

**NEW LOTHROP AREA PUBLIC SCHOOLS**

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

**YEAR ENDED JUNE 30, 2023**



## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4-12
BASIC FINANCIAL STATEMENTS .....	13
Government-wide Financial Statements	
Statement of Net Position .....	14
Statement of Activities.....	15
Fund Financial Statements	
Balance Sheet - Governmental Funds .....	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Fiduciary Funds	
Statement of Changes in Fiduciary Net Position .....	20
Notes to Financial Statements .....	21-52
REQUIRED SUPPLEMENTARY INFORMATION .....	53
Budgetary Comparison Schedule - General Fund .....	54
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability.....	55
Schedule of the Reporting Unit's Pension Contributions.....	56
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability .....	57
Schedule of the Reporting Unit's OPEB Contributions .....	58
Notes to Required Supplementary Information .....	59
ADDITIONAL SUPPLEMENTARY INFORMATION .....	60
Nonmajor Governmental Fund Types	
Combining Balance Sheet.....	61-62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	63-64
Schedule of Expenditures of Federal Awards.....	65-67
Notes to the Schedule of Expenditures of Federal Awards.....	68

## TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	69-70
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE .....	71-73
Schedule of Findings and Questioned Costs .....	74
Schedule of Prior Year Audit Findings .....	75



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
New Lothrop Area Public Schools

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Lothrop Area Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise New Lothrop Area Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Lothrop Area Public Schools, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

As discussed in Note 15 to the financial statements, in 2023 the District adopted new accounting guidance, GASB Statement No. 96, *Subscription-based IT Arrangements*. Our opinions are not modified with respect to this matter.

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Lothrop Area Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards 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 August 25, 2023 on our consideration of New Lothrop Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Lothrop Area Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Lothrop Area Public Schools' internal control over financial reporting and compliance.

*Maney Costeiran PC*

August 25, 2023

## **NEW LOTHROP AREA PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS**

New Lothrop Area Public Schools, a K-12 school district located in Shiawassee County, Michigan.

This section of New Lothrop Area Public Schools' annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

New Lothrop Area Public Schools, a K-12 school district located in Shiawassee County, Michigan, issues its financial statements under the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of accounting principles generally accepted in the United States of America, is intended to be the New Lothrop Area Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2023.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand New Lothrop Area Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. 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 look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant funds - the General fund and Sinking fund capital projects fund, individually, and the remaining Special Revenue, Debt Service, and Capital Projects Funds collectively as nonmajor governmental funds. The Statement of Changes in Fiduciary Net Position presents financial information about activities for which the District acts solely as a trustee or agent for the benefit of others.

### **DISTRICT-WIDE FINANCIAL STATEMENTS**

One of the most important questions asked about the District is, "As a whole, what is the District's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the basic financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position - the difference between assets, deferred outflows, liabilities, and deferred inflows, as reported in the Statement of Net Position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the District.

## **NEW LOTHROP AREA PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS**

The Statement of Net Position and Statement of Activities report the governmental activities for the District, which encompass all of the District's services, including instruction, supporting services, community services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue), State and Federal grants, and other local dollars finance most of these activities.

The District-wide financial statements are full accrual basis statements. They report all the District's assets, deferred outflows, liabilities and deferred inflows, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

### **FUND FINANCIAL STATEMENTS**

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds, the Special Revenue Funds, and Capital Project Funds. Fiduciary funds are also reported at the fund level. They are for assets that belong to others, such as certain student activities where the District is the trustee or fiduciary.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. 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 year's debt obligations are not recorded.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

**Summary of Net Position**

The following summarizes the net position as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Assets		
Current and other assets	\$ 5,125,615	\$ 4,462,707
Capital assets	<u>19,186,392</u>	<u>19,698,507</u>
Total assets	<u>24,312,007</u>	<u>24,161,214</u>
Deferred outflows of resources	<u>8,715,898</u>	<u>4,758,591</u>
Liabilities		
Current liabilities	2,083,078	2,036,206
Noncurrent liabilities	<u>39,182,790</u>	<u>32,061,066</u>
Total liabilities	<u>41,265,868</u>	<u>34,097,272</u>
Deferred inflows of resources	<u>3,805,443</u>	<u>7,689,661</u>
Net position		
Net investment in capital assets	2,046,944	1,678,221
Restricted	1,087,196	708,175
Unrestricted	<u>(15,177,546)</u>	<u>(15,253,524)</u>
Total net position	<u>\$ (12,043,406)</u>	<u>\$ (12,867,128)</u>

**NEW LOTHROP AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

**Results of Operations**

For the fiscal years ended June 30, 2023 and 2022, the District-wide results of operations were:

	2023	2022
Revenues		
Program revenues		
Charges for service	\$ 361,314	\$ 193,630
Operating grants and contributions	3,987,584	3,380,692
General revenues		
Property taxes	2,021,138	1,796,145
State school aid-unrestricted	7,302,136	7,403,072
Other	143,613	58,507
	<b>13,815,785</b>	<b>12,832,046</b>
Function/program expenses		
Instruction	6,942,527	5,788,096
Supporting services	3,766,671	3,067,517
Food service	516,072	462,765
Student/school activities	264,374	208,162
Interest and costs on long-term debt	594,916	612,831
Unallocated depreciation	907,503	793,512
	<b>12,992,063</b>	<b>10,932,883</b>
Change in net position	<b>\$ 823,722</b>	<b>\$ 1,899,163</b>

**Analysis of Results of Operations**

During the fiscal year ended June 30, 2023, the District's net position increased by \$823,722. Several factors which caused the increase are discussed in the following sections.

*Governmental Fund Operating Results*

The District's revenues and other financing sources were above expenditures and other financing uses by \$611,177 for the fiscal year ended June 30, 2023, mainly due to strong budgetary control. Further discussion of the District's operating results is available in the section entitled "Results of 2022-2023 Operations" located on the following pages.

*Capital Outlay*

Capital purchases are recorded as an asset at the government-wide level and depreciated over the useful lives of the assets. During 2022-2023, the District had a net increase in the cost of capital assets of \$276,657, and district's accumulated depreciation decrease by a net of \$788,772, causing a net decrease in net district capital assets of \$512,115.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

**Analysis of Results of Operations (continued)**

*Long-Term Obligations*

The District's bonds payable decreased by \$770,000, compensated absences increased by \$15,195, borrowings and accrued interest related to the Michigan School Loan Revolving Fund caused a net increase of \$31,714, lease liabilities decreased by \$97,230, and capitalized bond premiums decreased by \$67,257. As a result of these activities, net district long-term obligations decreased by \$887,578.

*General Fund Operations*

The General Fund is the main fund for the District and includes all the costs related to educating the students of the New Lothrop Area Public Schools such as: Salaries and benefits for Teachers, Classroom Paraprofessionals, Administrators, Secretaries, Custodians, Maintenance staff, Librarians, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's General Fund change in fund balance was an increase of \$377,193 for the fiscal year ended June 30, 2023. The General Fund as of June 30, 2023, has a fund balance of \$1,626,953 or 13.72% of expenditures and other financing uses for the 2022-2023 fiscal year. The District had budgeted to add \$222,741 to fund balance.

*Debt Service Fund Operations*

The Debt Service Funds are set up to collect taxes and state revenues and pay annual debt payments. At June 30, 2023, the Debt Service Funds had \$574,540 in fund balance available for future bond payments. The District levies taxes to make debt payment obligations. If taxes levied are not sufficient the District will borrow funds from the Michigan School Loan Revolving Fund. Any funds borrowed from this Fund will be paid back toward the end of the bond obligations. In the fiscal year ended June 30, 2023, the District borrowed from the Fund in the amount of \$31,714 (including accrued interest). The District also had compensated absences and lease liabilities outstanding at June 30, 2023, which totaled \$115,325 and \$353,273, respectively. The District had changes to their long-term obligations as follows:

	Principal Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Payments/ Disposals</u>	Principal Balance <u>June 30, 2023</u>
2014 Refunding Bonds	\$ 7,960,000	\$ -	\$ 635,000	\$ 7,325,000
2013 School Technology Bonds	85,000	-	85,000	-
2019 Building and Site Bonds	3,020,000	-	25,000	2,995,000
2021 Building and Site Bonds	4,135,000	-	25,000	4,110,000
2021 SBLF Refunding Bonds	2,400,000	-	-	2,400,000
Capitalized bond premiums	1,126,326	-	67,257	1,059,069
Lease liabilities	450,503	367,196	464,426	353,273
Compensated absences	100,130	40,000	24,805	115,325
Michigan School Loan Revolving Fund Principal and interest	<u>112,593</u>	<u>31,714</u>	<u>-</u>	<u>144,307</u>
<b>Total long-term obligations</b>	<b><u>\$ 19,389,552</u></b>	<b><u>\$ 438,910</u></b>	<b><u>\$ 1,326,488</u></b>	<b><u>\$ 18,501,974</u></b>

See Note 6 for more details related to long-term obligations.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

**Analysis of Results of Operations (continued)**

*Capital Projects Operations*

The District has completed updates to the high school gym balcony area by installing turf and also new lights in the elementary gym. In addition, repairs were completed on the greenhouse roof as well as an elementary sidewalk. A new sidewalk at the athletic field was added. A new A/C unit was purchased and installed for a server room in the elementary school and the parking lots for both buildings were crack sealed.

*School Service Funds*

The New Lothrop Area Public Schools has a school service fund for food service. In 2022-2023, the Food Service Fund had revenues and other financing sources of \$532,274 and expenditures and other financing uses of \$599,498. The Food Service Fund is self-supporting. The Food Service Fund had a fund balance of \$137,019.

The New Lothrop Area Public Schools also has a school service fund for student/school activities. In 2022-2023, the Student Activity Fund had revenues of \$311,870 and expenditures of \$264,374. The Student Activity Fund is self-supporting. The Student Activity Fund had a fund balance of \$161,381.

*Net Investment in Capital Assets*

The District's net investment in capital assets increased during the fiscal year. This can be summarized as follows:

	Balance June 30, 2022	Net Change	Balance June 30, 2023
Capital assets	\$ 31,721,931	\$ 276,657	\$ 31,998,588
Less accumulated depreciation/amortization	(12,023,424)	(788,772)	(12,812,196)
Net investment in capital outlay	\$ 19,698,507	\$ (512,115)	\$ 19,186,392

See Note 4 for more details related to capital assets.

**IMPORTANT ECONOMIC FACTORS**

*State of Michigan Unrestricted Aid (Net State Foundation Grant)*

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment - Blended at 90% of current year's fall count and 10% of prior year's winter count.
- c. The District's non-homestead property valuation.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

*Per Student Foundation Allowance*

Annually, the State of Michigan establishes the per student foundation allowance. The New Lothrop Area Public Schools' foundation allowance was \$9,150 per student for the 2022-2023 school year.

*Student Enrollment*

The District's State aid membership count for 2022-2023 was 881 students. Districts within Michigan have historically, with the exception being 2020-2021 where a "super blend" was utilized, used a blended count formula consisting of 90% of the student count from the fall count day and 10% of the student count from the supplemental spring count day.

	<u>State Aid Membership</u>	<u>FTE Change from Prior Year</u>
2022-2023	881	-8
2021-2022	889	-26
2020-2021	915	-5
2019-2020	920	9
2018-2019	911	12
2017-2018	899	-3
2016-2017	902	-27
2015-2016	929	17

*Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)*

The District levies 18.000 mills (after Headlee Rollback) of property taxes for operations (General Fund) on Non- Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5)%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

*Debt Fund Property Taxes*

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. For 2022-2023, the District's debt millage levy was 9.07 mills which generated revenue of approximately \$1,536,000.

*Sinking Fund Property Taxes*

The District also had a 1.24 mill sinking fund millage in place in 2022-2023 to fund certain capital project needed costs. This millage generated approximately \$214,000.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

**GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES**

Listed below is an analysis of the original budget and final budget to the final actual.

**General Fund Revenues and Other Sources, Budget vs. Actual**

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual and Original Budget	Actual and Final Budget
2022-2023	\$ 10,368,239	\$ 12,146,597	\$ 12,231,272	17.97%	0.70%
2021-2022	9,095,561	10,426,489	10,542,326	15.91%	1.11%
2020-2021	8,311,127	9,573,285	9,420,858	13.35%	-1.59%
2019-2020	8,532,187	8,824,394	8,704,402	2.02%	-1.36%
2018-2019	8,335,572	8,547,029	8,572,214	2.84%	0.29%
2017-2018	7,813,328	8,179,562	8,104,666	3.73%	-0.92%
2016-2017	7,856,815	7,873,559	7,837,168	-0.25%	-0.46%
2015-2016	7,597,079	7,931,948	7,930,671	4.39%	-0.02%

**General Fund Expenditures and Other Uses Budget vs. Actual**

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual and Original Budget	Actual and Final Budget
2022-2023	\$ 10,317,575	\$ 11,923,856	\$ 11,854,079	-14.89%	0.59%
2021-2022	9,269,641	10,356,520	10,382,813	-12.01%	-0.25%
2020-2021	8,883,025	9,485,631	9,344,244	-5.19%	1.49%
2019-2020	8,674,780	8,837,649	8,833,912	-1.83%	0.04%
2018-2019	8,410,981	8,375,680	8,387,173	0.28%	-0.14%
2017-2018	8,047,179	8,234,450	8,160,891	-1.41%	0.89%
2016-2017	7,833,135	7,947,169	7,960,726	-1.63%	-0.17%
2015-2016	7,493,755	7,836,570	7,853,099	-4.80%	-0.21%

**Original vs. Final Budget**

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year. As a matter of practice, New Lothrop Area Public Schools amends its budget periodically during the school year. The June 2023 budget amendment was the final budget for the fiscal year.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

**Revenues and Other Sources Change from Original to Final Budget**

		Percent
Total revenues and other sources original budget	\$ 10,368,239	100%
Total revenues and other sources final budget	12,146,597	117.2%
Increase in budgeted revenues and other sources	\$ 1,778,358	17.2%

**Expenditures Change from Original to Final Budget**

The District's budget for expenditures changed as follows during the year:

		Percent
Total expenditures original budget	\$ 10,317,575	100%
Total expenditures final budget	11,923,856	115.6%
Increase in budgeted expenditures	\$ 1,606,281	15.6%

The District's actual expenditures differed from the final budget by \$69,777.

**Additional Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration considered many factors when setting the District's 2024 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2023 fiscal year was 10% and 90% of the February 2022 and September 2022 student counts, respectively. The 2024 fiscal year budget was adopted in June 2023, based on an estimate of students that will be enrolled in September 2023. Approximately 95% of total General Fund revenues are from State sources. Under State law, the District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2023-2024 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2024 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the District's revenue is heavily dependent on State Funding and the status of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Superintendent's Office, New Lothrop Area Public Schools, 9825 Easton Road, New Lothrop, Michigan 48460.

## **BASIC FINANCIAL STATEMENTS**

**NEW LOTHROP AREA PUBLIC SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,533,384
Investments	1,057,924
Accounts receivable	855
Due from other governmental units	2,499,868
Inventories	6,548
Prepays	27,036
Capital assets not being depreciated	56,000
Capital assets, net of accumulated depreciation/amortization	<u>19,130,392</u>
<b>TOTAL ASSETS</b>	<u><b>24,312,007</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	6,670,955
Related to OPEB	1,725,976
Deferred charges on refunding, net of amortization	<u>318,967</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>8,715,898</b></u>
<b>LIABILITIES</b>	
Accounts payable	21,636
Accrued payroll	578,584
Accrued retirement	411,350
Other accrued liabilities	74,305
Note payable	826,885
Accrued interest payable	93,357
Unearned revenue	76,961
Noncurrent liabilities	
Due within one year	992,690
Due in more than one year	17,509,284
Net pension liability	19,564,827
Net OPEB liability	<u>1,115,989</u>
<b>TOTAL LIABILITIES</b>	<u><b>41,265,868</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	78,083
Related to OPEB	2,308,320
Related to state aid funding for pension	<u>1,419,040</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>3,805,443</b></u>
<b>NET POSITION</b>	
Net investment in capital assets	2,046,944
Restricted for debt service	481,183
Restricted for capital projects (sinking fund)	606,013
Unrestricted	<u>(15,177,546)</u>
<b>TOTAL NET POSITION</b>	<u><u><b>\$ (12,043,406)</b></u></u>

See notes to financial statements.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenues and Changes in Net Position
Governmental activities				
Instruction	\$ 6,942,527	\$ 103,253	\$ 3,204,386	\$ (3,634,888)
Supporting services	3,766,671	61,072	136,050	(3,569,549)
Food service	516,072	196,989	335,285	16,202
Student/school activities	264,374	-	311,863	47,489
Interest and costs on long-term debt	594,916	-	-	(594,916)
Unallocated depreciation/amortization	907,503	-	-	(907,503)
TOTAL	<u>\$ 12,992,063</u>	<u>\$ 361,314</u>	<u>\$ 3,987,584</u>	<u>(8,643,165)</u>
General revenues				
Property taxes				2,021,138
State school aid - unrestricted				7,302,136
Investment earnings				43,006
Miscellaneous				<u>100,607</u>
Total general revenues				<u>9,466,887</u>
CHANGE IN NET POSITION				823,722
NET POSITION, beginning of year				<u>(12,867,128)</u>
NET POSITION, end of year				<u>\$ (12,043,406)</u>

See notes to financial statements.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	<u>General Fund</u>	<u>Capital Projects Sinking Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 235,834	\$ 452,529	\$ 845,021	\$ 1,533,384
Investments	814,090	138,737	105,097	1,057,924
Accounts receivable	855	-	-	855
Due from other funds	9,910	14,747	29,988	54,645
Due from other governmental units	2,489,203	-	10,665	2,499,868
Inventories	-	-	6,548	6,548
Prepays	26,738	-	298	27,036
<b>TOTAL ASSETS</b>	<b><u>\$ 3,576,630</u></b>	<b><u>\$ 606,013</u></b>	<b><u>\$ 997,617</u></b>	<b><u>\$ 5,180,260</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 20,600	\$ -	\$ 1,036	\$ 21,636
Due to other funds	-	-	54,645	54,645
Accrued payroll	578,584	-	-	578,584
Accrued retirement	379,145	-	32,205	411,350
Other accrued liabilities	74,305	-	-	74,305
Unearned revenue	70,158	-	6,803	76,961
Note payable	826,885	-	-	826,885
<b>TOTAL LIABILITIES</b>	<b><u>1,949,677</u></b>	<b><u>-</u></b>	<b><u>94,689</u></b>	<b><u>2,044,366</u></b>
<b>FUND BALANCES</b>				
Nonspendable				
Prepays and inventories	26,738	-	6,846	33,584
Restricted				
Debt service	-	-	574,540	574,540
Food service	-	-	130,173	130,173
Capital projects	-	606,013	-	606,013
Committed				
Capital projects	-	-	29,988	29,988
Student/school activities	-	-	161,381	161,381
Unassigned	1,600,215	-	-	1,600,215
<b>TOTAL FUND BALANCES</b>	<b><u>1,626,953</u></b>	<b><u>606,013</u></b>	<b><u>902,928</u></b>	<b><u>3,135,894</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,576,630</u></b>	<b><u>\$ 606,013</u></b>	<b><u>\$ 997,617</u></b>	<b><u>\$ 5,180,260</u></b>

See notes to financial statements.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023**

Total governmental fund balances	\$ 3,135,894
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred charges on refunding, net of amortization	\$ 318,967
Deferred outflows of resources - related to pensions	6,670,955
Deferred outflows of resources - related to OPEB	1,725,976
Deferred inflows of resources - related to pensions	(78,083)
Deferred inflows of resources - related to OPEB	(2,308,320)
Deferred inflows of resources - related to state pension funding	<u>(1,419,040)</u>
	4,910,455
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of capital assets is	31,998,588
Accumulated depreciation/amortization is	<u>(12,812,196)</u>
	19,186,392
Long-term liabilities are not due and payable in the current period and are not reported in the funds	
General obligation bonds	(17,889,069)
Direct borrowings and direct placements	(497,580)
Compensated absences	(115,325)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	(93,357)
Net pension liability	(19,564,827)
Net OPEB liability	<u>(1,115,989)</u>
Net position of governmental activities	<u><u>\$ (12,043,406)</u></u>

**NEW LOTHROP AREA PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	General Fund	Capital Projects Sinking Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Local sources	\$ 766,392	\$ 213,973	\$ 2,047,429	\$ 3,027,794
State sources	10,124,082	-	34,068	10,158,150
Federal sources	942,602	-	301,217	1,243,819
<b>TOTAL REVENUES</b>	<b>11,833,076</b>	<b>213,973</b>	<b>2,382,714</b>	<b>14,429,763</b>
<b>EXPENDITURES</b>				
Current				
Instruction	7,387,514	-	-	7,387,514
Supporting services	4,314,162	-	-	4,314,162
Food service	-	-	568,498	568,498
Student/school activities	-	-	264,374	264,374
Capital outlay	-	41,269	123,016	164,285
Debt service				
Principal repayment	148,972	-	770,000	918,972
Interest and other	3,431	-	591,614	595,045
<b>TOTAL EXPENDITURES</b>	<b>11,854,079</b>	<b>41,269</b>	<b>2,317,502</b>	<b>14,212,850</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(21,003)</b>	<b>172,704</b>	<b>65,212</b>	<b>216,913</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from leases	367,196	-	-	367,196
School loan revolving fund issuance	-	-	27,068	27,068
Transfers in	31,000	-	44,735	75,735
Transfers out	-	-	(75,735)	(75,735)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>398,196</b>	<b>-</b>	<b>(3,932)</b>	<b>394,264</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>377,193</b>	<b>172,704</b>	<b>61,280</b>	<b>611,177</b>
<b>FUND BALANCES</b>				
Beginning of year	1,249,760	433,309	841,648	2,524,717
End of year	<b>\$ 1,626,953</b>	<b>\$ 606,013</b>	<b>\$ 902,928</b>	<b>\$ 3,135,894</b>

See notes to financial statements.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

<b>Net change in fund balances total governmental funds</b>	<b>\$ 611,177</b>
Amounts reported for governmental activities in the statement of activities are 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/amortization expense	(907,503)
Capital outlay	710,842
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	98,216
Accrued interest payable, end of the year	(93,357)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt	
Payments on debt	770,000
Principal payment on leases	148,972
School loan revolving fund issuance	(27,068)
Proceeds from leases	(367,196)
Amortization of deferred loss on refunding	(26,581)
Amortization of bond premium	67,257
Long-term interest on school loan revolving fund (accrued)	(4,646)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	100,130
Accrued compensated absences, end of the year	(115,325)
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	(294,648)
Other postemployment benefit related items	767,514
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
State aid funding for pension	(614,062)
<b>Change in net position of governmental activities</b>	<b>\$ 823,722</b>

See notes to financial statements.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2023**

	<u>Custodial Fund</u>
Deductions	
Payments made on behalf of student organizations	<u>\$ 5,458</u>
CHANGE IN NET POSITION	(5,458)
Net position - beginning of year	<u>5,458</u>
Net position - end of year	<u><u>\$ -</u></u>

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

Description of Government-wide Financial Statements

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

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *Capital Project Sinking Fund* accounts for the receipt of property taxes levied and expenditures that have been restricted for the purchase and upgrade of facilities throughout the District. For this fund, the District has complied with the applicable provisions of section 1212(1) of the revised school code and the State of Michigan Department of Treasury Letter No. 01-95.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

Basis of Presentation - Fund Financial Statements (continued)

*Nonmajor Funds*

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

The *General Capital Projects Funds* accounts for resources accumulated from local sources (i.e. interest, contributions, etc.) for the acquisition of future capital assets of the District. The *2019 and 2021 Bonded Construction Capital Projects funds* are used to account for capital projects activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of section 1351a of the revised school code.

Beginning with the years of bond issuance, the District has reported the annual construction activity in the related capital projects funds. The projects for which the 2019 School Building and Site Bonds, Series I and 2021 School Building and Site Bonds, Series II were issued were substantially completed as of June 30, 2022. The cumulative activity recognized for the construction period were as follows:

	2019 Bonded Construction	2021 Bonded Construction
Revenues and other financing sources	\$ 3,439,439	\$ 2,764,101
Expenditures and other finance uses	\$ 3,439,439	\$ 2,734,113

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District maintains debt service funds for the 2013, 2014-2015, 2019, 2021 capital projects bond, and 2021 refunding bond issues.

*Fiduciary Funds* account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements. The *custodial fund* consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the District’s provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities). As of June 30, 2023, this fund was drawn to zero and is considered closed.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

Basis of Presentation - Fund Financial Statements (continued)

*Nonmajor Funds (continued)*

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

Measurement Focus and Basis of Accounting (continued)

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

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

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as 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 governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

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

Budgetary Information

*Budgetary Basis of Accounting*

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

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

Budgetary Information (continued)

*Budgetary Basis of Accounting(continued)*

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2023. The District does not consider these amendments to be significant.

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

*Cash and Cash Equivalents*

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

*Investments*

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

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

*Investments (continued)*

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

*Inventories and Prepaid Items*

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

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

*Capital Assets*

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

	Years
Land improvements	15 - 20
Buildings and additions	10 - 50
Right to use - leased equipment	5
Furniture and equipment	5 - 20
Right to use - leased transportation equipment	5
Vehicles	8

*Defined Benefit Plans*

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

*Deferred Outflows*

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

*Deferred Inflows*

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

*Net Position Flow Assumption*

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

In computation of invested in capital assets, net of related debt, the school loan revolving fund principal balance of \$138,178 is considered capital-related debt. Accrued interest on the school bond loan fund of \$6,129 is not considered capital-related debt.

In addition, in 2021, the District issued bonded debt in the amount of \$4,135,000 used to make principal and interest payments related to the school loan revolving fund. As of June 30, 2023 the outstanding balance was \$4,135,000. Of this amount, 22.3% of the proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The remaining allocation of this debt that is not considered capital related debt at June 30, 2023 is \$922,105.

*Fund Balance Flow Assumptions*

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

*Fund Balance Policies*

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

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

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

*Leases*

The District is a lessee for a noncancelable lease of equipment and vehicles. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

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

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

*Leases (continued)*

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

Revenues and Expenditures/Expenses

*Program Revenues*

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

*Property Taxes*

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

For the year ended June 30, 2023, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	9.07
Sinking fund	
PRE, Non-PRE, Commercial Personal Property	1.24

*Compensated Absences*

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee leaves, resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

Revenues and Expenditures/Expenses (continued)

*Compensated Absences*

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee leaves, resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

*Long-term Obligations*

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2023, the District deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, \$1,597,029 of the District's bank balance of \$1,847,029 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$1,533,284.

Custodial Credit Risk - Investments

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

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity
MILAF External Investment pool - CMC	\$ 608,065	N/A
MILAF External Investment pool - MAX	449,859	N/A
Total fair value	\$ 1,057,924	

As of June 30, 2023, the District had a book and market value of \$1,057,924 invested in MILAF.

Concentration of Credit Risk

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

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment pool - CMC	\$ 608,065	AAAm	Standard & Poor's
MILAF External Investment pool - MAX	449,859	AAAm	Standard & Poor's
Total fair value	\$ 1,057,924		

Foreign Currency Risk

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

Fair Value Measurement

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

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

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

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

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

	Amortized Cost
MILAF External Investment pool - CMC	\$ 608,065
MILAF External Investment pool - MAX	449,859
	\$ 1,057,924

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

Fair Value Measurement (continued)

At June 30, 2023, the carrying amounts are summarized as follows:

Deposits	\$ 1,533,284
Petty cash	100
Investments	<u>1,057,924</u>
Total	<u><u>\$ 2,591,308</u></u>

The above amounts are reported in the financial statements as follows:

Cash and cash equivalents	\$ 1,533,384
Investments	<u>1,057,924</u>
Total	<u><u>\$ 2,591,308</u></u>

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2023 consist of the following:

	Government- wide
State Aid	\$ 1,836,960
Intermediate Sources	246,851
Federal	<u>416,057</u>
Total	<u><u>\$ 2,499,868</u></u>

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 56,000	\$ -	\$ -	\$ 56,000
Capital assets being depreciated/amortized				
Land improvements	741,215	49,140	-	790,355
Buildings and additions	28,355,400	142,461	-	28,497,861
Right to use - leased equipment	16,097	145,788	(16,097)	145,788
Furniture and equipment	1,939,590	152,045	(102,634)	1,989,001
Right to use - leased transportation equipment	564,220	221,408	(315,454)	470,174
Vehicles	49,409	-	-	49,409
Total capital assets being depreciated/amortized	<u>31,665,931</u>	<u>710,842</u>	<u>(434,185)</u>	<u>31,942,588</u>
Less accumulated depreciation/amortization for:				
Land improvements	(175,088)	(34,106)	-	(209,194)
Buildings and additions	(10,077,562)	(636,030)	-	(10,713,592)
Right to use - leased equipment	(16,097)	(24,699)	16,097	(24,699)
Furniture and equipment	(1,609,551)	(82,395)	102,634	(1,589,312)
Right to use - leased transportation equipment	(113,717)	(124,273)	-	(237,990)
Vehicles	(31,409)	(6,000)	-	(37,409)
Total accumulated depreciation/amortization	<u>(12,023,424)</u>	<u>(907,503)</u>	<u>118,731</u>	<u>(12,812,196)</u>
Total capital assets being depreciated/amortized	<u>19,642,507</u>	<u>(196,661)</u>	<u>(315,454)</u>	<u>19,130,392</u>
Capital assets, net	<u>\$ 19,698,507</u>	<u>\$ (196,661)</u>	<u>\$ (315,454)</u>	<u>\$ 19,186,392</u>

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to \$907,503 and is reported as unallocated depreciation/amortization on the statement of activities. The District has determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE**

During the current year the District was issued a state aid anticipation note in the amount of \$800,000 which had an interest rate of 3.37%. Proceeds of the note were used to fund school operations. The note was secured by the full faith and credit of the District as well as pledged state aid. In an event of the unavailability or insufficiency of state school aid for any reason, the note is payable from tax levies within the District's constitutional and statutory limitations or from unencumbered funds. Activity for the year ended June 30, 2023, including accrued interest, is as follows:

<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2023</u>
<u>\$ 702,745</u>	<u>\$ 826,885</u>	<u>\$ (702,745)</u>	<u>\$ 826,885</u>

**NOTE 6 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligations for the District for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 18,726,326	\$ -	\$ 837,257	\$ 17,889,069	\$ 735,000
Direct borrowings and direct placements					
School Loan Revolving Fund, including interest	112,593	31,714	-	144,307	-
Lease liabilities	450,503	367,196	464,426	353,273	142,365
Compensated absences	100,130	15,195	-	115,325	115,325
	<u>\$ 19,389,552</u>	<u>\$ 414,105</u>	<u>\$ 1,301,683</u>	<u>\$ 18,501,974</u>	<u>\$ 992,690</u>

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

Long-term obligations at June 30, 2023 is comprised of the following issues:

General Obligation Bonds

\$8,570,000 2014 Refunding bonds dated November 12, 2014, due in annual principal installments ranging from \$600,000 to \$630,000 from May 1, 2022 through May 1, 2035, with interest of 3.50% to 4.00%, payable semi-annually.	\$ 7,325,000
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\$3,095,000 2019 School building and site bonds dated August 1, 2019, due in annual principal installments ranging from \$25,000 to \$235,000 through May 1, 2049, with interest of 4.00% to 5.00%, payable semi-annually.	2,995,000
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\$4,135,000 2021 Refunding bonds dated May 12, 2021, due in annual principal installments ranging from \$55,000 to \$580,000 through May 1, 2034, with interest of 0.90% to 2.40%, payable semi-annually.	4,135,000
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\$2,400,000 2021 building and site bonds dated May 12, 2021, due in annual principal installments ranging from \$25,000 to \$120,000 through May 1, 2051, with interest of 1.00% to 4.00%, payable semi-annually.	2,375,000
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Plus issuance premiums	<u>1,059,069</u>
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Total general obligation bonds	<u>17,889,069</u>
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Direct Borrowings and Direct Placements

Borrowing from the State of Michigan under the School Loan Revolving Fund, excluding interest at 4.11% at June 30, 2023.	144,307
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Lease agreements due in annual installments ranging from \$12,524 to \$52,377, interest ranging from 2.70% to 3.00%, expiring at various times through 2025. Lease agreements due in monthly installments of \$2,504 with interest of 3.00% expiring in November of 2028.	<u>353,273</u>
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Total direct borrowings and direct placements	<u>497,580</u>
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Total general obligation bonds and direct borrowings and direct placements	18,386,649
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Compensated absences	<u>115,325</u>
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Total long-term obligations	<u><u>\$ 18,501,974</u></u>
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**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2023, are as follows:

Year Ending June 30,	General Obligation Bonds		Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2024	\$ 735,000	\$ 560,142	\$ 142,365	\$ -	\$ -	\$ 1,437,507
2025	795,000	532,947	94,750	-	-	1,422,697
2026	855,000	505,212	79,050	-	-	1,439,262
2027	920,000	476,642	26,357	-	-	1,422,999
2028	1,010,000	446,836	10,751	-	-	1,467,587
2029-2033	5,935,000	1,725,124	-	-	-	7,660,124
2034-2038	2,790,000	905,430	-	-	-	3,695,430
2039-2043	1,505,000	629,600	-	-	-	2,134,600
2044-2048	1,700,000	323,400	-	-	-	2,023,400
2049-2051	585,000	37,600	-	-	-	622,600
	<u>16,830,000</u>	<u>6,142,933</u>	<u>353,273</u>	<u>-</u>	<u>-</u>	<u>23,326,206</u>
Issuance premium	1,059,069	-	-	-	-	1,059,069
School Loan Revolving Fund	-	-	138,178	6,129	-	144,307
Compensated absences	-	-	-	-	115,325	115,325
	<u>\$ 17,889,069</u>	<u>\$ 6,142,933</u>	<u>\$ 491,451</u>	<u>\$ 6,129</u>	<u>\$ 115,325</u>	<u>\$ 24,644,907</u>

Interest on long-term obligations for the year ended June 30, 2023 was approximately \$595,000.

Borrowing from the State of Michigan - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30, 2023 was 4.11%. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 8.49 mills. The school district is required to levy 8.49 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 9.07 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

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

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$2,428,000. Of the total pension contributions approximately \$2,390,000 was contributed to fund the Defined Benefit Plan and approximately \$38,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$453,000. Of the total OPEB contributions approximately \$430,000 was contributed to fund the Defined Benefit Plan and approximately \$23,000 was contributed to fund the Defined Contribution Plan.

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*Pension Liabilities*

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total pension liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan fiduciary net position	58,268,076,344	62,717,060,920
Net pension liability	37,608,719,276	23,675,412,475
Proportionate share	0.05202%	0.05020%
Net pension liability for the district	19,564,827	11,886,002

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2023, the District recognized pension expense of \$2,684,226.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 195,717	\$ 43,745
Changes of assumptions	3,361,938	-
Net difference between projected and actual earnings on pension plan investments	45,880	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	787,935	34,338
Reporting Unit's contributions subsequent to the measurement date	<u>2,279,485</u>	<u>-</u>
	<u>\$ 6,670,955</u>	<u>\$ 78,083</u>

\$2,279,485, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

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

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 1,294,521
2024	1,022,555
2025	827,939
2026	1,168,372

OPEB Liabilities and OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

*OPEB Liabilities*

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total other postemployment benefit liability	\$ 12,046,393,511	\$ 12,046,393,511
Plan fiduciary net position	10,520,015,621	10,520,015,621
Net other postemployment benefit liability	1,526,377,890	1,526,377,890
Proportionate share	0.05269%	0.05146%
Net other postemployment benefit liability for the District	1,115,989	785,512

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2023, the District recognized OPEB benefit of \$337,480.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 259,588	\$ 41,528
Differences between expected and actual experience	-	2,185,796
Changes of assumptions	994,717	80,996
Net differences between projected and actual plan investment earnings	87,223	-
Reporting Unit's contributions subsequent to the measurement date	384,448	-
	\$ 1,725,976	\$ 2,308,320

\$384,448, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2023	\$ (360,426)
2024	(326,663)
2025	(279,826)
2026	5,914
2027	(8,060)
2028	2,269

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions

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

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

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

**Inflation** - 3.0%.

**Mortality Assumptions:**

*Retirees:* RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

*Active:* RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

*Disabled Retirees:* RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

**Experience Study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

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

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

**Healthcare Cost Trend Rate for Other Postemployment Benefit** - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

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

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

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

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

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.10%
International Equity Pools	15.00%	6.70%
Private Equity Pools	16.00%	8.70%
Real Estate and Infrastructure Pools	10.00%	5.30%
Fixed Income Pools	13.00%	-0.20%
Absolute Return Pools	9.00%	2.70%
Real Return/Opportunistic Pools	10.00%	5.80%
Short Term Investment Pools	2.00%	-0.50%
	<u>100.00%</u>	

\* Long term rate of return are net of administrative expenses and 2.2% inflation.

**Rate of Return** - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 25,818,303	\$ 19,564,827	\$ 14,411,681

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 1,871,965	\$ 1,115,989	\$ 479,364

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

	Other Postemployment Benefits		
	Current Healthcare		
	1% Decrease	Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 467,323	\$ 1,115,989	\$ 1,844,130

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2022 Annual Comprehensive Financial Report.

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

**NOTE 8 - RISK MANAGEMENT**

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, liability, inland marine, data breach, crime, auto, umbrella excess liability, employee dishonesty, and boilers and machinery. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool’s claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers’ Compensation Fund, with other school districts for workers’ compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool’s claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

**NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2023 are as follows:

Receivable Fund	Payable Fund
2021 Bonded Construction Capital Projects Fund     \$     29,988	General Capital Projects Fund     \$     1,055
General Fund     9,910	2019 Bonded Construction Capital Projects Fund     43,680
Sinking Fund     14,747	2021 SBLF Refunding Debt Fund     5
Total     \$     54,645	2021 Bonded Construction Debt Fund     5
	2013 Technology Bond Debt Fund     9,900
	Total     \$     54,645

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - TRANSFERS**

During the year, the food service fund transferred \$31,000 to the general fund for indirect cost reimbursement. The general capital projects fund and the 2019 bonded capital projects fund transferred \$1,055 and \$43,680, respectively, to the 2021 bonded capital projects fund for capital asset purchases.

**NOTE 11 - SUBSEQUENT EVENTS**

Subsequent to year-end, the District borrowed \$600,000 to meet future cash flow needs.

**NOTE 12 - CONTINGENT LIABILITIES**

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

**NOTE 13 - TAX ABATEMENTS**

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2023, the District did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements made by the District.

**NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT**

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued 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 District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the District's financial statements after the adoption of GASB Statement Number 96.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NEW LOTHROP AREA PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (negative)
<b>REVENUES</b>				
Local sources	\$ 587,915	\$ 763,858	\$ 766,392	\$ 2,534
State sources	9,027,367	10,083,476	10,124,082	40,606
Federal sources	752,957	901,067	942,602	41,535
<b>TOTAL REVENUES</b>	<b>10,368,239</b>	<b>11,748,401</b>	<b>11,833,076</b>	<b>84,675</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	5,619,913	6,187,855	6,205,850	(17,995)
Added needs	885,429	1,173,686	1,181,664	(7,978)
<b>TOTAL INSTRUCTION</b>	<b>6,505,342</b>	<b>7,361,541</b>	<b>7,387,514</b>	<b>(25,973)</b>
Supporting services				
Student services	380,399	492,683	501,368	(8,685)
Instructional staff	82,216	222,418	225,166	(2,748)
General administration	472,229	503,777	488,815	14,962
School administration	464,974	549,459	553,835	(4,376)
Business	204,048	237,655	236,801	854
Operations and maintenance	1,002,139	1,080,107	1,075,836	4,271
Transportation	469,924	584,233	589,769	(5,536)
Other supporting services				
Technology	397,750	334,293	231,703	102,590
Athletics	338,554	405,287	410,869	(5,582)
<b>TOTAL SUPPORTING SERVICES</b>	<b>3,812,233</b>	<b>4,409,912</b>	<b>4,314,162</b>	<b>95,750</b>
Debt service				
Principal repayment	-	148,972	148,972	-
Interest	-	3,431	3,431	-
<b>TOTAL DEBT SERVICE</b>	<b>-</b>	<b>152,403</b>	<b>152,403</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>10,317,575</b>	<b>11,923,856</b>	<b>11,854,079</b>	<b>69,777</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>50,664</b>	<b>(175,455)</b>	<b>(21,003)</b>	<b>154,452</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from leases	-	367,196	367,196	-
Transfers In	-	31,000	31,000	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>398,196</b>	<b>398,196</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 50,664</b>	<b>\$ 222,741</b>	<b>377,193</b>	<b>\$ 154,452</b>
FUND BALANCE, beginning of year			1,249,760	
FUND BALANCE, end of year			<u>\$ 1,626,953</u>	

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Reporting Unit's proportion of net pension liability (%)	0.04522%	0.04681%	0.04720%	0.04690%	0.04780%	0.04795%	0.04799%	0.05020%	0.05202%
Reporting Unit's proportionate share of net pension liability	\$ 9,960,451	\$ 11,432,363	\$ 11,769,674	\$ 12,153,545	\$ 14,368,262	\$ 15,880,405	\$ 16,483,545	\$ 11,886,002	\$ 19,564,827
Reporting Unit's covered-employee payroll	\$ 3,753,980	\$ 3,808,452	\$ 4,021,814	\$ 3,900,545	\$ 4,096,472	\$ 4,169,108	\$ 4,373,572	\$ 4,632,788	\$ 4,943,839
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	265.33%	300.18%	292.65%	311.59%	350.75%	380.91%	376.89%	256.56%	395.74%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	66.20%	63.17%	63.27%	64.21%	62.36%	60.31%	59.72%	72.60%	60.77%

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Statutorily required contributions	\$ 872,329	\$ 1,041,875	\$ 1,226,671	\$ 1,126,094	\$ 1,194,435	\$ 1,294,176	\$ 1,479,489	\$ 1,724,048	\$ 2,389,578
Contributions in relation to statutorily required contributions	<u>872,329</u>	<u>1,041,875</u>	<u>1,226,671</u>	<u>1,126,094</u>	<u>1,194,435</u>	<u>1,294,176</u>	<u>1,479,489</u>	<u>1,724,048</u>	<u>2,389,578</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered employee payroll	\$ 3,749,768	\$ 3,881,147	\$ 4,159,848	\$ 3,966,267	\$ 4,179,704	\$ 4,366,483	\$ 4,529,049	\$ 4,824,751	\$ 5,232,017
Contributions as a percentage of covered-employee payroll	23.26%	26.84%	29.49%	28.39%	28.58%	29.64%	32.67%	35.73%	45.67%

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

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Reporting Unit's proportionate share of net OPEB liability (%)	0.04703%	0.04877%	0.04770%	0.04939%	0.05146%	0.05269%
Reporting Unit's proportionate share of net OPEB liability	\$ 4,164,431	\$ 3,876,884	\$ 3,423,993	\$ 2,645,972	\$ 785,512	\$ 1,115,989
Reporting Unit's covered-employee payroll	\$ 3,900,545	\$ 4,096,472	\$ 4,169,108	\$ 4,373,572	\$ 4,632,788	\$ 4,943,839
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	106.77%	94.64%	82.13%	60.50%	16.96%	22.57%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%	42.95%	48.46%	59.44%	87.33%	83.09%

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Statutorily required contributions	\$ 329,811	\$ 313,422	\$ 372,610	\$ 399,141	\$ 408,791	\$ 430,034
Contributions in relation to statutorily required contributions	<u>329,811</u>	<u>313,422</u>	<u>372,610</u>	<u>399,141</u>	<u>408,791</u>	<u>430,034</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Reporting Unit's covered employee payroll	\$ 3,966,267	\$ 4,179,704	4,366,483	4,529,049	4,824,751	5,232,017
Contributions as a percentage of covered-employee payroll	8.32%	7.50%	8.53%	8.81%	8.47%	8.22%

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

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2023**

**NOTE 1 - PENSION INFORMATION**

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

- Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

**NOTE 2 - OPEB INFORMATION**

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

- Discount rate decreased to 6.00% from 6.95%.

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**NEW LOTHROP AREA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	Special Revenue		Capital Projects		
	Food Service	Student/ School Activities	2021 Bonded Construction	General Capital Projects	2019 Bonded Construction
<b>ASSETS</b>					
Cash and cash equivalents	\$ 158,724	\$ 87,870	\$ -	\$ -	\$ 14,745
Investments	-	74,339	-	1,055	28,935
Due from other governmental units	10,665	-	-	-	-
Due from other funds	-	-	29,988	-	-
Prepays	298	-	-	-	-
Inventories	6,548	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 176,235</b>	<b>\$ 162,209</b>	<b>\$ 29,988</b>	<b>\$ 1,055</b>	<b>\$ 43,680</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 208	\$ 828	\$ -	\$ -	\$ -
Due to other funds	-	-	-	1,055	43,680
Unearned revenue	6,803	-	-	-	-
Accrued retirement	32,205	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>39,216</b>	<b>828</b>	<b>-</b>	<b>1,055</b>	<b>43,680</b>
<b>FUND BALANCES</b>					
Nonspendable					
Prepays and inventories	6,846	-	-	-	-
Restricted					
Debt service	-	-	-	-	-
Food service	130,173	-	-	-	-
Committed					
Capital projects	-	-	29,988	-	-
Student/school activities	-	161,381	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>137,019</b>	<b>161,381</b>	<b>29,988</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 176,235</b>	<b>\$ 162,209</b>	<b>\$ 29,988</b>	<b>\$ 1,055</b>	<b>\$ 43,680</b>

Debt Service					
2013 Technology Bond	2014-2015 Refunding Debt	2019 Bonded Construction Debt	2021 SBLF Refunding Debt	2021 Bonded Construction Debt	Total
\$ 24,567	\$ 204,983	\$ 104,317	\$ 193,650	\$ 56,165	\$ 845,021
-	768	-	-	-	105,097
-	-	-	-	-	10,665
-	-	-	-	-	29,988
-	-	-	-	-	298
-	-	-	-	-	6,548
<u>\$ 24,567</u>	<u>\$ 205,751</u>	<u>\$ 104,317</u>	<u>\$ 193,650</u>	<u>\$ 56,165</u>	<u>\$ 997,617</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,036
9,900	-	-	5	5	54,645
-	-	-	-	-	6,803
-	-	-	-	-	32,205
<u>9,900</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>	<u>94,689</u>
-	-	-	-	-	6,846
14,667	205,751	104,317	193,645	56,160	574,540
-	-	-	-	-	130,173
-	-	-	-	-	29,988
-	-	-	-	-	161,381
<u>14,667</u>	<u>205,751</u>	<u>104,317</u>	<u>193,645</u>	<u>56,160</u>	<u>902,928</u>
<u>\$ 24,567</u>	<u>\$ 205,751</u>	<u>\$ 104,317</u>	<u>\$ 193,650</u>	<u>\$ 56,165</u>	<u>\$ 997,617</u>

**NEW LOTHROP AREA PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023**

	Special Revenue		Capital Projects		
	Food Service	Student/ School Activities	2021 Bonded Construction	General Capital Projects	2019 Bonded Construction
<b>REVENUES</b>					
Local sources	\$ 196,989	\$ 311,870	\$ 2,526	\$ 40	\$ -
State sources	34,068	-	-	-	-
Federal sources	301,217	-	-	-	-
<b>TOTAL REVENUES</b>	<b>532,274</b>	<b>311,870</b>	<b>2,526</b>	<b>40</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current					
Food service	568,498	-	-	-	-
Student activities	-	264,374	-	-	-
Capital outlay	-	-	123,016	-	-
Debt service					
Principal repayment	-	-	-	-	-
Interest and other	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>568,498</b>	<b>264,374</b>	<b>123,016</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(36,224)</b>	<b>47,496</b>	<b>(120,490)</b>	<b>40</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	44,735	-	-
Transfers out	(31,000)	-	-	(1,055)	(43,680)
School loan revolving fund issuance	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(31,000)</b>	<b>-</b>	<b>44,735</b>	<b>(1,055)</b>	<b>(43,680)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(67,224)</b>	<b>47,496</b>	<b>(75,755)</b>	<b>(1,015)</b>	<b>(43,680)</b>
<b>FUND BALANCES</b>					
Beginning of year	204,243	113,885	105,743	1,015	43,680
End of year	<u>\$ 137,019</u>	<u>\$ 161,381</u>	<u>\$ 29,988</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Service					
2013 Technology Bond	2014-2015 Refunding Debt	2019 Bonded Construction Debt	2021 SBLF Refunding Debt	2021 Bonded Construction Debt	Total
\$ 97,851	\$ 998,546	\$ 169,114	\$ 153,958	\$ 116,535	\$ 2,047,429
-	-	-	-	-	34,068
-	-	-	-	-	301,217
<u>97,851</u>	<u>998,546</u>	<u>169,114</u>	<u>153,958</u>	<u>116,535</u>	<u>2,382,714</u>
-	-	-	-	-	568,498
-	-	-	-	-	264,374
-	-	-	-	-	123,016
85,000	635,000	25,000	-	25,000	770,000
2,097	315,951	123,108	80,348	70,110	591,614
<u>87,097</u>	<u>950,951</u>	<u>148,108</u>	<u>80,348</u>	<u>95,110</u>	<u>2,317,502</u>
<u>10,754</u>	<u>47,595</u>	<u>21,006</u>	<u>73,610</u>	<u>21,425</u>	<u>65,212</u>
-	-	-	-	-	44,735
-	-	-	-	-	(75,735)
-	20,839	-	-	6,229	27,068
<u>-</u>	<u>20,839</u>	<u>-</u>	<u>-</u>	<u>6,229</u>	<u>(3,932)</u>
10,754	68,434	21,006	73,610	27,654	61,280
3,913	137,317	83,311	120,035	28,506	841,648
<u>\$ 14,667</u>	<u>\$ 205,751</u>	<u>\$ 104,317</u>	<u>\$ 193,645</u>	<u>\$ 56,160</u>	<u>\$ 902,928</u>

**NEW LOTHROP AREA PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (donated foods)								
Entitlement Donated Foods	10.555	N/A	\$ 27,880	\$ -	\$ -	\$ 27,880	\$ 27,880	\$ -
Entitlement Donated Foods - Bonus		N/A	1,029	-	-	1,029	1,029	-
Total non-cash assistance (donated foods)			28,909	-	-	28,909	28,909	-
Cash Assistance								
National School Lunch Program	10.555	221961	346,436	-	344,606	1,830	1,830	-
		220910	42,421	-	21,057	21,364	21,364	-
		221960	24,265	-	24,265	24,265	24,265	-
		221980	4,751	-	4,567	184	184	-
		230910	12,608	-	-	12,608	12,608	-
		230960	149,203	-	-	149,203	149,203	-
		231980	1,771	-	-	1,771	1,693	78
		231960	6,129	-	-	6,129	-	6,129
		231970	1,502	-	-	1,502	-	1,502
Total ALN 10.555			589,086	-	394,495	218,856	211,147	7,709
School Breakfast Program	10.553	221970	109,415	-	104,819	4,536	4,536	-
		221971	669	-	-	669	669	-
		231970	31,102	-	-	31,102	31,102	-
Total ALN 10.553			141,186	-	104,819	36,307	36,307	-
Total cash assistance			730,272	-	499,314	255,163	247,454	7,709
Total Child Nutrition Cluster			759,181	-	499,314	284,072	276,363	7,709
COVID-19 - Pandemic EBT Local Level Costs	10.649	210980	628	-	-	628	628	-
Food Equipment Assistance Grant	10.579	201991	25,000	25,000	25,000	-	25,000	-
		211991	24,106	-	-	16,517	16,517	-
Total ALN 10.579			49,106	25,000	25,000	16,517	41,517	-
Total U.S. Department of Agriculture			808,915	25,000	524,314	301,217	318,508	7,709

The accompanying notes are an integral part of this schedule.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	221530-2122	\$ 50,905	\$ 13,009	\$ -	\$ -	\$ 13,009	\$ -
		231530-2223	55,705	-	-	55,705	55,705	-
Total ALN 84.010			<u>106,610</u>	<u>13,009</u>	<u>-</u>	<u>55,705</u>	<u>68,714</u>	<u>-</u>
Supporting Effective Instruction State Grants	84.367	220520-2122	15,302	2,056	15,302	-	2,056	-
		230520-2223	11,908	-	-	11,908	11,908	-
Total ALN 84.367			<u>27,210</u>	<u>2,056</u>	<u>15,302</u>	<u>11,908</u>	<u>13,964</u>	<u>-</u>
Student Support and Academic Enrichment	84.424	230750-2223	10,000	-	-	10,000	10,000	-
Education Stabilization Fund								
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	177,470	177,470	177,470	-	177,470	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Benchmark Assessment)	84.425D	213762-2122	7,387	7,387	7,387	-	7,387	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Program K-8)	84.425D	213722-2122	53,900	-	30,804	23,096	23,096	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II 98c Learning Loss)	84.425D	213782-2223	45,960	-	-	45,960	-	45,960
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	398,856	145,191	264,996	133,860	279,051	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III 11T Funds)	84.425U	213723-2122	601,250	-	-	362,388	-	362,388
Total ALN 84.425			<u>1,284,823</u>	<u>330,048</u>	<u>480,657</u>	<u>565,304</u>	<u>487,004</u>	<u>408,348</u>
Total U.S. Department of Education			<u>1,428,643</u>	<u>345,113</u>	<u>495,959</u>	<u>642,917</u>	<u>579,682</u>	<u>408,348</u>

The accompanying notes are an integral part of this schedule.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Health and Human Services</u>								
Passed through Shiawassee Intermediate School District								
Medicaid Cluster								
Medical Assistance Program	93.778	N/A	\$ 4,291	\$ -	\$ -	\$ 4,291	\$ 4,291	\$ -
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	HRA2002	111,019	-	-	111,019	111,019	-
Passed through United Way								
COVID-19 - Child Care and Development Block Grant	93.575	N/A	995	995	-	-	995	-
Total U.S. Department of Health and Human Services			<u>116,305</u>	<u>995</u>	<u>-</u>	<u>115,310</u>	<u>116,305</u>	<u>-</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 2,353,863</u>	<u>\$ 371,108</u>	<u>\$ 1,020,273</u>	<u>\$ 1,059,444</u>	<u>\$ 1,014,495</u>	<u>\$ 416,057</u>

The accompanying notes are an integral part of this schedule.

**NEW LOTHROP AREA PUBLIC SCHOOLS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of New Lothrop Area Public Schools under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of New Lothrop Area Public Schools, it is not intended to and does not present the financial position or change in net position of New Lothrop Area Public Schools.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. New Lothrop Area Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The District does not pass through federal funds.

Management has utilized NexSys, the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

**NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS**

Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 942,602
Other nonmajor governmental funds	<u>301,217</u>
Total federal revenue in the fund financial statements	1,243,819
Less: Federal assistance funding not subject to single audit act	<u>(184,375)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 1,059,444</u></u>



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

To the Board of Education  
New Lothrop Area Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Lothrop Area Public Schools as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the New Lothrop Area Public Schools' basic financial statements and have issued our report thereon dated August 25, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Maney Costeiran PC*

August 25, 2023



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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
New Lothrop Area Public Schools

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited New Lothrop Area Public Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each New Lothrop Area Public Schools' major federal programs for the year ended June 30, 2023. New Lothrop Area Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, New Lothrop Area Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of New Lothrop Area Public Schools and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of New Lothrop Area Public Schools' compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to New Lothrop Area Public Schools' federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Lothrop Area Public Schools' compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about New Lothrop Area Public Schools' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 New Lothrop Area Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of New Lothrop Area Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of New Lothrop Area Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Maney Costeiran PC*

August 25, 2023

**NEW LOTHROP AREA PUBLICS SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principals:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major programs:

*Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

\_\_\_\_\_ Yes      X   No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425D and 84.425U	Education Stabilization Funds

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

**Section II - Financial Statement Findings**

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None

**Section III - Federal Award Findings and Questioned Costs**

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None

**NEW LOTHROP AREA PUBLICS SCHOOLS  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2023**

There were no audit findings in the previous year.