NEW LOTHROP AREA PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2025

Maner Costerisan

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT 1-3

MANAGEMENT'S DISCUSSION AND ANALYSIS 4-11

BASIC FINANCIAL STATEMENTS 12

Government-wide Financial Statements
Statement of Net Position 13
Statement of Activities 14

Fund Financial Statements
Balance Sheet - Governmental Funds 15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 18

Notes to Financial Statements 19-49

REQUIRED SUPPLEMENTARY INFORMATION 50

Budgetary Comparison Schedule - General Fund 51

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability 52
Schedule of the Reporting Unit's Pension Contributions 53

Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability (Asset) 54
Schedule of the Reporting Unit's OPEB Contributions 55

Notes to Required Supplementary Information 56-57

ADDITIONAL SUPPLEMENTARY INFORMATION 58

Nonmajor Governmental Fund Types
Combining Balance Sheet 59-60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 61-62

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* 63-64

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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, 2025, 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, 2025, 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 14 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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, 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 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 September 2, 2025 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.

Maner Costerisan PC

September 2, 2025

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, 2025. 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, 2025.

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.

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.

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, student/school activities, 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.

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.

RESULTS OF OPERATIONS

Summary of Net Position

The following summarizes the net position as of June 30, 2025 and 2024:

	2025	2024*
Assets		
Current and other assets	$ 6,254,712	$ 6,097,648
Net other postemployment benefits asset	2,166,386	297,425
Capital assets	19,215,861	18,930,376
Total assets	27,636,959	25,325,449
Deferred outflows of resources	4,876,059	6,919,640
Liabilities		
Current liabilities	1,608,471	2,064,009
Noncurrent liabilities	30,210,721	34,324,571
Total liabilities	31,819,192	36,388,580
Deferred inflows of resources	7,234,662	5,109,581
Net position		
Net investment in capital assets	3,595,755	2,834,882
Restricted	3,374,023	1,356,558
Unrestricted	(13,510,614)	(13,444,512)
Total net position	$ (6,540,836)	$ (9,253,072)

*The 2024 numbers have not been updated for the adoption of GASB 101

Summary of Activities

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

	2025	2024*
Revenues		
Program revenues		
Charges for service	$ 168,834	$ 225,143
Operating grants and contributions	4,023,729	3,804,474
General revenues		
Property taxes	2,172,940	1,998,595
State school aid-unrestricted	8,731,145	9,218,855
Other	346,424	179,669
Total revenues	15,443,072	15,426,736
Function/program expenses		
Instruction	6,215,466	6,644,995
Supporting services	3,418,291	3,653,718
Food service	556,147	593,385
Student/school activities	298,317	256,928
Interest and costs on long-term debt	530,921	569,135
Unallocated depreciation	1,006,292	918,241
Total expenses	12,025,434	12,636,402
Change in net position	$ 3,417,638	$ 2,790,334

*The 2024 numbers have not been updated for the adoption of GASB 101

During the fiscal year ended June 30, 2025, the District's net position change as presented above. Several factors which caused the change 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 $427,462 for the fiscal year ended June 30, 2025, mainly due to strong budgetary control. 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 Parapros, 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 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.

Capital Outlay

Capital purchases are recorded as an asset at the government-wide level and depreciated over the useful lives of the assets. During 2024-2025, the District had a net increase in the cost of capital assets of $1,133,331 and a net increase in accumulated depreciation of $847,846, causing a net increase in net district capital assets of $285,485.

The District has completed maintenance to the elementary and high school parking lots. This includes crack seal and line striping to both lots as well as an additional parking lot near the baseball/softball fields. Updates were completed on the elementary playground area which included fence repairs and the removal of stone which was replaced with pavers. Sidewalk repairs for both building areas were completed in addition to the installation and repairs to a chain link fence on the school grounds. There was a water service repair to the pipes in the high school as well as an installation of new locks and deadbolts in both buildings and updates to the key system.

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

	Balance June 30, 2024	Net Change	Balance June 30, 2025
Capital assets	$ 32,660,813	$ 1,133,331	$ 33,794,144
Less accumulated depreciation/amortization	(13,730,437)	(847,846)	(14,578,283)
Net investment in capital outlay	$ 18,930,376	$ 285,485	$ 19,215,861

See Note 4 for more details related to capital assets.

Long-Term Obligations

The Debt Service Funds are set up to collect taxes and state revenues and pay annual debt payments. At June 30, 2025, the Debt Service Funds had $919,446 in fund balance available for future bond payments. The District levies taxes to make debt payment obligations.

The District's total bonds payable decreased by $795,000 and other long-term obligations changed as presented below. As a result of these activities, net district long-term obligations decreased by $420,985. The District had changes to their long-term obligations as follows:

	Principal Balance June 30, 2024	Additions	Payments/ Disposals	Principal Balance June 30, 2025
2014 Refunding Bonds	$ 6,695,000	$ -	$ 630,000	$ 6,065,000
2019 Building and Site Bonds	2,970,000	-	25,000	2,945,000
2021 Building and Site Bonds	2,350,000	-	25,000	2,325,000
2021 SBLF Refunding Bonds	4,080,000	-	115,000	3,965,000
Capitalized bond premiums	991,812	-	67,257	924,555
Lease liabilities	210,908	430,684	94,749	546,843
Compensated absences, as restated	819,957	105,337	-	925,294
Total long-term obligations	$ 18,117,677	$ 536,021	$ 957,006	$ 17,696,692

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 2024-2025, the District's debt millage levy was 8.49 mills

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

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.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The New Lothrop Area Public Schools' foundation allowance was $9,608 per student for the 2024-2025 school year.

Student Enrollment

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. The District's State aid membership count decreased by 14 students from 913 for the 2023-2024 year to 899 for the 2024-2025 year.

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

				Variances	
Fiscal Year	Original Budget	Final Budget	Actual	Actual and Original Budget	Actual and Final Budget
2024-2025	$ 11,612,852	$ 12,787,902	$ 12,696,087	9.33%	-0.72%
2023-2024	10,856,703	12,261,810	12,373,383	13.97%	0.91%
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%

General Fund Expenditures and Other Uses, Budget vs. Actual

				Variances	
Fiscal Year	Original Budget	Final Budget	Actual	Actual and Original Budget	Actual and Final Budget
2024-2025	$ 11,779,059	$ 12,563,214	$ 12,268,625	-4.16%	2.34%
2023-2024	11,001,910	11,734,819	11,404,131	-3.66%	2.82%
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%

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 2025 budget amendment was the final budget for the fiscal year.

Revenues and Other Sources Change from Original to Final Budget

		Percent
Total revenues and other sources original budget	$ 11,612,852	100%
Total revenues and other sources final budget	12,787,902	110.1%
Increase in budgeted revenues and other sources	$ 1,175,050	10.1%

Expenditures Change from Original to Final Budget

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

		Percent
Total expenditures original budget	$ 11,779,059	100%
Total expenditures final budget	12,563,214	106.7%
Increase in budgeted expenditures	$ 784,155	6.7%

FACTORS BEARING ON THE DISTRICT'S FUTURE

Our elected officials and administration considered many factors when setting the District's 2026 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 2026 fiscal year budget was adopted in June 2025, based on an estimate of students that will be enrolled in September 2025. 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 2025-2026 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2026 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, 2025

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 2,571,852
Investments	1,492,838
Accounts receivable	3,537
Due from other governmental units	2,165,429
Inventories	5,348
Prepaids	15,708
Net OPEB asset	2,166,386
Capital assets not being depreciated	56,000
Capital assets, net of accumulated depreciation/amortization	19,159,861
TOTAL ASSETS	27,636,959
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	3,992,944
Related to OPEB	617,310
Deferred charges on refunding, net of amortization	265,805
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,876,059
LIABILITIES	
Accounts payable	90,718
Accrued payroll	735,356
Accrued retirement	326,201
Other accrued liabilities	65,433
Accrued interest payable	84,202
Unearned revenue	306,561
Noncurrent liabilities	
Due within one year	1,950,377
Due in more than one year	15,746,315
Net pension liability	12,514,029
TOTAL LIABILITIES	31,819,192
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	3,744,226
Related to OPEB	2,821,812
Related to state aid funding for pension	668,624
TOTAL DEFERRED INFLOWS OF RESOURCES	7,234,662
NET POSITION	
Net investment in capital assets	3,595,755
Restricted for debt service	835,244
Restricted for capital projects (sinking fund)	372,393
Restricted for net other postemployment benefits	2,166,386
Unrestricted	(13,510,614)
TOTAL NET POSITION	$ (6,540,836)

See notes to financial statements.

NEW LOTHROP AREA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (expense) Revenues and Changes in Net Position
Governmental activities				
Instruction	$ 6,215,466	$ 41,900	$ 2,760,255	$ (3,413,311)
Supporting services	3,418,291	63,092	343,477	(3,011,722)
Food service	556,147	63,842	619,835	127,530
Student/school activities	298,317	-	300,162	1,845
Interest and costs on long-term debt	530,921	-	-	(530,921)
Unallocated depreciation/amortization	1,006,292	-	-	(1,006,292)
TOTAL	$ 12,025,434	$ 168,834	$ 4,023,729	(7,832,871)
General revenues				
Property taxes				2,172,940
State school aid - unrestricted				8,731,145
Investment earnings				74,409
Miscellaneous				272,015
Total general revenues				11,250,509
CHANGE IN NET POSITION				3,417,638
NET POSITION, beginning of year, as previously reported				(9,253,072)
Adjustment to beginning net position				(705,402)
NET POSITION, beginning of year, as restated				(9,958,474)
NET POSITION, end of year				$ (6,540,836)

See notes to financial statements.

NEW LOTHROP AREA PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Capital Projects: Sinking Fund	Formerly Nonmajor Debt Service: 2014-2015 Refunding Debt	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 967,503	$ 321,103	$ 642,131	$ 641,115	$ 2,571,852
Investments	1,361,757	51,290	307	79,484	1,492,838
Accounts receivable	3,537	-	-	-	3,537
Due from other funds	23,512	-	-	-	23,512
Due from other governmental units	2,150,749	-	-	14,680	2,165,429
Inventories	-	-	-	5,348	5,348
Prepaids	15,708	-	-	-	15,708
TOTAL ASSETS	$ 4,522,766	$ 372,393	$ 642,438	$ 740,627	$ 6,278,224
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 76,562	$ -	$ -	$ 14,156	$ 90,718
Due to other funds	-	-	-	23,512	23,512
Accrued payroll	735,356	-	-	-	735,356
Accrued retirement	315,914	-	-	10,287	326,201
Other accrued liabilities	65,433	-	-	-	65,433
Unearned revenue	299,677	-	-	6,884	306,561
TOTAL LIABILITIES	1,492,942	-	-	54,839	1,547,781
FUND BALANCES					
Nonspendable					
Prepaids and inventories	15,708	-	-	5,348	21,056
Restricted					
Debt service	-	-	642,438	277,008	919,446
Food service	-	-	-	216,526	216,526
Capital projects	-	372,393	-	1,292	373,685
Committed					
Student/school activities	-	-	-	185,614	185,614
Assigned for subsequent year's expenditures	289,013	-	-	-	289,013
Unassigned	2,725,103	-	-	-	2,725,103
TOTAL FUND BALANCES	3,029,824	372,393	642,438	685,788	4,730,443
TOTAL LIABILITIES AND FUND BALANCES	$ 4,522,766	$ 372,393	$ 642,438	$ 740,627	$ 6,278,224

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, 2025

Total governmental fund balances		$ 4,730,443
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred charges on refunding, net of amortization	$ 265,805	
Deferred outflows of resources - related to pensions	3,992,944	
Deferred outflows of resources - related to OPEB	617,310	
Deferred inflows of resources - related to pensions	(3,744,226)	
Deferred inflows of resources - related to OPEB	(2,821,812)	
Deferred inflows of resources - related to state pension funding	(668,624)	
		(2,358,603)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Noncurrent assets at year-end consist of:		
Net other postemployment benefits asset		2,166,386
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of capital assets is	33,794,144	
Accumulated depreciation/amortization is	(14,578,283)	
		19,215,861
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(16,224,555)
Direct borrowings and direct placements		(546,843)
Compensated absences		(925,294)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(84,202)
Net pension liability		(12,514,029)
Net position of governmental activities		$ (6,540,836)

See notes to financial statements.

NEW LOTHROP AREA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	Capital Projects Sinking Fund	Formerly Nonmajor Debt Service 2014-2015 Refunding Debt	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources	$ 921,705	$ 238,691	$ 1,192,032	$ 787,419	$ 3,139,847
State sources	11,096,547	-	-	312,081	11,408,628
Federal sources	224,151	-	-	307,754	531,905
TOTAL REVENUES	12,242,403	238,691	1,192,032	1,407,254	15,080,380
EXPENDITURES					
Current					
Instruction	7,490,676	-	-	-	7,490,676
Supporting services	4,682,732	-	-	-	4,682,732
Food service	-	-	-	606,088	606,088
Student/school activities	-	-	-	298,317	298,317
Capital outlay	-	379,091	-	21,000	400,091
Debt service					
Principal repayment	94,749	-	630,000	165,000	889,749
Interest and other	468	-	265,315	269,648	535,431
TOTAL EXPENDITURES	12,268,625	379,091	895,315	1,360,053	14,903,084
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(26,222)	(140,400)	296,717	47,201	177,296
OTHER FINANCING SOURCES (USES)					
Proceeds from lease issuance	430,684	-	-	-	430,684
Transfers in	26,000	-	-	114,391	140,391
Transfers out	(3,000)	-	(61,537)	(75,854)	(140,391)
TOTAL OTHER FINANCING SOURCES (USES)	453,684	-	(61,537)	38,537	430,684
NET CHANGE IN FUND BALANCES	427,462	(140,400)	235,180	85,738	607,980
FUND BALANCES					
Beginning of year, as previously presented	2,602,362	512,793	-	1,007,308	4,122,463
Adjustments to beginning fund balance	-	-	407,258	(407,258)	-
Beginning of year, as restated	2,602,362	512,793	407,258	600,050	4,122,463
End of year	$ 3,029,824	$ 372,393	$ 642,438	$ 685,788	$ 4,730,443

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, 2025

Net change in fund balances total governmental funds	$ 607,980
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation/amortization expense	(1,006,292)
Capital outlay	1,274,351
Gain on disposal of leased asset	17,426
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	88,824
Accrued interest payable, end of the year	(84,202)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on debt	795,000
Principal payment on lease obligations	94,749
Proceeds from lease issuance	(430,684)
Amortization of deferred loss on refunding	(26,581)
Amortization of bond premium	67,257
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, as restated	819,957
Accrued compensated absences, end of the year	(925,294)
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	985,503
Other postemployement benefit related items	777,064
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	362,580
Change in net position of governmental activities	$ 3,417,638

See 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, if any, 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. 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 subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

The *2014-2015 Refunding Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The District reports the following *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 *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 project 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:

	2021 Bonded Construction
Revenues and other financing sources	$ 2,766,912
Expenditures and other finance uses	$ 2,765,620

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 technology bond, 2019 capital projects bond, 2021 capital projects bond, and 2021 refunding bond issues.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Budgetary Information

Budgetary Basis of Accounting

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

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

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

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

b. Public hearings are conducted to obtain taxpayer comments.

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

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2025. The District does not consider these amendments to be significant.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

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

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three (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.

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

Deferred Outflows

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension 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 asset 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 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, 2025 the outstanding balance was $3,965,000. 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, 2025 is $884,195.

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.

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.

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, 2025, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	8.49
Sinking fund	
PRE, Non-PRE, Commercial Personal Property	1.24

Compensated Absences

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-term Obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, $2,513,085 of the District's bank balance of $2,763,085 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 $2,571,752.

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.

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	$ 497,255	N/A
MILAF External Investment pool - MAX	995,583	N/A
Total fair value	$ 1,492,838	

As of June 30, 2025, the District had a book and market value of $1,878,678 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	$ 497,255	AAAm	Standard & Poor's
MILAF External Investment pool - MAX	995,583	AAAm	Standard & Poor's
Total fair value	$ 1,492,838		

Foreign Currency Risk

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

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	$ 497,255
MILAF External Investment pool - MAX	995,583
	$ 1,492,838

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

At June 30, 2025, the carrying amounts are summarized as follows:

Deposits	$ 2,571,752
Petty cash	100
Investments	1,492,838
Total	$ 4,064,690

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

Cash and cash equivalents	$ 2,571,852
Investments	1,492,838
Total	$ 4,064,690

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

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

	Government-wide
State Aid	$ 1,928,731
Intermediate Sources	157,731
Federal	78,967
Total	$ 2,165,429

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets not being depreciated				
Land	$ 56,000	$ -	$ -	$ 56,000
Capital assets being depreciated/amortized				
Land improvements	840,817	65,135	-	905,952
Buildings and additions	28,684,347	552,909	-	29,237,256
Right to use - leased equipment	145,788	-	-	145,788
Furniture and equipment	2,362,738	43,112	-	2,405,850
Right to use - leased transportation equipment	470,174	550,788	(141,020)	879,942
Vehicles	100,949	62,407	-	163,356
Total capital assets being depreciated/amortized	32,604,813	1,274,351	(141,020)	33,738,144
Less accumulated depreciation/amortization for:				
Land improvements	(246,969)	(39,700)	-	(286,669)
Buildings and additions	(11,353,466)	(674,294)	-	(12,027,760)
Right to use - leased equipment	(52,468)	(27,769)	-	(80,237)
Furniture and equipment	(1,672,817)	(92,507)	-	(1,765,324)
Right to use - leased transportation equipment	(355,939)	(157,629)	158,446	(355,122)
Vehicles	(48,778)	(14,393)	-	(63,171)
Total accumulated depreciation/amortization	(13,730,437)	(1,006,292)	158,446	(14,578,283)
Total capital assets being depreciated/amortized	18,874,376	268,059	17,426	19,159,861
Capital assets, net	$ 18,930,376	$ 268,059	$ 17,426	$ 19,215,861

Depreciation/amortization for the fiscal year ended June 30, 2025 amounted to $1,006,292 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.

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 $300,000 which was scheduled to mature in August of 2025; however, the note was paid in full in June of 2025. 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. Activity for the year ended June 30, 2025, including accrued interest, is as follows:

Balance July 1, 2024	Additions	Payments	Balance June 30, 2025
$ 631,652	$ 312,495	$ (944,147)	$ -

NOTE 6 - LONG-TERM OBLIGATIONS

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

	Balance July 1, 2024, as restated	Additions	Deletions	Balance June 30, 2025	Amounts Due Within One Year
General obligation bonds	$ 17,086,812	$ -	$ 862,257	$ 16,224,555	$ 855,000
Direct borrowings and direct placements					
Lease liabilities	210,908	430,684	94,749	546,843	170,083
Compensated absences*	819,957	105,337	-	925,294	925,294
	$ 18,117,677	$ 536,021	$ 957,006	$ 17,696,692	$ 1,950,377

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

Long-term obligations at June 30, 2025 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 $625,000 through May 1, 2035, with interest of 3.50% to 4.00%, payable semi-annually.	$ 6,065,000
$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.	2,945,000
$4,135,000 2021 Refunding bonds dated May 12, 2021, due in annual principal installments ranging from $180,000 to $580,000 through May 1, 2034, with interest of 1.20% to 2.40%, payable semi-annually.	3,965,000
$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.	2,325,000
Plus issuance premiums	924,555
Total general obligation bonds	16,224,555
Direct Borrowings and Direct Placements	
Lease agreements due in annual installments ranging from $14,855 to $141,445, interest ranging from 2.80% to 6.75%, expring at various times through July of 2029.	546,843
Total general obligation bonds and direct borrowings and direct placements	16,771,398
Compensated absences	925,294
Total long-term obligations	$ 17,696,692

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Principal	Interest	Compensated Absences	Total
2026	$ 855,000	$ 505,212	$ 170,083	$ -	$ -	$ 1,530,295
2027	920,000	476,642	123,535	-	-	1,520,177
2028	1,010,000	446,836	135,830	-	-	1,592,666
2029	1,085,000	415,092	56,782	-	-	1,556,874
2030	1,150,000	381,636	60,613	-	-	1,592,249
2031-2035	5,740,000	1,353,126	-	-	-	7,093,126
2036-2040	1,310,000	762,000	-	-	-	2,072,000
2041-2045	1,605,000	517,900	-	-	-	2,122,900
2046-2050	1,505,000	186,600	-	-	-	1,691,600
2051	120,000	4,800	-	-	-	124,800
	15,300,000	5,049,844	546,843	-	-	20,896,687
Issuance premium	924,555	-	-	-	-	924,555
Compensated absences	-	-	-	-	925,294	925,294
	$ 16,224,555	$ 5,049,844	$ 546,843	$ -	$ 925,294	$ 22,746,536

Interest on long-term obligations for the year ended June 30, 2025 was approximately $531,000.

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of approximately $547,000 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.

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.

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.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description (continued)

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012

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

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

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

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

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

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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 Plan that provides a 50% employer match (up to 3% of salary) on employee contributions.

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

Pension Reform of 2017

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

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

Pension Reform of 2023

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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, 2024 were determined as of the September 30, 2021 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021 are amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefits
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately $2,292,000. Of the total pension contributions approximately $2,223,000 was contributed to fund the Defined Benefit Plan and approximately $69,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately $64,000. Of the total OPEB contributions approximately $29,000 was contributed to fund the Defined Benefit Plan and approximately $35,000 was contributed to fund the Defined Contribution Plan.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

MPSERS (Plan) Non-University Employers	September 30, 2024	September 30, 2023
Total pension liability	$ 95,765,499,515	$ 94,947,828,557
Plan fiduciary net position	71,283,482,728	62,581,762,238
Net pension liability	24,482,016,787	32,366,066,319
Proportionate share	0.05112%	0.05225%
Net pension liability for the district	12,514,029	16,912,296

For the year ended June 30, 2025, the District recognized pension expense of $1,237,497.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 339,514	$ 135,967
Changes of assumptions	1,304,662	916,883
Net difference between projected and actual earnings on pension plan investments	-	2,388,207
Changes in proportion and difference between employer contributions and proportionate share of contributions	274,865	303,169
Reporting Unit's contributions subsequent to the measurement date	2,073,903	-
	$ 3,992,944	$ 3,744,226

$2,073,903, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ending June 30,	Amount
2026	$ (271,854)
2027	60,312
2028	(955,954)
2029	(657,689)

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

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

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

MPSERS (Plan) Non-University Employers	September 30, 2024	September 30, 2023
Total other postemployment benefit liability	$ 9,991,545,923	$ 11,223,648,949
Plan fiduciary net position	14,295,943,589	11,789,347,341
Net other postemployment benefit asset	(4,304,397,666)	(565,698,392)
Proportionate share	0.05033%	0.05258%
Net other postemployment benefit asset for the District	(2,166,386)	(297,425)

For the year ended June 30, 2024, the District recognized OPEB benefit of $748,322.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 128,508	$ 61,596
Differences between expected and actual experience	-	2,295,707
Changes of assumptions	473,170	54,387
Net differences between projected and actual plan investment earnings	-	410,122
Reporting Unit's contributions subsequent to the measurement date	15,632	-
	$ 617,310	$ 2,821,812

$15,632, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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

Year Ending June 30,	Amount
2026	$ (692,368)
2027	(420,524)
2028	(434,879)
2029	(404,151)
2030	(225,004)
2031	(43,208)

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.00%	5.30%
International Equity Pools	15.00%	6.50%
Private Equity Pools	16.00%	9.00%
Real Estate and Infrastructure Pools	10.00%	7.10%
Fixed Income Pools	13.00%	2.20%
Absolute Return Pools	9.00%	5.20%
Real Return/Opportunistic Pools	10.00%	6.90%
Short Term Investment Pools	2.00%	1.40%
	100.00%	

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

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

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

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	$ 18,345,702	$ 12,514,029	$ 7,658,040

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits asset	$ (1,674,201)	$ (2,166,386)	$ (2,591,932)

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

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits asset	$ (2,591,936)	$ (2,166,386)	$ (1,709,985)

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 2024 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, 2025 are as follows:

Receivable Fund		Payable Fund	
General Fund	$ 23,512	Food Service	$ 23,502
		2021 SBLF Refunding Debt Fund	5
		2021 Bonded Construction Debt Fund	5
		Total	$ 23,512

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

NOTE 10 - TRANSFERS

During the year, the food service fund transferred $26,000 to the general fund for indirect cost reimbursement and the general fund transferred $3,000 back to the food service fund for reimbursement of an overage in the indirect transfer for the year ended June 30, 2024. Additionally, $111,391was transferred among the various debt funds for re-allocation of funds to meet debt service requirements.

NOTE 11 - 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 12 - 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, 2025, 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 13 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

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

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENT (continued)

ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;

d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;

e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

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

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

NOTE 15 - ADJUSTMENTS TO BEGINNING FUND BALANCES/NET POSITION

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

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances			
	Debt Service			
	2014-2015 Refunding Debt	Nonmajor Governmental Funds	Governmental Activities	Compensated Absences
Fund balance/net position, as previously reported	$ -	$ 1,007,308	$ (9,253,072)	$ 114,555
Change from nonmajor to major fund	407,258	(407,258)	-	-
Change in accounting principle (GASB 101)	-	-	(705,402)	705,402
Fund balance/net position, as restated	$ 407,258	$ 600,050	$ (9,958,474)	$ 819,957

REQUIRED SUPPLEMENTARY INFORMATION

NEW LOTHROP AREA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 931,877	$ 947,964	$ 921,705	$ (26,259)
State sources	10,490,635	11,138,334	11,096,547	(41,787)
Federal sources	190,340	244,920	224,151	(20,769)
TOTAL REVENUES	11,612,852	12,331,218	12,242,403	(88,815)
EXPENDITURES				
Current				
Instruction				
Basic programs	6,044,891	5,809,385	6,108,413	(299,028)
Added needs	1,206,718	1,389,556	1,382,263	7,293
TOTAL INSTRUCTION	7,251,609	7,198,941	7,490,676	(291,735)
Supporting services				
Student services	467,976	468,142	510,691	(42,549)
Instructional staff	141,903	253,855	150,894	102,961
General administration	536,418	603,518	490,627	112,891
School administration	615,740	594,831	581,886	12,945
Business	269,550	275,232	269,201	6,031
Operations and maintenance	1,041,936	1,135,678	1,086,348	49,330
Transportation	537,531	922,947	899,969	22,978
Central services	302,350	423,912	300,056	123,856
Athletics	411,486	422,808	393,060	29,748
TOTAL SUPPORTING SERVICES	4,324,890	5,100,923	4,682,732	418,191
Debt service				
Principal repayment	202,560	259,882	94,749	165,133
Interest	-	468	468	-
TOTAL DEBT SERVICE	202,560	260,350	95,217	165,133
TOTAL EXPENDITURES	11,779,059	12,560,214	12,268,625	291,589
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(166,207)	(228,996)	(26,222)	202,774
OTHER FINANCING SOURCES (USES)				
Transfers in	-	26,000	26,000	-
Transfers out	-	(3,000)	(3,000)	-
Proceeds from lease issuance	-	430,684	430,684	-
TOTAL OTHER FINANCING SOURCES (USES)	-	453,684	453,684	-
NET CHANGE IN FUND BALANCE	$ (166,207)	$ 224,688	427,462	$ 202,774
FUND BALANCE, beginning of year			2,602,362	
FUND BALANCE, end of year			$ 3,029,824	

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)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Reporting Unit's proportion of net pension liability (%)	0.04681%	0.04720%	0.04690%	0.04780%	0.04795%	0.04799%	0.05020%	0.05202%	0.05225%	0.05112%
Reporting Unit's proportionate share of net pension liability	$ 11,432,363	$ 11,769,674	$ 12,153,545	$ 14,368,262	$ 15,880,405	$ 16,483,545	$ 11,886,002	$ 19,564,827	$ 16,912,296	$ 12,514,029
Reporting Unit's covered-employee payroll	$ 3,808,452	$ 4,021,814	$ 3,900,545	$ 4,096,472	$ 4,169,108	$ 4,373,572	$ 4,632,788	$ 4,943,839	$ 5,223,021	$ 5,221,532
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	300.18%	292.65%	311.59%	350.75%	380.91%	376.89%	256.56%	395.74%	323.80%	239.66%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	63.17%	63.27%	64.21%	62.36%	60.31%	59.72%	72.60%	60.77%	65.91%	74.44%

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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Statutorily required contributions	$ 1,041,875	$ 1,226,671	$ 1,126,094	$ 1,194,435	$ 1,294,176	$ 1,479,489	$ 1,724,048	$ 2,389,578	$ 2,117,590	$ 2,223,000
Contributions in relation to statutorily required contributions	1,041,875	1,226,671	1,126,094	1,194,435	1,294,176	1,479,489	1,724,048	2,389,578	2,117,590	2,223,000
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered employee payroll	$ 3,881,147	$ 4,159,848	$ 3,966,267	$ 4,179,704	$ 4,366,483	$ 4,529,049	$ 4,824,751	$ 5,232,017	$ 5,242,482	$ 5,402,295
Contributions as a percentage of covered-employee payroll	26.84%	29.49%	28.39%	28.58%	29.64%	32.67%	35.73%	45.67%	40.39%	41.15%

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

	2017	2018	2019	2020	2021	2022	2023	2024
Reporting Unit's proportionate share of net OPEB liability/asset (%)	0.04703%	0.04877%	0.04770%	0.04939%	0.05146%	0.05269%	0.05258%	0.05033%
Reporting Unit's proportionate share of net OPEB liability (asset)	$ 4,164,431	$ 3,876,884	$ 3,423,993	$ 2,645,972	$ 785,512	$ 1,115,989	$ (297,425)	$ (2,166,386)
Reporting Unit's covered-employee payroll	$ 3,900,545	$ 4,096,472	$ 4,169,108	$ 4,373,572	$ 4,632,788	$ 4,943,839	$ 5,223,021	$ 5,221,532
Reporting Unit's proportionate share of net OPEB liability/asset as a percentage of its covered-employee payroll	106.77%	94.64%	82.13%	60.50%	16.96%	22.57%	5.69%	41.49%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%	42.95%	48.46%	59.44%	87.33%	83.09%	105.04%	143.08%

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)

	2018	2019	2020	2021	2022	2023	2024	2025
Statutorily required contributions	$ 329,811	$ 313,422	$ 372,610	$ 399,141	$ 408,791	$ 430,034	$ 447,558	$ 28,742
Contributions in relation to statutorily required contributions	329,811	313,422	372,610	399,141	408,791	430,034	447,558	28,742
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered employee payroll	$ 3,966,267	$ 4,179,704	$ 4,366,483	$ 4,529,049	$ 4,824,751	$ 5,232,017	$ 5,242,482	$ 5,402,295
Contributions as a percentage of covered-employee payroll	8.32%	7.50%	8.53%	8.81%	8.47%	8.22%	8.54%	0.53%

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, 2025

NOTE 1 - PENSION INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

NOTE 2 - OPEB INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

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

NOTE 2 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.1 billion in 2022.

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020.

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

ADDITIONAL SUPPLEMENTARY INFORMATION

NEW LOTHROP AREA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Special Revenue		Capital Projects
	Food Service	Student/ School Activities	2021 Bonded Construction
ASSETS			
Cash and cash equivalents	$ 243,913	$ 120,184	$ -
Investments	-	78,192	1,292
Due from other governmental units	14,680	-	-
Inventories	5,348	-	-
TOTAL ASSETS	$ 263,941	$ 198,376	$ 1,292
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,394	$ 12,762	$ -
Due to other funds	23,502	-	-
Unearned revenue	6,884	-	-
Accrued retirement	10,287	-	-
TOTAL LIABILITIES	42,067	12,762	-
FUND BALANCES			
Nonspendable			
Prepaids and inventories	5,348	-	-
Restricted			
Debt service	-	-	-
Food service	216,526	-	-
Capital projects	-	-	1,292
Committed			
Student/school activities	-	185,614	-
TOTAL FUND BALANCES	221,874	185,614	1,292
TOTAL LIABILITIES AND FUND BALANCES	$ 263,941	$ 198,376	$ 1,292

Debt Service				
2013 Technology Bond	2019 Bonded Construction Debt	2021 SBLF Refunding Debt	2021 Bonded Construction Debt	Total
$ 14,752	$ 101,899	$ 96,011	$ 64,356	$ 641,115
-	-	-	-	79,484
-	-	-	-	14,680
-	-	-	-	5,348
$ 14,752	$ 101,899	$ 96,011	$ 64,356	$ 740,627
$ -	$ -	$ -	$ -	$ 14,156
-	-	5	5	23,512
-	-	-	-	6,884
-	-	-	-	10,287
-	-	5	5	54,839
-	-	-	-	5,348
14,752	101,899	96,006	64,351	277,008
-	-	-	-	216,526
-	-	-	-	1,292
-	-	-	-	185,614
14,752	101,899	96,006	64,351	685,788
$ 14,752	$ 101,899	$ 96,011	$ 64,356	$ 740,627

NEW LOTHROP AREA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Special Revenue		Capital Projects
	Food Service	Student/ School Activities	2021 Bonded Construction
REVENUES			
Local sources	$ 63,842	$ 300,162	$ 1,202
State sources	312,081	-	-
Federal sources	307,754	-	-
TOTAL REVENUES	683,677	300,162	1,202
EXPENDITURES			
Current			
Food service	606,088	-	-
Student activities	-	298,317	-
Capital outlay	-	-	21,000
Debt service			
Principal repayment	-	-	-
Interest and other	-	-	-
TOTAL EXPENDITURES	606,088	298,317	21,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	77,589	1,845	(19,798)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,000	-	-
Transfers out	(26,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(23,000)	-	-
NET CHANGE IN FUND BALANCES	54,589	1,845	(19,798)
FUND BALANCES			
Beginning of year, as previously presented	167,285	183,769	21,090
Adjustments to beginning fund balance	-	-	-
Beginning of year, as restated	167,285	183,769	21,090
End of year	$ 221,874	$ 185,614	$ 1,292

Debt Service					
2013 Technology Bond	Formerly Nonmajor 2014-2015 Refunding Debt	2019 Bonded Construction Debt	2021 SBLF Refunding Debt	2021 Bonded Construction Debt	Total
$ 40	$ -	$ 144,699	$ 172,957	$ 104,517	$ 787,419
-	-	-	-	-	312,081
-	-	-	-	-	307,754
40	-	144,699	172,957	104,517	1,407,254
-	-	-	-	-	606,088
-	-	-	-	-	298,317
-	-	-	-	-	21,000
-	-	25,000	115,000	25,000	165,000
-	-	120,550	79,798	69,300	269,648
-	-	145,550	194,798	94,300	1,360,053
40	-	(851)	(21,841)	10,217	47,201
-	-	-	111,391	-	114,391
-	-	(32,459)	-	(17,395)	(75,854)
-	-	(32,459)	111,391	(17,395)	38,537
40	-	(33,310)	89,550	(7,178)	85,738
14,712	407,258	135,209	6,456	71,529	1,007,308
-	(407,258)	-	-	-	(407,258)
14,712	-	135,209	6,456	71,529	600,050
$ 14,752	$ -	$ 101,899	$ 96,006	$ 64,351	$ 685,788

Maner Costerisan

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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, 2025, and the related notes to the financial statements, which collectively comprise New Lothrop Area Public Schools' basic financial statements and have issued our report thereon dated September 2, 2025.

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 New Lothrop Area Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

Maner Costerisan PC

September 2, 2025

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September 2, 2025

To the Board of Education
New Lothrop Area Public Schools

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

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by New Lothrop Area Public Schools are described in Note 1 to the financial statements. As described in Note 15 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by New Lothrop Area Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Estimates have been used to calculate the net pension liability and the net other postemployment benefit asset. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit asset in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 2, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Maner Costerisan PC