

Harper Creek Community Schools

Financial Report
With Supplemental Information

Year Ended June 30, 2025

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WILLIS & JURASEK

CPAS AND CONSULTANTS

Independent Auditors' Report

Board of Education
Harper Creek Community Schools
Battle Creek, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harper Creek Community Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the 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 Harper Creek Community Schools, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harper Creek 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 13 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Harper Creek 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harper Creek Community Schools' basic financial statements. The combining nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary 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 combining nonmajor fund financial statements are 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 6, 2025 (under separate cover), on our consideration of Harper Creek 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 Harper Creek 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 Harper Creek Community Schools' internal control over financial reporting and compliance.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

October 6, 2025

Harper Creek Community Schools

Management's Discussion and Analysis

Year Ended June 30, 2025

As Administration of Harper Creek Community Schools, Calhoun County, State of Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

Financial Highlights

- The District's total net position increased by \$10,197,631.
- As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was \$9,861,187.
- The General Fund had a net change in fund balance of \$631,624. At the end of the year, the total fund balance for the General Fund was \$6,872,020 or approximately 17% of the total General Fund expenditures.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant fund – the General Fund, as well as totals for the District's other major and nonmajor funds.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities – One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, liabilities, deferred outflows, and deferred inflows of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations.

The statement of net position and statement of activities report the governmental activities for the District. These services include instruction, support services, community services, athletics, food services, and student activities. Property taxes, intergovernmental revenues, (unrestricted and restricted State Aid), and charges for services finance most of these activities. All of the current year's revenues and expenses for these services are taken into consideration regardless of when cash is received or paid.

The statement of net position reports the District's net position, the difference between assets and deferred outflows, and liabilities and deferred inflows. The statement of activities reports the District's change in net position, the revenues less expenses for the fiscal year, either as an increase or a decrease, or in other words, the operating results for the year. However, the School District's goal is to provide services to its students, not to generate profits, as private-sector corporations do.

These two statements report the District's net position and changes in net position. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as the property tax base, political conditions at the State Capitol, student enrollment growth or shrinkage, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The district-wide financial statements can be found on pages 1-2 of this report.

Harper Creek Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

Reporting the District's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Accounting Manual*.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition and thus, no capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Additional Information – The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7-27 of this report.

Harper Creek Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net position and changes in net position of the District's governmental activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following is a summary of the School District's net position as of June 30, 2025 and 2024:

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
Assets:		
Current assets	\$ 14,106,147	\$ 14,846,838
Non-current assets	59,940,950	54,460,084
Total assets	<u>74,047,097</u>	<u>69,306,922</u>
 Deferred Outflows of Resources	 <u>15,596,030</u>	 <u>22,186,483</u>
 Liabilities:		
Current liabilities	4,244,960	5,316,644
Non-current liabilities	89,908,039	107,160,078
Total liabilities	<u>94,152,999</u>	<u>112,476,722</u>
 Deferred Inflows of Resources	 <u>24,093,975</u>	 <u>17,092,261</u>
 Net Position:		
Invested in capital assets - net of related debt	33,166,801	29,999,295
Restricted	8,305,104	3,437,295
Unrestricted	<u>(70,075,752)</u>	<u>(71,512,168)</u>
Total net position	<u><u>\$(28,603,847)</u></u>	<u><u>\$(38,075,578)</u></u>

*The 2024 numbers have not been updated for the adoption of GASB Statement No. 101.

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 4.

By far the largest portion of the District's positive net position reflects its investment in capital assets (i.e. land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Typically, one portion of the District's net position, the *restricted* portion, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these included amounts restricted for student activities and debt service. The *unrestricted* balance of \$(70,075,752), which is a *negative* net position, is negative as a result of the pension liability. The pension liability at fiscal year-end is expected to be reduced to \$0 by September 30, 2038.

Harper Creek Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

The results of this year's operations for the School District as a whole are reported in the Statement of Activities which shows the change in net position for the fiscal year 2025.

The following is a summary of the changes in net position for the years ended June 30, 2025 and 2024:

TABLE 2 - Changes in Net Position

Years Ended June 30, 2022 and 2021

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,681,790	\$ 1,352,861
Operating grants	16,555,412	15,729,642
General revenues:		
Property taxes	10,063,246	9,653,086
State School Aid	22,525,738	23,072,791
Unrestricted investment earnings	313,352	253,183
Other	89,917	120,953
Total revenues	<u>51,229,455</u>	<u>50,182,516</u>
Expenses:		
Instruction	21,071,419	23,478,323
Support services	12,718,544	13,476,485
Food service	2,016,731	1,865,504
Athletics	861,636	842,742
Student activities	685,128	609,973
Community service	481,640	475,719
Interest	555,873	577,699
Capital outlay	475,436	357
Depreciation (unallocated)	2,165,417	2,059,877
Total expenses	<u>41,031,824</u>	<u>43,386,679</u>
Change in net position	10,197,631	6,795,837
Net position, beginning of year as restated	<u>(38,801,478)</u>	<u>(44,871,415)</u>
Net position, end of year	<u><u>\$ (28,603,847)</u></u>	<u><u>\$ (38,075,578)</u></u>

*The 2024 numbers have not been updated for the adoption of GASB Statement No. 101.

The District's net position increased by \$10,197,631 during the current fiscal year. The increase in net position differs from the change in fund balance and a reconciliation appears on page 6.

Since property taxes for operations and unrestricted State Aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

Harper Creek Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

General Fund Budgeting and Operating Highlights

During the fiscal year, the original budget was amended as additional information became known, including student counts and the final allocation amounts for the District's federal grants.

The change between the final budget and actual is \$106,350; the biggest reason for this is grant funding. The expenses, specifically fringe benefits and some safety projects were not as large in those grants so we did not use as much of the funding. They will be used and spent in 2025-2026. The largest difference between the final budget and actual expense was in the basic programming. A large part of this was due to an over estimation in fringe benefits cost for employees.

Overall, the actual General Fund revenue over expenditures variance was \$1,202,216 which is approximately 2%. The budget to actual variance was caused by the practice of conservative budgeting.

Capital Asset and Debt Administration

Capital Assets – At the end of the fiscal year 2025, the School District had \$91,179,722 invested in land and buildings, furniture and equipment, vehicles, and right-to-use assets. Of this amount, \$38,661,809 in depreciation/amortization has been taken over the years. We currently have a net book value of \$52,517,913.

	<u>2025</u>	<u>2024</u>
Land	\$ 812,508	\$ 812,508
Construction in progress	-	406,656
Buildings and improvements	83,981,164	82,865,351
Vehicles	3,585,503	3,382,154
Furniture and equipment	2,347,162	2,169,614
Right to use - Copiers	157,657	157,657
Right to use - SBITAs	295,728	295,728
Total capital assets	91,179,722	90,089,668
Less accumulated depreciation/amortization	(38,661,809)	(36,617,161)
Net capital assets	<u>\$ 52,517,913</u>	<u>\$ 53,472,507</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-Term Debt – At June 30, 2025, the District had total long-term debt outstanding of \$47,030,101. Long-term debt at fiscal year-end included the following:

	<u>2025</u>	<u>2024</u>
Bonds payable	\$29,145,000	\$33,230,000
Notes payable	565,983	848,975
Capital leases payable	108,634	136,771
SBITAs payable	125,661	181,795
Bond premium	1,194,392	1,426,230
School Loan Revolving Fund	15,020,431	14,182,449
Compensated absences	870,000	803,000
Total long-term debt	<u>\$47,030,101</u>	<u>\$50,809,220</u>

Additional information on the District's long-term debt can be found in the notes to the financial statements.

Harper Creek Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

The District also has long-term pension and OPEB assets/liabilities, netted with related deferred inflows and deferred outflows of resources, of approximately \$44,000,000 and \$40,000, respectively. These assets/liabilities are being amortized through September 30, 2038. See Note 9 for further information.

Outlook for the Future

The District has successfully maintained financial stability this fiscal year, largely due to supplemental funds provided by both State and federal sources. However, with the anticipated reduction of grants, it is crucial to remain vigilant and deliberate about cost containment. This will help ensure that our financial position remains strong in the coming years.

As we look forward to the 2025-2026 budget year, our projections are based on several key assumptions. We expect our pupil count to remain consistent, and have budgeted a per pupil increase to \$10,000. Additionally, we have accounted for anticipated rises in salary, health care costs, and retirement contributions. We have decreased expenses by absorbing some employee FTE through attrition.

Strategic planning and prudent fiscal management will be essential to maintaining the financial health of the District in the future.

Requests for Information

This financial report is designed to provide a general overview of the Harper Creek Community Schools' finances for all those with an interest in the District's finances. Questions concerning any of this information provided in this report or requests for additional information should be addressed to:

Office of the Superintendent
Harper Creek Community Schools
7454 B Drive North
Battle Creek, MI 49014

Harper Creek Community Schools

Statement of Net Position

June 30, 2025

	Governmental Activities
Assets:	
Cash and investments	\$ 7,523,921
Due from other governmental units	6,490,045
Inventories	79,054
Prepaid expenses	13,127
Net OPEB asset	7,423,037
Capital assets:	
Cost of capital assets	91,179,722
Less: accumulated depreciation/amortization	(38,661,809)
Net capital assets	52,517,913
Total assets	74,047,097
Deferred Outflows of Resources:	
Deferred charge on refunding	478,558
Pension related	13,007,800
OPEB related	2,109,672
Total deferred outflows of resources	15,596,030
Liabilities:	
Accounts payable and accrued expenses	3,229,168
Unearned revenue	1,015,792
Long-term liabilities:	
Due within one year:	
Bonds and notes payable	4,828,668
Accrued interest	187,194
Compensated absences	87,000
Due in more than one year:	
Bonds and notes payable	41,331,433
Compensated absences	783,000
Net pension liability	42,690,744
Total liabilities	94,152,999
Deferred Inflows of Resources:	
Pension related	14,520,606
OPEB related	9,573,369
Total deferred inflows of resources	24,093,975
Net Position:	
Invested in capital assets, net of related debt	33,166,801
Restricted for:	
Student activities	558,047
Debt service	324,020
Net other post-employment benefits	7,423,037
Unrestricted	(70,075,752)
Total net position	\$ (28,603,847)

See Notes to Financial Statements.

Harper Creek Community Schools
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position
Primary Government				
Governmental activities:				
Instruction	\$ 21,071,419	\$ -	\$ 14,282,891	\$ (6,788,528)
Support services	12,718,544	-	126,480	(12,592,064)
Food service activities	2,016,731	228,375	2,146,041	357,685
Athletics	861,636	179,565	-	(682,071)
Student activities	685,128	813,539	-	128,411
Community services	481,640	460,311	-	(21,329)
Interest on long-term debt	555,873	-	-	(555,873)
Capital outlay	475,436	-	-	(475,436)
Depreciation and amortization	2,165,417	-	-	(2,165,417)
Total governmental activities	<u>\$ 41,031,824</u>	<u>\$ 1,681,790</u>	<u>\$ 16,555,412</u>	<u>(22,794,622)</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				5,203,824
Property taxes, levied for debt service				4,859,422
State aid not restricted to specific purposes				22,525,738
Unrestricted investment earnings				313,352
Other				89,917
Total general revenues				<u>32,992,253</u>
Change in Net Position				10,197,631
Net Position - Beginning of Year				<u>(38,801,478)</u>
Net Position - End of Year				<u>\$ (28,603,847)</u>

Harper Creek Community Schools

Balance Sheet
Governmental Funds
June 30, 2025

	General Fund	Food Service Fund	Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and investments	\$ 4,377,611	\$ 1,341,124	\$ 324,020	\$ 1,481,166	\$ 7,523,921
Due from other funds	234,000	134,834	-	3,917	372,751
Receivable from other governments	6,450,860	39,185	-	-	6,490,045
Inventories	54,020	25,034	-	-	79,054
Prepaid expenditures	13,127	-	-	-	13,127
Total assets	<u>\$ 11,129,618</u>	<u>\$ 1,540,177</u>	<u>\$ 324,020</u>	<u>\$ 1,485,083</u>	<u>\$ 14,478,898</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 125,092	\$ 95,853	\$ -	\$ 16,665	\$ 237,610
Due to other funds	138,751	-	-	234,000	372,751
Salaries payable and related	2,991,558	-	-	-	2,991,558
Unearned revenue	1,002,197	13,595	-	-	1,015,792
Total liabilities	<u>4,257,598</u>	<u>109,448</u>	<u>-</u>	<u>250,665</u>	<u>4,617,711</u>
Fund Balances:					
Nonspendable:					
Inventories	54,020	25,034	-	-	79,054
Prepaid expenditures	13,127	-	-	-	13,127
Restricted:					
Food services	-	1,405,695	-	-	1,405,695
Student activities	-	-	-	558,047	558,047
Debt service	-	-	324,020	-	324,020
Committed	-	-	-	676,371	676,371
Assigned for subsequent year expenditures	797,951	-	-	-	797,951
Unassigned	6,006,922	-	-	-	6,006,922
Total fund balances	<u>6,872,020</u>	<u>1,430,729</u>	<u>324,020</u>	<u>1,234,418</u>	<u>9,861,187</u>
Total liabilities and fund balances	<u>\$ 11,129,618</u>	<u>\$ 1,540,177</u>	<u>\$ 324,020</u>	<u>\$ 1,485,083</u>	<u>\$ 14,478,898</u>

See Notes to Financial Statements.

Harper Creek Community Schools

Reconciliation of Fund Balances on the Balance Sheet of Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position June 30, 2025

Total Fund Balances - Governmental Funds		\$ 9,861,187
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

The cost of capital assets is	\$ 91,179,722	
Accumulated depreciation and amortization is	<u>(38,661,809)</u>	
		52,517,913

Some assets are not current resources and therefore are not reported in the Governmental Funds Balance Sheet:

Noncurrent assets at year-end consist of:

Net OPEB asset		7,423,037
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Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Bonds payable	(29,145,000)	
Notes payable	(565,983)	
Capital leases payable	(108,634)	
SBITAs payable	(125,661)	
Unamortized bond premiums, net	(1,194,392)	
School bond loan funds payable	(15,020,431)	
Compensated absences	(870,000)	
Unamortized deferred charge on bond refunding	478,558	
Net pension liability	(42,690,744)	
Accrued interest on bonds and notes payable	<u>(187,194)</u>	
		(89,429,481)

Deferred inflows and outflows related to pension/OPEB assets/liabilities are long-term and thus not reported in the funds.

Deferred outflows related to net pension liability	13,007,800	
Deferred outflows related to net OPEB asset/liability	2,109,672	
Deferred inflows related to net pension liability	(14,520,606)	
Deferred inflows related to net OPEB asset/liability	<u>(9,573,369)</u>	
		<u>(8,976,503)</u>

Total Net Position - Governmental Activities		<u><u>\$ (28,603,847)</u></u>
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Harper Creek Community Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2025

	General Fund	Food Service Fund	Formerly Nonmajor Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 5,041,291	\$ 245,796	\$ 4,972,833	\$ 1,950,133	\$ 12,210,053
State sources	31,966,735	576,697	13,843	-	32,557,275
Federal sources	1,368,172	1,569,344	-	-	2,937,516
Interdistrict and other	3,529,921	-	-	-	3,529,921
Total revenues	<u>41,906,119</u>	<u>2,391,837</u>	<u>4,986,676</u>	<u>1,950,133</u>	<u>51,234,765</u>
Expenditures:					
Instruction	25,543,001	-	-	-	25,543,001
Support services	15,236,335	-	-	-	15,236,335
Community services	472,040	-	-	-	472,040
Food service activities	-	2,512,956	-	-	2,512,956
Student activities	-	-	-	685,128	685,128
Other	9,600	-	1,121	-	10,721
Debt service:					
Principal	28,138	-	4,085,000	282,992	4,396,130
Interest and other charges	5,367	-	1,251,469	16,980	1,273,816
Capital outlay	-	-	-	975,231	975,231
Total expenditures	<u>41,294,481</u>	<u>2,512,956</u>	<u>5,337,590</u>	<u>1,960,331</u>	<u>51,105,358</u>
Revenues Over (Under) Expenditures	<u>611,638</u>	<u>(121,119)</u>	<u>(350,914)</u>	<u>(10,198)</u>	<u>129,407</u>
Other Financing Sources (Uses):					
Proceeds from long-term debt, net	-	-	201,586	-	201,586
Transfers in	20,000	14	-	-	20,014
Transfers out	(14)	(20,000)	-	-	(20,014)
Total other financing sources (uses)	<u>19,986</u>	<u>(19,986)</u>	<u>201,586</u>	<u>-</u>	<u>201,586</u>
Net Changes in Fund Balances	<u>631,624</u>	<u>(141,105)</u>	<u>(149,328)</u>	<u>(10,198)</u>	<u>330,993</u>
Fund Balances:					
Beginning of year, as previously presented	6,240,396	1,571,834	-	1,717,964	9,530,194
Adjustments to beginning fund balances	-	-	473,348	(473,348)	-
Beginning of year, as restated	<u>6,240,396</u>	<u>1,571,834</u>	<u>473,348</u>	<u>1,244,616</u>	<u>9,530,194</u>
End of year	<u>\$ 6,872,020</u>	<u>\$ 1,430,729</u>	<u>\$ 324,020</u>	<u>\$ 1,234,418</u>	<u>\$ 9,861,187</u>

Harper Creek 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	\$	330,993
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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	\$ (2,165,417)	
Capital outlay	<u>1,211,309</u>	
		(954,108)

Governmental funds report the entire net sales price (proceeds) from the sale of assets as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of assets. Thus, the change in net position differs from the change in fund balance by the net book value.

Net book value of assets sold		(486)
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Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds:

Issuance of long-term debt	(837,982)	
Principal payments on long-term debt	4,452,263	
Amortization of bond premium	231,838	
Amortization of deferred charge on refunding	<u>(84,753)</u>	
		3,761,366

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest on bonds and notes payable	24,541	
Change in accrued compensated absences	<u>(67,000)</u>	
		(42,459)

Governmental funds report the required pension and OPEB contributions for the District's fiscal year ended June 30 as expenditures. The Statement of Activities reports the fully accrued pension and OPEB expenses based upon a September year-end to coincide with the State of Michigan's fiscal year.

Changes in pension related liabilities and deferrals	4,138,312	
Changes in OPEB related assets/liabilities and deferrals	<u>2,964,013</u>	
		<u>7,102,325</u>

Change in Net Position of Governmental Activities	\$	<u><u>10,197,631</u></u>
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Harper Creek Community Schools

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of Harper Creek Community Schools (the “School District” or “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide and Fund Financial Statements

District-Wide Statements – The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District’s government-wide activities are considered governmental activities.

The Statement of Net Position presents all governmental activities on a consolidated basis. The Statement of Net Position reports all assets and liabilities including those of a long-term nature. The net difference is reported as net position. Net position is categorized as net investment in capital assets, restricted net position, and unrestricted net position. It is the District’s policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other unrestricted items are not included as program revenues but instead as general revenue. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Harper Creek Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide and Fund Financial Statements (Continued)

Fund-Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if 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, severance pay, claims, and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds; issuance of long-term debt and acquisition of lease and SBITA assets are reported as other financing sources.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period, are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

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

Food Service Fund – The Food Service Fund, a special revenue fund, is used to account for the proceeds of specific revenue sources that are restricted to expenditures for food service activities.

Debt Fund – The Debt Fund is used to account for and report financial resources that are restricted to expenditures for principal and interest.

Additionally, the government reports the following funds/fund types:

Student Activities Fund – The Student Activities Fund, a special revenue fund, is used to account for the proceeds of specific revenue sources that are restricted to expenditures for student activities.

Capital Projects Fund – The Capital Projects Fund is used to record tax receipts or other revenue and the disbursement of monies specifically designated for the acquisition or construction of capital assets.

Revenue, Assets, Liabilities, and Net Position or Equity

State Revenue – The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2025, the foundation allowance was based on pupil membership counts taken in February 2024 and October 2024.

Harper Creek Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue, Assets, Liabilities, and Net Position or Equity (Continued)

State Revenue (Continued) – The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by non-PRE (principle residence exemption) property taxes which may be levied at a rate of up to 18 mills. The local portion also includes 6 mills on commercial personal property. The State revenue is recognized during the foundation period and is funded through payments from October 2024 to August 2025. The unpaid portion at June 30th is reported as due from other governmental units.

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 categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

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 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 date is September 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:

General Fund – non-primary residence	18.0000
General Fund – commercial personal property	6.0000
Debt Fund	7.1200

Tax abatements provided to property taxpayers, if any, were not significant, and thus, no disclosure was deemed required in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

Cash and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in 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. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Harper Creek Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue, Assets, Liabilities, and Net Position or Equity (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

Inventories and Prepaid Items – Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. The government defines capital assets as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Group purchases are evaluated on a case-by-case basis. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Right-to-use assets are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Capital assets, including right-to-use assets, are depreciated/amortized using the straight-line method over the following useful lives:

Buildings and improvements	5-50 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-10 years
Right-to-use - SBITAs	4-6 years
Right-to-use – copiers	5 years

Leases and Subscription-Based IT Arrangements (SBITAs) – The District recognizes lease/subscription-based IT arrangement liabilities and the related intangible right-to-use assets in the government-wide financial statements with an initial individual value of \$10,000 or more.

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITAs.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and any purchase option price that the District is reasonably certain to exercise.

Harper Creek Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue, Assets, Liabilities, and Net Position or Equity (Continued)

Leases and Subscription-Based IT Arrangements (SBITAs) (Continued)– The District monitors changes in circumstances that would require a remeasurement of its lease/SBITA liabilities and remeasures lease/SBITA assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liabilities.

Lease/SBITA assets are reported with other capital assets, and lease/SBITA liabilities are reported with long-term obligations on the Statement of Net Position.

Compensated Absences - The District reports a liability for compensated absences which consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method in which leave amounts for employees who are currently eligible to receive termination payments are included.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental-fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently reports deferred outflows of resources related to deferred pension and OPEB plan expenses. Deferred pension and OPEB plan expenses are recognized in the applicable plan years. The District also currently reports deferred outflows of resources from pension and OPEB payments made subsequent to the measurement date to be recognized as the corresponding time lags are met.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflows of resources related to its pension and OPEB plan earnings. These future resources will be amortized and recognized over a time period established by the actuary and relate to differences between actuarial estimates and actual results.

Defined Benefit Pension Plan – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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 plan benefit terms. Related plan investments are reported at fair value. See Note 9 for detailed information.

Harper Creek Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue, Assets, Liabilities, and Net Position or Equity (Continued)

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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. Related investments are reported at fair value. See Note 9 for detailed information.

Fund Equity – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are not in spendable form or are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision-making authority (the School Board) through adoption of a resolution and may only be removed by the School Board through a rescindment resolution; *assigned* amounts that have an intended purpose but require no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

Use of Estimates - 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 expenditures. 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.

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). 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, for the General Fund and Food Service Fund are noted in the required supplementary information section.

Harper Creek Community Schools
Notes to Financial Statements

Note 2 – Stewardship, Compliance, and Accountability (Continued)

4. The Superintendent is authorized to transfer budgeted amounts between major expenditures 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.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to fiscal year-end.

Note 3 – Cash and Investments

At year-end, the District's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and investments	\$ 7,523,921

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, CDs)	\$ 7,523,921
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Investment and Deposit Risk – The District's cash and investments are subject to several types of risk, as noted below.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District requires that financial institutions be evaluated and only those with an acceptable risk level are used for the District's deposits for custodial credit risk. At year-end, the District's deposit balance of approximately \$8,025,000 had \$7,775,000 of bank deposits that were uninsured and uncollateralized.

Custodial Credit Risk – Investments – Custodial credit risk of investments 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 does not have an investment policy for custodial credit risk.

Interest Rate Risk – State law limits the allowable investments and the maturities of some of the allowable investments. The District's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. See Note 1 for a full description of allowed investments. The District's investment policy does not further limit its investment choices.

Harper Creek Community Schools
Notes to Financial Statements

Note 4 – Receivables

Receivables at year-end totaled \$6,490,045 and consist mainly of amounts due from the Michigan Department of Education for State aid and federal grants.

Note 5 – Capital Assets

Capital asset activity of the District's governmental activities was as follows:

	Beginning Balance	Additions	Disposals	Year-End Balance
Capital assets not being depreciated/ amortized:				
Land	\$ 812,508	\$ -	\$ -	\$ 812,508
Construction in progress	406,656	-	406,656	-
Subtotal	<u>1,219,164</u>	<u>-</u>	<u>406,656</u>	<u>812,508</u>
Capital assets being depreciated/ amortized:				
Buildings and improvements	82,865,351	1,115,813	-	83,981,164
Buses and other vehicles	3,382,154	278,310	74,961	3,585,503
Furniture and equipment	2,169,614	223,842	46,294	2,347,162
Right-to-use - copiers	157,657	-	-	157,657
Right-to-use - SBITAs	295,728	-	-	295,728
Subtotal	<u>88,870,504</u>	<u>1,617,965</u>	<u>121,255</u>	<u>90,367,214</u>
Accumulated depreciation/amortization:				
Buildings and improvements	32,764,292	1,653,375	-	34,417,667
Buses and other vehicles	2,690,970	199,523	74,961	2,815,532
Furniture and equipment	1,029,596	224,033	45,808	1,207,821
Right-to-use - copiers	18,393	31,532	-	49,925
Right-to-use - SBITAs	113,910	56,954	-	170,864
Subtotal	<u>36,617,161</u>	<u>2,165,417</u>	<u>120,769</u>	<u>38,661,809</u>
Net capital assets being depreciated/ amortized	<u>52,253,343</u>	<u>(547,452)</u>	<u>486</u>	<u>51,705,405</u>
Net capital assets	<u>\$ 53,472,507</u>	<u>\$ (547,452)</u>	<u>\$ 407,142</u>	<u>\$ 52,517,913</u>

Depreciation/amortization for the current year totaled \$2,165,417. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Harper Creek Community Schools
Notes to Financial Statements

Note 6 – Interfund Receivables, Payables and Transfers

The District reports interfund balances between some of its funds. The sum of all balances presented in the table below agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

As of June 30, 2025, interfund receivables and payables consisted of the following:

	Due From	
	General Fund	Nonmajor Governmental Funds
Due To:		
General Fund	\$ -	\$ 234,000
Food Service Fund	134,834	-
Nonmajor governmental funds	3,917	-
	<u>\$ 138,751</u>	<u>\$ 234,000</u>

For the year ended June 30, 2025, interfund transfers consisted of the following:

	Transfers In	
	General Fund	Food Service Fund
Transfers Out:		
General Fund	\$ -	\$ 14
Food Service Fund	20,000	-
	<u>\$ 20,000</u>	<u>\$ 14</u>

The \$20,000 was a transfer from the Food Service Fund to the General Fund for the payment of indirect costs and the transfer from General Fund to Food Service was for the payment of grant funds used for meals. Nonmajor governmental funds transfers were for the movement of excess debt service funds from a closed fund to a current debt service fund.

Harper Creek Community Schools
Notes to Financial Statements

Note 7 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment, and right-to-use assets. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Activity is summarized as follows:

	(As Restated) Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation					
bonds payable	\$ 33,230,000	\$ -	\$ 4,085,000	\$ 29,145,000	\$ 4,230,000
Notes payable	848,975	-	282,992	565,983	282,992
Capital leases payable	136,771	-	28,137	108,634	26,883
SBITAs payable	181,795	-	56,134	125,661	56,955
Subtotal - installment debt	34,397,541	-	4,452,263	29,945,278	4,596,830
Bond premium	1,426,230	-	231,838	1,194,392	231,838
School Loan Revolving Fund	14,182,449	837,982	-	15,020,431	-
Compensated absences	803,000	67,000	-	870,000	87,000
Total long-term debt	<u>\$ 50,809,220</u>	<u>\$ 904,982</u>	<u>\$ 4,684,101</u>	<u>\$ 47,030,101</u>	<u>\$ 4,915,668</u>

General obligation bonds and notes payable consist of:

Bonds payable - \$8,715,000 2016 Refunding Bonds, due in annual installments of \$600,000 to \$2,070,000 through year 2029; interest at 4.00% \$ 6,645,000

Bonds payable - \$15,350,000 2017 Refunding Bonds, due in annual installments of \$685,000 to \$2,820,000 through year 2033; interest at 2.00% to 5.00% 11,190,000

Bonds payable - \$15,790,000 2019 Refunding Bonds (SLRF) due in annual installments of \$1,055,000 to \$2,250,000 through year 2031; interest at 1.95% to 2.74% 11,310,000

Notes payable – Southern Michigan Bank & Trust, secured by equipment; annual installments of \$282,992 plus interest at 2.00%; matures 2027 565,983
\$ 29,710,983

Harper Creek Community Schools
Notes to Financial Statements

Note 7 – Long-Term Debt (Continued)

Future principal and interest payment requirements on bonds and notes payable are as follows:

Governmental Activities			
	Principal	Interest	Total
2026	\$ 4,512,992	\$ 1,120,096	\$ 5,633,088
2027	4,657,991	968,938	5,626,929
2028	4,535,000	806,868	5,341,868
2029	4,690,000	646,046	5,336,046
2030	4,870,000	466,348	5,336,348
2031-2033	6,445,000	374,810	6,819,810
Total	<u>\$ 29,710,983</u>	<u>\$ 4,383,106</u>	<u>\$ 34,094,089</u>

Capital leases payable consists of:

Capital lease payable - \$157,657, due in monthly installments of \$2,792 through year 2029; interest at 4.33%	<u>\$ 108,634</u>
--	-------------------

Future minimum lease payments are as follows:

Capital Lease Payable			
	Principal	Interest	Total
2026	\$ 26,883	\$ 4,630	\$ 31,513
2027	30,567	2,937	\$ 33,504
2028	31,917	1,587	\$ 33,504
2029	19,267	279	\$ 19,546
Total	<u>\$ 108,634</u>	<u>\$ 9,433</u>	<u>\$ 118,067</u>

SBITAs payable consist of:

SBITA payable - \$209,811, due in annual installments of approximately \$35,000 through the year 2028 including interest at 1.19%	\$ 102,453
SBITA payable - \$94,560, due in annual installments of approximately \$23,000 through the year 2026 including interest at 1.86%	<u>23,208</u>
	<u>\$ 125,661</u>

Harper Creek Community Schools
Notes to Financial Statements

Note 7 – Long-Term Debt (Continued)

Annual debt service requirements to maturity on the above SBITAs payable are as follows:

	SBITAs Payable		
	Principal	Interest	Total
2026	\$ 56,955	\$ 1,653	\$ 58,608
2027	34,150	819	34,969
2028	34,556	624	35,180
Total	<u>\$ 125,661</u>	<u>\$ 3,096</u>	<u>\$ 128,757</u>

School Loan Revolving Fund

The school loan revolving fund represents amounts borrowed from the State of Michigan School Bond Qualification and Loan Program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Interest rate at year-end was 4.11441% and the mandatory final repayment date is May 1, 2037. Activity for the year is summarized as follows:

	School Loan Revolving Fund		
	Principal	Interest	Total
Beginning balances	\$ 12,753,418	\$ 1,429,031	\$ 14,182,449
Additions	201,586	636,396	837,982
Ending balances	<u>\$ 12,955,004</u>	<u>\$ 2,065,427</u>	<u>\$ 15,020,431</u>

Note 8– Risk Management

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

Harper Creek Community Schools
Notes to Financial Statements

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions

Organization

Pension/OPEB Plan Description – The School District participates in the Michigan Public School Employees' Retirement System ("MPSERS" or "the System"), a State-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees, and covers substantially all employees of the School District. There are currently approximately 688 participating employers in the System which meets the definition of a qualified pension trust fund under Section 401(a) of the Internal Revenue Code. In addition, the System maintains a health plan ("OPEB") which provides postemployment healthcare benefits to all eligible retirees as an elective option including health, prescription drug, dental, and vision coverage.

The System was originally created under Public Act 136 of 1945, recodified, and currently operates under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes a governing board and its authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor plus the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services 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.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Annual Comprehensive Financial Report and are available on the ORS website at www.michigan.gov/orsschools. Information provided in this report includes financial data, actuarial assumptions data, and detailed information about the pension plan and OPEB plan fiduciary net positions.

Pension Benefits Provided – 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. Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. 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.

Based on current benefit provisions, new hires can opt between two plans. The first plan, called Pension Plus 2, is a hybrid plan that contains a pension component with a required employee contribution and a flexible and transferrable defined contribution tax deferred investment account component that contains a 50/50 contribution 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%. The second option is a Defined Contribution plan under which a participant receives a 4% employer contribution to a tax-deferred 401(k) account and can choose to make employee contributions up to the maximum allowed per IRS regulations to a tax-deferred 457 account.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account, if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Harper Creek Community Schools
Notes to Financial Statements

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

OPEB Benefits Provided – 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 healthcare 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 OPEB, 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the MPSERS, who earned service credit in the twelve 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 stopped paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) accounts.

Pension/OPEB Plan Contributions – Public Act 300 of 1980, as amended, requires contributions from both the participating employers and the active plan members. The School District, as a participating employer, is required to contribute amounts necessary to finance the coverage of pension and OPEB benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees (plan members) during the year, with an additional amount paid in to finance a portion of the unfunded actuarial accrued liability. Required employer pension contributions are comprised of pension normal cost, pension unfunded actuarial accrued liability (UAAL), and pension early retirement incentive contributions. Required employer pension contributions also include the UAAL rate stabilization contributions. Required employer OPEB contributions are comprised of OPEB normal cost and OPEB UAAL.

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. The unfunded (overfunded) actuarial accrued liability will be amortized over a declining period ending September 30, 2038.

Harper Creek Community Schools
Notes to Financial Statements

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

Pension Plan Contributions – The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2024:

<u>Benefit Type</u>	<u>Member Rates</u>	<u>Employer Rates</u>	<u>Status</u>
Basic (Defined Benefit)	0.0% - 4.0%	13.90 – 23.03%	Closed
MIP (Defined Benefit)	3.0% - 7.0%	13.90 – 23.03%	Closed
Pension Plus (Hybrid)	3.0% - 6.4%	19.17%	Closed
Pension Plus 2 (Hybrid)	6.2%	20.10%	Open
Defined Contribution	0.0%	13.90%	Open

Employer contributions range from 13.90% to 23.03% for the plan year ended September 30, 2024 and are determined based on employee elections. The District's required and actual contributions to the plan for the year ended September 30, 2024 were \$7,290,401. The District's required and actual pension contributions include an allocation of \$3,004,989 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2024.

OPEB Contributions – OPEB employee contributions in effect for the fiscal year ended September 30, 2024 range from 0% - 3%.

Employer contributions range from 0.00% to 8.31% for the plan year ended September 30, 2024 and are determined based on employee elections. Required contributions to the OPEB plan from the District were \$1,433,435 for the year ended September 30, 2024. The District's required and actual OPEB contributions include an allocation of \$0 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2024.

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

Proportionate Share of School District's Net Pension Liability - At June 30, 2025, the District reported a liability of \$42,690,744 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2023. The District's proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of statutorily required pension contributions from all applicable employers during the measurement period. At September 30, 2024, the District's proportionate share was .17437593 percent, a decrease of .00131741 percent from its proportion measured as of September 30, 2023.

Harper Creek Community Schools
Notes to Financial Statements

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Pension/OPEB Assets/Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB (Continued)

Pension Expense - For the year ended June 30, 2025, the School District recognized pension expense of \$4,010,820, inclusive of payments to fund the MPSERS UAAL stabilization rate.

Proportionate Share of School District's Net OPEB Asset/Liability - At June 30, 2025, the District reported an asset of \$7,423,037 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2023. The District's proportionate share of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of statutorily required OPEB contributions from all applicable employers during the measurement period. At September 30, 2024, the District's proportionate share was .17245239 percent, a decrease of .00212414 percent from its proportion measured as of September 30, 2023.

OPEB Expense - For the year ended June 30, 2025, the School District recognized OPEB benefit of \$2,571,247 inclusive of payments to fund the MPSERS UAAL stabilization rate.

Deferred Outflows and Deferred Inflows - At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Pension	OPEB	Pension	OPEB
Difference between expected and actual experience	\$ 1,158,230	\$ -	\$ 463,841	\$ 7,866,152
Changes of assumptions	4,450,763	1,621,298	3,127,881	186,355
Net difference between projected and actual earnings on pension/OPEB plan investments	-	-	8,147,204	1,405,266
Changes in proportion and differences between District contributions and proportionate share of contributions	1,010,542	329,261	472,115	115,596
District contributions subsequent to the measurement date	6,388,265	159,113	2,309,565	-
Total	<u>\$ 13,007,800</u>	<u>\$ 2,109,672</u>	<u>\$ 14,520,606</u>	<u>\$ 9,573,369</u>

\$6,388,265 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 year ended June 30, 2026.

\$159,113 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as an increase/reduction of the net OPEB asset/liability in the year ended June 30, 2026.

Harper Creek Community Schools
Notes to Financial Statements

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Pension/OPEB Assets/Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB (Continued)

Deferred Outflows and Deferred Inflows (Continued) - Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions and OPEB will be recognized in pension/OPEB expense as follows:

Year Ended June 30	Pension	OPEB
2026	\$ (874,169)	\$ (2,473,909)
2027	484,653	(1,455,156)
2028	(3,038,573)	(1,438,579)
2029	(2,163,417)	(1,360,777)
2030	-	(752,900)
Thereafter	-	(141,489)

Payables to the Pension/OPEB Plan - The District reported an accrued pension/OPEB plan payable at June 30, 2025 of \$481,467. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2025 but not yet paid. The District is current on all required pension and OPEB plan payments. Amounts accrued at year end 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).

Actuarial Assumptions

Actuarial Valuations and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of actuarial assumptions as of the latest actuarial valuation follows:

Valuation date	September 30, 2023
Actuarial cost method	Entry age, normal
Asset valuation method	Fair value
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans	6.00%, net of investment expenses
Pension Plus Plan and Plus 2 Plan	6.00%, net of investment expenses
OPEB	6.00%, net of investment expenses
Projected salary increases	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	Pre-65: 7.25% Year 1 graded to 3.50% Year 15 Post-65: 6.50% Year 1 graded to 3.50% Year 15
Cost of living pension adjustments	3.0% annual non-compounded for MIP members
Mortality: 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

Harper Creek Community Schools
Notes to Financial Statements

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Mortality: Active Members:	PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Disabled Retirees:	PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions (OPEB) – 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 coverages continuing after the retiree's death.
Coverage Election at Retirement	Of those opting out, 75% of male and 60% of female future retirees who elect coverage are assumed to elect coverage for 1 or more dependents.

Additional assumption information includes the following:

- 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 annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension/OPEB asset/liability as of September 30, 2024 is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for assets/liabilities is the average of the expected remaining service lives of all employees in years – 4.4612 for pension plan employers and 6.2834 for OPEB plan employers.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Plan Assets – The long-term expected rate of return on pension/OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/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.

Harper Creek Community Schools
Notes to Financial Statements

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension/OPEB plan's target asset allocation as of September 30, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity pools	25.0%	5.3%
Private equity pools	16.0%	9.0%
International equity	15.0%	6.5%
Fixed income pools	13.0%	2.2%
Real estate and infrastructure pools	10.0%	7.1%
Absolute return pools	9.0%	5.2%
Real return/opportunistic pools	10.0%	6.9%
Short-term investment pools	2.0%	1.4%
Total	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return – For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension/OPEB plan investments, net of pension/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.

Discount Rate – A discount rate of 6.00% was used to measure the total pension and OPEB assets/liabilities. This discount rate was based on the long-term expected rates of return on pension and OPEB plan investments of 6.00%.

The projection of cash flows used to determine these discount rates assumed that future plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on these assumptions, the pension/OPEB plans' 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/OPEB plan investments was applied to all periods of projected benefits payments to determine the total pension/OPEB assets/liabilities.

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

1% Decrease	Current Single Discount Rate	1% Increase
5.00%	Assumption	7.00%
	6.00%	
<u>\$62,585,090</u>	<u>\$42,690,744</u>	<u>\$26,124,874</u>

Harper Creek Community Schools
Notes to Financial Statements

Note 9 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Sensitivity of the Net OPEB Asset/Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net OPEB asset/liability calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB asset/liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
<u>(\$5,736,584)</u>	<u>(\$7,423,037)</u>	<u>(\$8,881,156)</u>

Sensitivity of the Net OPEB Asset/Liability to Changes in the Healthcare Cost Trend Rate - The following table presents the School District's proportionate share of the net OPEB asset/liability calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB asset/liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>(\$8,881,169)</u>	<u>(\$7,423,037)</u>	<u>(\$5,859,198)</u>

Note 10 – Federal and State Grants

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 11 – Net Investment in Capital Assets

The composition of net investment in capital assets as of June 30, 2025, was as follows:

Capital assets not being depreciated	\$ 812,508
Capital assets being depreciated, net	51,705,405
Installment debt	(29,945,278)
Non-capital related debt	11,310,000
Bond premium	(1,194,392)
Deferred charge on bond refunding	<u>478,558</u>
Net investment in capital assets	<u><u>\$ 33,166,801</u></u>

Harper Creek Community Schools
Notes to Financial Statements

Note 12 – Adjustments to Beginning Fund Balances

During fiscal year 2025, changes to beginning fund balance are as follows:

	Reporting Units Affected by Restatement of Beginning Balances	
	Debt Fund (Formerly Nonmajor Fund)	Nonmajor Governmental Funds
Fund balance, as previously reported	\$ -	\$ 1,717,964
Change from nonmajor to major fund	473,348	(473,348)
Fund balance, as restated	<u>\$ 473,348</u>	<u>\$ 1,244,616</u>

Note 13 – Change in Accounting Principle

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

The changes to beginning net position as a result of adopting GASB Statement No. 101, are as follows:

	Governmental Activities
Net position, as of July 1, 2024 as originally reported	\$ (38,075,578)
Adoption of GASB Statement No. 101	(725,900)
Net position as of July 1, 2024, as restated	<u>\$ (38,801,478)</u>

Required Supplementary Information

Harper Creek Community Schools
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local sources	\$ 4,548,454	\$ 4,957,586	\$ 5,041,291	\$ 83,705
State sources	32,289,410	32,172,959	31,966,735	(206,224)
Federal sources	1,179,800	1,396,806	1,368,172	(28,634)
Interdistrict and other	3,506,714	3,485,118	3,529,921	44,803
Total revenues	<u>41,524,378</u>	<u>42,012,469</u>	<u>41,906,119</u>	<u>(106,350)</u>
Expenditures:				
Instruction:				
Basic programs	20,836,700	20,624,763	19,998,664	626,099
Added needs	5,406,385	5,713,205	5,544,337	168,868
Support services:				
Pupil	1,886,639	1,866,799	1,794,150	72,649
Instructional staff	1,366,504	1,415,578	1,368,764	46,814
General administration	1,061,964	1,063,506	1,035,995	27,511
School administration	2,050,871	2,045,787	1,998,924	46,863
Business	647,082	608,167	561,209	46,958
Operation & maintenance	4,318,112	4,275,393	4,142,962	132,431
Pupil transportation	1,936,676	1,828,407	1,730,688	97,719
Central services	1,945,910	1,798,660	1,742,007	56,653
Athletic activities	886,695	883,062	861,636	21,426
Community services	438,410	502,438	472,040	30,398
Other	-	-	9,600	(9,600)
Debt service:				
Principal	-	-	28,138	(28,138)
Interest and other charges	-	-	5,367	(5,367)
Total expenditures	<u>42,781,948</u>	<u>42,625,765</u>	<u>41,294,481</u>	<u>1,331,284</u>
Revenues Over (Under) Expenditures	<u>(1,257,570)</u>	<u>(613,296)</u>	<u>611,638</u>	<u>1,224,934</u>
Other Financing Sources (Uses):				
Transfers in	15,000	42,704	20,000	(22,704)
Transfers out	-	-	(14)	(14)
Total other financing sources (uses)	<u>15,000</u>	<u>42,704</u>	<u>19,986</u>	<u>(22,718)</u>
Net Changes in Fund Balances	<u>(1,242,570)</u>	<u>(570,592)</u>	<u>631,624</u>	<u>\$ 1,202,216</u>
Fund Balances - Beginning of Year	<u>6,240,396</u>	<u>6,240,396</u>	<u>6,240,396</u>	
Fund Balances - End of Year	<u>\$ 4,997,826</u>	<u>\$ 5,669,804</u>	<u>\$ 6,872,020</u>	

Harper Creek Community Schools
 Budgetary Comparison Schedule - Food Service Fund
 Year Ended June 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Local sources	\$ 200,000	\$ 200,000	\$ 245,796	\$ 45,796
State sources	500,000	550,000	576,697	26,697
Federal sources	1,100,000	1,300,000	1,569,344	269,344
Total revenues	<u>1,800,000</u>	<u>2,050,000</u>	<u>2,391,837</u>	<u>341,837</u>
Expenditures:				
Salaries and benefits	90,000	90,000	85,357	4,643
Purchased services	1,400,000	900,000	737,833	162,167
Supplies and materials	1,200,000	1,300,000	1,211,412	88,588
Other	50,000	500,000	478,354	21,646
Total expenditures	<u>2,740,000</u>	<u>2,790,000</u>	<u>2,512,956</u>	<u>277,044</u>
Revenues Over (Under) Expenditures	<u>(940,000)</u>	<u>(740,000)</u>	<u>(121,119)</u>	<u>618,881</u>
Other Financing Sources (Uses):				
Transfers in	-	-	14	14
Transfers out	-	-	(20,000)	(20,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(19,986)</u>	<u>(19,986)</u>
Net Changes in Fund Balances	<u>(940,000)</u>	<u>(740,000)</u>	<u>(141,105)</u>	<u>\$ 598,895</u>
Fund Balances - Beginning of Year	<u>1,571,834</u>	<u>1,571,834</u>	<u>1,571,834</u>	
Fund Balances - End of Year	<u>\$ 631,834</u>	<u>\$ 831,834</u>	<u>\$ 1,430,729</u>	

Harper Creek Community Schools
Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan
Last Ten Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability (%)	<u>0.174376%</u>	<u>0.175693%</u>	<u>0.172854%</u>	<u>0.167276%</u>	<u>0.167080%</u>	<u>0.165260%</u>	<u>0.161630%</u>	<u>0.158520%</u>	<u>0.153030%</u>	<u>0.152330%</u>
District's proportionate share of net pension liability	<u>\$ 42,690,744</u>	<u>\$ 56,865,023</u>	<u>\$ 65,008,093</u>	<u>\$ 39,603,290</u>	<u>\$ 57,393,966</u>	<u>\$ 54,727,910</u>	<u>\$ 48,590,222</u>	<u>\$ 41,079,377</u>	<u>\$ 38,179,920</u>	<u>\$ 37,205,798</u>
District's covered-employee payroll	<u>\$ 18,080,808</u>	<u>\$ 17,372,265</u>	<u>\$ 16,977,101</u>	<u>\$ 15,027,315</u>	<u>\$ 14,686,331</u>	<u>\$ 14,525,335</u>	<u>\$ 13,842,535</u>	<u>\$ 13,453,797</u>	<u>\$ 12,939,039</u>	<u>\$ 12,870,674</u>
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>236.11%</u>	<u>327.33%</u>	<u>382.92%</u>	<u>263.54%</u>	<u>390.80%</u>	<u>376.78%</u>	<u>351.02%</u>	<u>305.34%</u>	<u>295.08%</u>	<u>289.07%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>74.44%</u>	<u>65.91%</u>	<u>60.77%</u>	<u>72.60%</u>	<u>59.72%</u>	<u>60.31%</u>	<u>62.36%</u>	<u>64.21%</u>	<u>63.27%</u>	<u>63.17%</u>

Harper Creek Community Schools
Schedule of the District's Pension Contributions to the MPSERS Plan
Last Ten Fiscal Years (Amounts Determined Each Year as of June 30)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	\$ 7,034,586	\$ 7,196,232	\$ 8,077,577	\$ 5,685,553	\$ 4,974,587	\$ 4,618,172	\$ 4,364,842	\$ 4,417,200	\$ 3,720,967	\$ 3,664,574
Contributions in relation to statutorily required contributions	7,034,586	7,196,232	8,077,577	5,685,553	4,974,587	4,618,172	4,364,842	4,417,200	3,720,967	3,664,574
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 18,975,056	\$ 17,969,749	\$ 17,112,476	\$ 16,081,609	\$ 14,754,593	\$ 14,776,305	\$ 14,374,232	\$ 13,828,927	\$ 13,498,334	\$ 12,890,178
Contributions as a percentage of covered-employee payroll	37.07%	40.05%	47.20%	35.35%	33.72%	31.25%	30.37%	31.94%	27.57%	28.43%

Harper Creek Community Schools
Schedule of the District's Proportionate Share of the Net OPEB (Asset) Liability of the MPSERS Plan
Last Eight Fiscal Years (Amounts Determined as of September 30)

	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB (asset) liability (%)	0.172452%	0.174577%	0.175178%	0.166803%	0.165850%	0.166300%	0.162650%	0.157980%
District's proportionate share of net OPEB (asset) liability	\$ (7,423,037)	\$ (987,577)	\$ 3,710,383	\$ 2,546,048	\$ 8,885,026	\$ 11,936,244	\$ 12,929,182	\$ 13,989,492
District's covered-employee payroll	\$ 18,080,808	\$ 17,372,265	\$ 16,977,101	\$ 15,027,315	\$ 14,686,331	\$ 14,525,335	\$ 13,842,535	\$ 13,453,797
District's proportionate share of net OPEB (asset) liability as a percentage of its covered-employee payroll	-41.05%	-5.68%	21.86%	16.94%	60.50%	82.18%	93.40%	103.98%
Plan fiduciary net position as a percentage of total OPEB (asset) liability	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

Harper Creek Community Schools
Schedule of the District's OPEB Contributions to the MPSERS Plan
Last Eight Fiscal Years (Amounts Determined as of June 30)

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required OPEB contributions	\$ 478,371	\$ 1,420,407	\$ 1,346,870	\$ 1,270,488	\$ 1,211,510	\$ 1,167,800	\$ 1,126,450	\$ 1,023,873
OPEB contributions in relation to statutorily required contributions	478,371	1,420,407	1,346,870	1,270,488	1,211,510	1,167,800	1,126,450	1,023,873
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll (OPEB)	\$ 18,975,056	\$ 17,969,749	\$ 17,112,476	\$ 16,081,609	\$ 14,754,593	\$ 14,776,305	\$ 14,374,232	\$ 13,828,927
OPEB contributions as a percentage of covered-employee payroll	2.52%	7.90%	7.87%	7.90%	8.21%	7.90%	7.84%	7.40%

Harper Creek Community Schools

Notes to Required Supplementary Information Pension and OPEB Schedules
Year Ended June 30, 2025

Changes of Benefit Terms: There were no changes of benefit terms in fiscal year 2024.

Changes of Assumptions: For the State's fiscal year ended September 30, 2024:

The recognition period for liabilities, an average of the expected remaining service lives of all employees, changed to 4.4612 from 4.4406 for pension plan employers and to 6.2834 from 6.5099 for OPEB plan employers.

The healthcare cost trend rate was adjusted as follows:

Pre-65: From 7.50% to 7.25% for Year 1

Post-65: From 6.25% to 6.50% for Year 1

Other Supplementary Information

Harper Creek Community Schools

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2025

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Student Activity Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>			
Cash and investments	\$ 562,295	\$ 918,871	\$ 1,481,166
Due from other funds	3,917	-	3,917
Total assets	<u>\$ 566,212</u>	<u>\$ 918,871</u>	<u>\$ 1,485,083</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 8,165	\$ 8,500	\$ 16,665
Due to other funds	-	234,000	234,000
Total liabilities	<u>8,165</u>	<u>242,500</u>	<u>250,665</u>
Fund Balances:			
Restricted	558,047	-	558,047
Committed	-	676,371	676,371
Total fund balances	<u>558,047</u>	<u>676,371</u>	<u>1,234,418</u>
Total liabilities and fund balances	<u>\$ 566,212</u>	<u>\$ 918,871</u>	<u>\$ 1,485,083</u>

Harper Creek Community Schools

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2025

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Student Activity Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Local sources	\$ 813,539	\$ 1,136,594	\$ 1,950,133
Total revenues	<u>813,539</u>	<u>1,136,594</u>	<u>1,950,133</u>
Expenditures:			
Student activities	685,128	-	685,128
Debt service:			
Principal	-	282,992	282,992
Interest and other charges	-	16,980	16,980
Capital outlay	-	975,231	975,231
Total expenditures	<u>685,128</u>	<u>1,275,203</u>	<u>1,960,331</u>
Net Changes in Fund Balances	128,411	(138,609)	(10,198)
Fund Balances - Beginning of Year	<u>429,636</u>	<u>814,980</u>	<u>1,244,616</u>
Fund Balances - End of Year	<u>\$ 558,047</u>	<u>\$ 676,371</u>	<u>\$ 1,234,418</u>