	\$ 16,957,202	\$ 16,805,044	\$ 16,486,617	\$ 16,184,798	\$ 15,495,986	\$ 14,983,812	\$ 14,121,247	\$ 13,576,954	\$ 13,176,797
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	229.74%	326.61%	397.24%	259.12%	378.91%	374.65%	343.95%	305.13%	294.06%	292.59%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%



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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	\$ 7,962,852	\$ 6,909,312	\$ 7,818,222	\$ 5,923,524	\$ 5,346,426	\$ 4,779,024	\$ 4,505,587	\$ 4,443,226	\$ 3,851,910	\$ 3,492,627
Contributions in relation to statutorily required contributions	<u>7,962,852</u>	<u>6,909,312</u>	<u>7,818,222</u>	<u>5,923,524</u>	<u>5,346,426</u>	<u>4,779,024</u>	<u>4,505,587</u>	<u>4,443,226</u>	<u>3,851,910</u>	<u>3,492,627</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	\$ 19,944,407	\$ 17,702,100	\$ 16,887,143	\$ 16,700,092	\$ 16,484,474	\$ 15,915,848	\$ 15,486,161	\$ 14,680,686	\$ 14,280,600	\$ 13,341,334
Contributions as a percentage of covered-employee payroll	39.93%	39.03%	46.30%	35.47%	32.43%	30.03%	29.09%	30.27%	26.97%	26.18%

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

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability/asset (%)	0.17195%	0.16939%	0.17225%	0.18085%	0.18158%	0.17662%	0.17559%	0.16618%
Reporting Unit's proportionate share of net OPEB liability (asset)	\$ (7,401,370)	\$ (958,258)	\$ 3,648,314	\$ 2,760,402	\$ 9,727,966	\$ 12,677,020	\$ 13,957,957	\$ 14,715,642
Reporting Unit's covered-employee payroll	\$ 18,192,075	\$ 16,957,202	\$ 16,805,044	\$ 16,486,617	\$ 16,184,798	\$ 15,495,986	\$ 14,983,812	\$ 14,121,247
Reporting Unit's proportionate share of net OPEB liability/asset as a percentage of its covered-employee payroll	40.68%	5.65%	21.71%	16.74%	60.11%	81.81%	93.15%	104.21%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	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 for which information is available.

**HAMILTON COMMUNITY SCHOOLS  
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)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 104,210	\$ 1,464,981	\$ 1,378,362	\$ 1,354,712	\$ 1,413,735	\$ 1,335,358	\$ 1,222,550	\$ 1,255,324
Contributions in relation to statutorily required contributions	<u>104,210</u>	<u>1,464,981</u>	<u>1,378,362</u>	<u>1,354,712</u>	<u>1,413,735</u>	<u>1,335,358</u>	<u>1,222,550</u>	<u>1,255,324</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 19,944,407	\$ 17,702,100	\$ 16,887,143	\$ 16,700,092	\$ 16,484,474	\$ 15,915,848	\$ 15,486,161	\$ 14,680,686
Contributions as a percentage of covered-employee payroll	0.52%	8.28%	8.16%	8.11%	8.58%	8.39%	7.89%	8.55%

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

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

**NOTE 1 - 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 2 - 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:

- 2024 - The health care cost trend rate used in the September 30, 2023, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

**HAMILTON COMMUNITY SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

**NOTE 2 - OPEB INFORMATION (continued)**

Changes in Assumptions (continued)

- 2022 - The discount rate and investment rate of return used in the September 30, 2021, actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020, actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019, actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018, actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017, actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

## **ADDITIONAL SUPPLEMENTARY INFORMATION**

**HAMILTON COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2025**

	Special Revenue Fund		Capital	Debt	Total
	Food	Student/ School	Projects	Service	Nonmajor
	Service	Activities	Funds	Funds	Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 689,024	\$ 515,201	\$ 2,650,175	\$ 2,168,055	\$ 6,022,455
Receivables					
Accounts receivable	435	-	-	-	435
Interest receivable	-	-	-	18	18
Intergovernmental	21,857	-	-	-	21,857
Due from other funds	8,554	-	-	-	8,554
Inventories	15,076	-	-	-	15,076
Restricted cash and cash equivalents	-	-	115,567	-	115,567
<b>TOTAL ASSETS</b>	<b>\$ 734,946</b>	<b>\$ 515,201</b>	<b>\$ 2,765,742</b>	<b>\$ 2,168,073</b>	<b>\$ 6,183,962</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 13,286	\$ 32,768	\$ 500	\$ -	\$ 46,554
Unearned revenue	24,633	-	-	-	24,633
<b>TOTAL LIABILITIES</b>	<b>37,919</b>	<b>32,768</b>	<b>500</b>	<b>-</b>	<b>71,187</b>
<b>FUND BALANCES</b>					
Nonspendable for inventories	15,076	-	-	-	15,076
Restricted for:					
Debt service	-	-	-	2,168,073	2,168,073
Food service	681,951	-	-	-	681,951
Committed for:					
Capital projects	-	-	2,765,242	-	2,765,242
School/student activities	-	482,433	-	-	482,433
<b>TOTAL FUND BALANCES</b>	<b>697,027</b>	<b>482,433</b>	<b>2,765,242</b>	<b>2,168,073</b>	<b>6,112,775</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 734,946</b>	<b>\$ 515,201</b>	<b>\$ 2,765,742</b>	<b>\$ 2,168,073</b>	<b>\$ 6,183,962</b>

**HAMILTON COMMUNITY SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2025**

	Special Revenue Fund		Capital	Debt	Total
	Food	Student/ School	Projects	Service	Nonmajor
	Service	Activities	Funds	Funds	Funds
<b>REVENUES</b>					
Local sources					
Property taxes	\$ -	\$ -	\$ -	\$ 5,282,676	\$ 5,282,676
Food sales	142,631	-	-	-	142,631
Student/school activities	-	622,574	-	-	622,574
Investment earnings	-	-	-	64,870	64,870
Other	-	-	29,723	-	29,723
State sources	759,629	-	-	296,090	1,055,719
Federal sources	822,085	-	-	-	822,085
<b>TOTAL REVENUES</b>	<b>1,724,345</b>	<b>622,574</b>	<b>29,723</b>	<b>5,643,636</b>	<b>8,020,278</b>
<b>EXPENDITURES</b>					
Current					
Special revenue activities					
Salaries	406,819	-	-	-	406,819
Benefits	227,238	-	-	-	227,238
Supplies and materials	866,402	-	-	-	866,402
Other expenses	118,813	-	-	-	118,813
Student/school activities	-	556,717	-	-	556,717
Debt service					
Principal repayment	-	-	-	3,330,000	3,330,000
Interest	-	-	-	1,513,806	1,513,806
Other	-	-	-	2,000	2,000
Capital outlay	-	-	14,793	-	14,793
<b>TOTAL EXPENDITURES</b>	<b>1,619,272</b>	<b>556,717</b>	<b>14,793</b>	<b>4,845,806</b>	<b>7,036,588</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>105,073</b>	<b>65,857</b>	<b>14,930</b>	<b>797,830</b>	<b>983,690</b>
<b>FUND BALANCES</b>					
Beginning of year	591,954	416,576	2,750,312	1,370,243	5,129,085
End of year	\$ 697,027	\$ 482,433	\$ 2,765,242	\$ 2,168,073	\$ 6,112,775



**HAMILTON COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2025**

	Building and Site	2017 Capital Projects	Totals
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,650,175	\$ 2,650,175
Restricted cash and cash equivalents	<u>115,567</u>	<u>-</u>	<u>115,567</u>
 TOTAL ASSETS	 <u><u>\$ 115,567</u></u>	 <u><u>\$ 2,650,175</u></u>	 <u><u>\$ 2,765,742</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>
FUND BALANCES			
Committed for capital projects	<u>115,067</u>	<u>2,650,175</u>	<u>2,765,242</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 115,567</u></u>	 <u><u>\$ 2,650,175</u></u>	 <u><u>\$ 2,765,742</u></u>

**HAMILTON COMMUNITY SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
YEAR ENDED JUNE 30, 2025**

	<u>Building and Site</u>	<u>2017 Capital Projects</u>	<u>Totals</u>
REVENUES			
Local sources			
Other	<u>\$ -</u>	<u>\$ 29,723</u>	<u>\$ 29,723</u>
EXPENDITURES			
Capital outlay	<u>6,258</u>	<u>8,535</u>	<u>14,793</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,258)</u>	<u>21,188</u>	<u>14,930</u>
FUND BALANCES			
Beginning of year	<u>121,325</u>	<u>2,628,987</u>	<u>2,750,312</u>
End of year	<u><u>\$ 115,067</u></u>	<u><u>\$ 2,650,175</u></u>	<u><u>\$ 2,765,242</u></u>

**HAMILTON COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
JUNE 30, 2025**

	2015 Refunding	2016 Debt Retirement	2019 Debt Retirement	2023 Debt Retirement	Totals
ASSETS					
Cash and cash equivalents	\$ 481,842	\$ 529,594	\$ 447,585	\$ 709,034	\$ 2,168,055
Interest receivable	18	-	-	-	18
TOTAL ASSETS	<u>\$ 481,860</u>	<u>\$ 529,594</u>	<u>\$ 447,585</u>	<u>\$ 709,034</u>	<u>\$ 2,168,073</u>
FUND BALANCES					
Restricted for debt service	<u>\$ 481,860</u>	<u>\$ 529,594</u>	<u>\$ 447,585</u>	<u>\$ 709,034</u>	<u>\$ 2,168,073</u>

**HAMILTON COMMUNITY SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2025**

	2015 Refunding	2016 Debt Retirement	2019 Debt Retirement	2023 Debt Retirement	Totals
<b>REVENUES</b>					
Local sources					
Property taxes	\$ 1,360,230	\$ 1,056,608	\$ 320,062	\$ 2,545,776	\$ 5,282,676
Investment earnings	16,151	12,372	3,552	32,795	64,870
Total local revenues	1,376,381	1,068,980	323,614	2,578,571	5,347,546
State sources	76,235	59,218	17,697	142,940	296,090
<b>TOTAL REVENUES</b>	<u>1,452,616</u>	<u>1,128,198</u>	<u>341,311</u>	<u>2,721,511</u>	<u>5,643,636</u>
<b>EXPENDITURES</b>					
Principal repayment	1,000,000	440,000	-	1,890,000	3,330,000
Interest	245,000	431,231	178,325	659,250	1,513,806
Other	500	500	500	500	2,000
<b>TOTAL EXPENDITURES</b>	<u>1,245,500</u>	<u>871,731</u>	<u>178,825</u>	<u>2,549,750</u>	<u>4,845,806</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>207,116</u>	<u>256,467</u>	<u>162,486</u>	<u>171,761</u>	<u>797,830</u>
<b>FUND BALANCES</b>					
Beginning of year	<u>274,744</u>	<u>273,127</u>	<u>285,099</u>	<u>537,273</u>	<u>1,370,243</u>
End of year	<u><u>\$ 481,860</u></u>	<u><u>\$ 529,594</u></u>	<u><u>\$ 447,585</u></u>	<u><u>\$ 709,034</u></u>	<u><u>\$ 2,168,073</u></u>

**HAMILTON COMMUNITY SCHOOLS  
LONG TERM DEBT  
BONDED DEBT  
JUNE 30, 2025**

2015 Refunding Bonds

Fiscal Year June 30,	Interest Rate	Principal Due May 1	Interest Due		Total Due Annually
			May 1	November 1	
2026	4.00%	\$ 1,000,000	\$ 107,500	\$ 107,500	\$ 1,215,000
2027	4.00%	1,000,000	87,500	87,500	1,175,000
2028	4.00%	1,000,000	67,500	67,500	1,135,000
2029	4.50%	1,000,000	47,500	47,500	1,095,000
2030	5.00%	1,000,000	25,000	25,000	1,050,000
Total 2015 bonded debt		<u>\$ 5,000,000</u>	<u>\$ 335,000</u>	<u>\$ 335,000</u>	<u>\$ 5,670,000</u>

The above bonds dated May 21, 2015, were issued for the purpose of refunding that portion of the District's outstanding 2005 Refunding Bonds, dated March 30, 2005 which are due and payable May 1, 2016 through May 1, 2018, currently refunding that portion of the District's outstanding 2010 School Building & Site Bonds, dated January 27, 2010, which are due and payable May 1, 2016 through May 1, 2030, paying the applicable redemption premium on the 2010 bonds, and paying the costs of issuing the 2015 Refunding Bonds. The amount of the original bond issue was \$16,520,000.

**HAMILTON COMMUNITY SCHOOLS  
LONG TERM DEBT  
BONDED DEBT  
JUNE 30, 2025**

2016 Building and Site Bonds

Fiscal Year June 30,	Interest Rate	Principal Due		Interest Due		Total Due Annually
		May 1	November 1	May 1	November 1	
2026	3.000%	\$ 275,000	\$ 200,000	\$ 207,516	\$ 210,516	\$ 893,032
2027	3.000%	325,000	200,000	200,391	203,391	928,782
2028	3.000%	325,000	200,000	192,516	195,516	913,032
2029	3.000%	325,000	200,000	184,641	187,641	897,282
2030	3.000%	330,000	200,000	176,766	179,766	886,532
2031	3.000%	605,000	100,000	170,316	171,816	1,047,132
2032	3.000%	605,000	100,000	159,741	161,241	1,025,982
2033	3.000%	605,000	100,000	149,166	150,666	1,004,832
2034	3.000%	605,000	100,000	138,591	140,091	983,682
2035	3.000%	705,000	-	129,516	129,516	964,032
2036	3.000%	705,000	-	118,941	118,941	942,882
2037	3.000%	705,000	-	108,366	108,366	921,732
2038	3.000%	705,000	-	97,791	97,791	900,582
2039	3.000%	705,000	-	87,216	87,216	879,432
2040	3.125%	705,000	-	76,641	76,641	858,282
2041	3.125%	700,000	-	65,625	65,625	831,250
2042	3.125%	700,000	-	54,688	54,688	809,376
2043	3.125%	700,000	-	43,750	43,750	787,500
2044	3.125%	700,000	-	32,813	32,813	765,626
2045	3.125%	700,000	-	21,875	21,875	743,750
2046	3.125%	700,000	-	10,938	10,938	721,876
Total 2016 Building and Site Bonds		<u>\$ 12,430,000</u>	<u>\$ 1,400,000</u>	<u>\$ 2,427,804</u>	<u>\$ 2,448,804</u>	<u>\$ 18,706,608</u>

The above bonds dated June 7, 2016, were issued for the purpose of erecting, furnishing and equipping an addition to, installing security measures for, remodeling, equipping, and furnishing and refurnishing school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; erecting transportation and supporting athletic buildings; purchasing school buses; and preparing, developing and improving playgrounds, play fields, athletic fields and facilities, parking areas and sites and to pay costs of issuance for the bonds. The amount of the original issue was \$16,195,000.

**HAMILTON COMMUNITY SCHOOLS  
LONG TERM DEBT  
BONDED DEBT  
JUNE 30, 2025**

2019 Building and Site Bonds

Fiscal Year June 30,	Interest Rate	Principal Due		Interest Due		Total Due Annually
		May 1	November 1	May 1	November 1	
2026	4.000%	\$ -	\$ -	\$ 89,163	\$ 89,163	\$ 178,326
2027	4.000%	-	-	89,163	89,163	178,326
2028	4.000%	-	55,000	88,063	89,163	232,226
2029	4.000%	-	105,000	85,963	88,063	279,026
2030	4.000%	-	160,000	82,763	85,963	328,726
2031	3.000%	-	385,000	76,988	82,763	544,751
2032	3.000%	-	385,000	71,213	76,988	533,201
2033	3.000%	-	375,000	65,588	71,213	511,801
2034	3.000%	-	375,000	59,963	65,588	500,551
2035	3.000%	-	365,000	54,488	59,963	479,451
2036	3.000%	-	365,000	49,013	54,488	468,501
2037	3.000%	-	355,000	43,688	49,013	447,701
2038	3.000%	-	355,000	38,363	43,688	437,051
2039	3.000%	-	345,000	33,188	38,363	416,551
2040	3.000%	-	345,000	28,013	33,188	406,201
2041	3.000%	-	335,000	22,988	28,013	386,001
2042	3.000%	-	335,000	17,963	22,988	375,951
2043	3.000%	-	295,000	13,538	17,963	326,501
2044	3.125%	-	285,000	9,084	13,538	307,622
2045	3.125%	-	285,000	4,631	9,084	298,715
2046	3.250%	85,000	200,000	4,631	1,381	291,012
Total 2019 Building and Site Bonds		<u>\$ 85,000</u>	<u>\$ 5,705,000</u>	<u>\$ 1,028,455</u>	<u>\$ 1,109,737</u>	<u>\$ 7,928,192</u>

The above bonds dated June 18, 2019, were issued for the purpose of erecting, furnishing and equipping an addition to, installing security measures for, remodeling, equipping, and furnishing and refurbishing school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; erecting transportation and supporting athletic buildings; purchasing school buses; and preparing, developing and improving playgrounds, play fields, athletic fields and facilities, parking areas and sites and to pay costs of issuance for the bonds. The amount of the original issue was \$6,380,000.

**HAMILTON COMMUNITY SCHOOLS  
LONG TERM DEBT  
BONDED DEBT  
JUNE 30, 2025**

2023 Building and Site Bonds

Fiscal Year June 30,	Interest Rate	Principal Due		Interest Due		Total Due Annually
		May 1	November 1	May 1	November 1	
2026	5.000%	\$ -	\$ 100,000	\$ 303,500	\$ 306,000	\$ 709,500
2027	5.000%	-	100,000	301,000	303,500	704,500
2028	5.000%	-	100,000	298,500	301,000	699,500
2029	5.000%	-	100,000	296,000	298,500	694,500
2030	5.000%	-	100,000	293,500	296,000	689,500
2031	5.000%	150,000	350,000	284,750	293,500	1,078,250
2032	5.000%	150,000	350,000	272,250	281,000	1,053,250
2033	5.000%	150,000	350,000	259,750	268,500	1,028,250
2034	5.000%	150,000	350,000	247,250	256,000	1,003,250
2035	5.000%	-	500,000	231,000	243,500	974,500
2036	5.000%	-	500,000	218,500	231,000	949,500
2037	5.000%	-	500,000	206,000	218,500	924,500
2038	5.000%	-	500,000	193,500	206,000	899,500
2039	5.000%	-	500,000	181,000	193,500	874,500
2040	4.000%	-	500,000	171,000	181,000	852,000
2041	4.000%	-	500,000	161,000	171,000	832,000
2042	4.000%	-	500,000	151,000	161,000	812,000
2043	4.000%	-	500,000	141,000	151,000	792,000
2044	4.000%	-	500,000	131,000	141,000	772,000
2045	4.000%	-	500,000	121,000	131,000	752,000
2046	4.000%	-	450,000	112,000	121,000	683,000
2047	4.125%	150,000	650,000	99,000	112,000	1,011,000
2048	4.125%	150,000	650,000	82,500	95,906	978,406
2049	4.125%	140,000	650,000	66,000	79,406	935,406
2050	4.125%	130,000	650,000	49,706	63,113	892,819
2051	4.125%	120,000	650,000	33,619	47,025	850,644
2052	4.125%	110,000	650,000	17,738	31,144	808,882
2053	4.125%	100,000	650,000	2,063	15,469	767,532
Total 2023 bonded debt		<u>\$ 1,500,000</u>	<u>\$ 12,400,000</u>	<u>\$ 4,925,126</u>	<u>\$ 5,197,563</u>	<u>\$ 24,022,689</u>

The above bonds dated June 29, 2023, were issued for the purpose of erecting, furnishing and equipping an addition to, installing security measures for, remodeling, equipping, and furnishing and refurbishing school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; erecting transportation and supporting athletic buildings; purchasing school buses; and preparing, developing and improving playgrounds, play fields, athletic fields and facilities, parking areas and sites and to pay costs of issuance for the bonds. The amount of the original issue was \$19,815,000.



**HAMILTON COMMUNITY SCHOOLS  
LONG TERM DEBT  
BONDED DEBT  
JUNE 30, 2025**

2025 Building and Site Bonds

Fiscal Year June 30,	Interest Rate	Principal Due November 1	Interest Due		Total Due Annually
			May 1	November 1	
2026	5.000%	\$ 1,400,000	\$ 470,044	\$ 468,568	\$ 2,338,612
2027	5.000%	1,660,000	428,544	470,044	2,558,588
2028	5.000%	1,970,000	379,294	428,544	2,777,838
2029	5.000%	2,330,000	321,044	379,294	3,030,338
2030	5.000%	510,000	308,294	321,044	1,139,338
2031	5.000%	510,000	295,544	308,294	1,113,838
2032	5.000%	510,000	282,794	295,544	1,088,338
2033	5.000%	510,000	270,044	282,794	1,062,838
2034	5.000%	510,000	257,294	270,044	1,037,338
2035	5.000%	510,000	244,544	257,294	1,011,838
2036	5.000%	510,000	231,794	244,544	986,338
2037	5.000%	510,000	219,044	231,794	960,838
2038	5.000%	505,000	206,419	219,044	930,463
2039	5.000%	505,000	193,794	206,419	905,213
2040	5.000%	505,000	181,169	193,794	879,963
2041	5.000%	505,000	168,544	181,169	854,713
2042	5.000%	505,000	155,919	168,544	829,463
2043	5.000%	505,000	143,294	155,919	804,213
2044	5.000%	505,000	130,669	143,294	778,963
2045	4.500%	505,000	119,306	130,669	754,975
2046	4.625%	505,000	107,628	119,306	731,934
2047	4.625%	505,000	95,950	107,628	708,578
2048	4.750%	505,000	83,956	95,950	684,906
2049	4.750%	505,000	71,963	83,956	660,919
2050	4.750%	505,000	59,969	71,963	636,932
2051	4.750%	505,000	47,975	59,969	612,944
2052	4.750%	505,000	35,981	47,975	588,956
2053	4.750%	505,000	23,988	35,981	564,969
2054	4.750%	505,000	11,994	23,988	540,982
2055	4.750%	505,000	-	11,994	516,994
Total 2025 bonded debt		<u>\$ 20,530,000</u>	<u>\$ 5,546,796</u>	<u>\$ 6,015,364</u>	<u>\$ 32,092,160</u>

The above bonds dated May 14, 2025, were issued for the purpose of erecting, furnishing and equipping an addition to, installing security measures for, remodeling, equipping, and furnishing and refurbishing school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; erecting transportation and supporting athletic buildings; purchasing school buses; and preparing, developing and improving playgrounds, play fields, athletic fields and facilities, parking areas and sites and to pay costs of issuance for the bonds. The amount of the original issue was \$20,530,000.



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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  
Hamilton Community 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 Hamilton Community Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Hamilton Community Schools' basic financial statements, and have issued our report thereon dated October 15, 2025.

**Report on Internal Control Over Financial Reporting**

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

October 15, 2025



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October 15, 2025

To the Board of Education  
Hamilton Community Schools

In planning and performing our audit of the financial statements of Hamilton Community Schools as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Hamilton Community 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 certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 15, 2025 on the financial statements of Hamilton Community 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, are 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 Hamilton Community Schools develop a plan to spend down the excess by June 30, 2025.

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*



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October 15, 2025

To the Board of Education  
Hamilton Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Community Schools for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Hamilton Community Schools are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. 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 the Hamilton Community 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:

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.

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.

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 October 15, 2025.

#### *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 District's 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 the District's 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 Hamilton Community 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*