NEW LOTHROP AREA PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2026

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 19-47

REQUIRED SUPPLEMENTARY INFORMATION 48

Budgetary Comparison Schedule - General Fund 49

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability 50
Schedule of the Reporting Unit's Pension Contributions 51

Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability (Asset) 52
Schedule of the Reporting Unit's OPEB Contributions 53

Notes to Required Supplementary Information 54-58

ADDITIONAL SUPPLEMENTARY INFORMATION 59

Nonmajor Governmental Fund Types
Combining Balance Sheet 60-61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 62-63

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* 64-65

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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, 2026, 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, 2026, 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.

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, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2026 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

Lansing, Michigan
September 4, 2026

NEW LOTHROP AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS

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

If you have any questions about this report or need any additional information, please contact the Finance Department, New Lothrop Area Public Schools, New Lothrop, Michigan 48460, phone 810-638-5091.

OVERVIEW OF THE FINANCIAL STATEMENTS

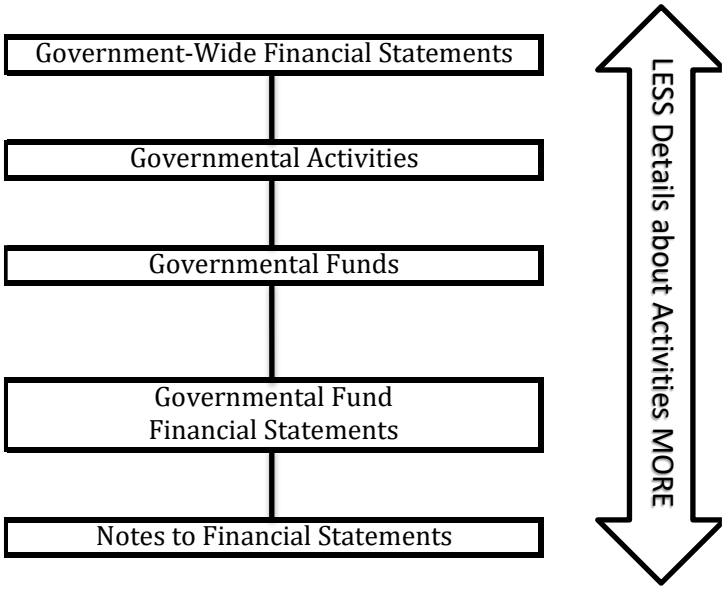
The District's financial report contains basic financial statements. Those financial statements present the District's finance at both an overall and a detailed level. The first two - the *government-wide financial statements* - cover the District's governmental activities. (See the diagram in Figure A-1.)

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

The remaining basic financial statements present the District's finances in greater detail. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The District reports one group of funds:

- *Governmental Fund Financial Statements* report all of the governmental activities. In addition to the District's main operating fund - the general fund - those financial statements report special revenue funds that track the use of restricted or committed funding sources, debt service funds to record the repayment of outstanding bonds, and capital projects funds to account for resources used to acquire or construct long-lived assets.

Figure A-1. Contents of the District's Basic Financial Statements



The next section of this financial report contains *notes to financial statements*, which delve deeper into the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

All of the District's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. (See Figure A-2.) In other words, they comprehensively report all types of financial statement elements:

- *Assets* - resources the District controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.

- *Liabilities* - amounts the District owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.

- *Deferred Outflows of Resources and Deferred Inflows of Resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.

- *Revenues and Expenses* - inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on construction.

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

	Financial Statements	
	Government-wide	Governmental Funds
Types of assets and liabilities	* All assets and liabilities, both financial and nonfinancial, short term and long term	* Only current financial resources, such as cash, receivables, and accounts payable
Types of revenues/ additions	* All types of revenues/additions that flow into the District during the year that relate to that year, regardless of when cash is received	* Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/ deductions/ expenditures	* All types of expenses/deductions that flow out of the District during the year that relate to that year,	* Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	* All types of resources that flow into and out of the District during the year that relate to a future year	* Current financial resources that flow into and out of the governmental funds during the year that related to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies.

ANALYSIS OF THE DISTRICT'S FINANCES

Table A-1
New Lothrop Area Public Schools' Net Position

	2026	2025	Dollar Change	Total Percentage Change
Current assets	$ 6,339,358	$ 6,254,712	$ 84,646	1.4%
Net other postemployment benefits asset	3,397,726	2,166,386	1,231,340	56.8%
Capital assets	18,491,741	19,215,861	(724,120)	-3.8%
Total assets	28,228,825	27,636,959	591,866	2.1%
Deferred outflows of resources	3,533,499	4,876,059	(1,342,560)	-27.5%
Long-term debt outstanding	15,638,479	17,696,692	(2,058,213)	-11.6%
Net pension liability	9,896,012	12,514,029	(2,618,017)	-20.9%
Other liabilities	1,624,259	1,608,471	15,788	1.0%
Total liabilities	27,158,750	31,819,192	(4,660,442)	-14.6%
Deferred inflows of resources	7,427,049	7,234,662	192,387	2.7%
Net position				
Net investment in capital assets	4,534,718	3,595,755	938,963	26.1%
Restricted for debt service	244,447	835,244	(590,797)	-70.7%
Restricted for capital projects (sinking fund)	598,464	372,393	226,071	60.7%
Restricted for net other postemployment benefits	3,397,726	2,166,386	1,231,340	56.8%
Unrestricted	(11,598,830)	(13,510,614)	1,911,784	14.2%
Total net position	$ (2,823,475)	$ (6,540,836)	$ 3,717,361	56.8%

Table A-1 shows that as of June 30, 2026, the District's total net position - assets and deferred outflows minus liabilities and deferred inflows - was approximately $(2.8) million, an improvement of $3.7 million or 57% compared with 2025. This increase is primarily due to a $1.9 million or 14% improvement in unrestricted net position, a $1.2 million or 57% increase in net position restricted for net other postemployment benefits (OPEB), a $0.9 million or 26% improvement in net investment in capital assets, and a $0.6 million or 71% decrease in net position restricted for debt service. All of the increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an improvement in net position. Various events contributed to this improvement in net position; however, the primary factors affecting the change in net position are as follows:

1. Decrease in unrestricted state sources of revenue, primarily due to the decrease in student count. This decrease partially offsets the decrease in expenses noted below.
2. Decrease in expenses for certain programs and functions.

Table A-2
Changes in New Lothrop Area Public Schools' Net Position

	2026	2025	Dollar Change	Total Percentage Change
Revenues				
Program revenues				
Charges for services	$ 153,131	$ 168,834	$ (15,703)	-9.3%
Operating grants and contributions	4,019,439	4,023,729	(4,290)	-0.1%
General revenues				
Property taxes	2,161,862	2,172,940	(11,078)	-0.5%
Investment earnings	55,656	74,409	(18,753)	-25.2%
State sources - unrestricted	8,416,199	8,731,145	(314,946)	-3.6%
Other	192,261	272,015	(79,754)	-29.3%
Total revenues	14,998,548	15,443,072	(444,524)	-2.9%
Expenses				
Instruction	5,537,855	6,215,466	(677,611)	-10.9%
Support services	3,238,415	3,418,291	(179,876)	-5.3%
Community services	4,735	-	4,735	100.0%
Food services	524,729	556,147	(31,418)	-5.6%
Student/school activities	313,330	298,317	15,013	5.0%
Interest and costs on long-term debt	604,365	530,921	73,444	13.8%
Unallocated depreciation	1,057,758	1,006,292	51,466	5.1%
Total expenses	11,281,187	12,025,434	(744,247)	-6.2%
Change in net position	3,717,361	3,417,638	299,723	8.8%
Net position - beginning of year	(6,540,836)	(9,958,474)	3,417,638	34.3%
Net position - end of year	$ (2,823,475)	$ (6,540,836)	$ 3,717,361	56.8%

Decline in State Sources

State sources declined in the current year compared to the prior year, which accounts for 56.1% of overall revenues. State sources are a product of student counts multiplied by the foundation allowance. The foundation allowance increased by $442 per pupil in 2026, however this was offset by a student enrollment decrease of approximately 24 students. The drop in the student count more than offset the increase in the foundation allowance. The decline in state sources partially offsets the decline in expenses, as described below.

Decline in Expenses

Total expenses for the District dropped by 6.2% overall. The significant reduction was due to positive pension and OPEB adjustments. The positive pension and OPEB adjustments amounted to approximately $1.7 million and $1.2 million, respectively. The adjustments were noncash transactions, and a significant portion of the adjustments were in the instruction and support functions. The District has no control over the pension and OPEB plans as they are administered by the state. Additionally, there was a reduction in expenditures due to various maintenance equipment purchases made in the prior year.

GOVERNMENTAL FUNDS

The District reports three major funds individually in the governmental fund financial statements. The funds are the general fund, the sinking fund, and the 2014-2015 refunding debt fund. Most of the discussion regarding governmental activities is equally applicable to the finances of these governmental funds. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide statements. The changes are shown in Table A-3 and are discussed in more detail below.

Table A-3
Revenues, Expenditures, and Changes in Fund Balances

	General Fund		Sinking Fund		2014-2015 Refunding Debt Fund	
	2026	2025	2026	2025	2026	2025
REVENUES	$ 12,339,068	$ 12,242,403	$ 236,071	$ 238,691	$ 879,930	$ 1,192,032
EXPENDITURES	12,087,202	12,268,625	10,000	379,091	865,148	895,315
Excess (deficiency) of revenues over expenditures	251,866	(26,222)	226,071	(140,400)	14,782	296,717
OTHER FINANCING SOURCES (USES)						
Proceeds from lease issuance	185,296	430,684	-	-	-	-
Transfers in	20,000	26,000	-	-	276,000	-
Transfers out	-	(3,000)	-	-	(933,220)	(61,537)
Total other financing sources (uses)	205,296	453,684	-	-	(657,220)	(61,537)
Net change in fund balance	457,162	427,462	226,071	(140,400)	(642,438)	235,180
Fund balance - beginning of year	3,029,824	2,602,362	372,393	512,793	642,438	407,258
Fund balance - end of year	$ 3,486,986	$ 3,029,824	$ 598,464	$ 372,393	$ -	$ 642,438

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

General Fund

The fund balance of the District's general fund increased by 15%. The increase in fund balance is attributable to a reduction in expenditures due to various projects and purchases made in 2025, including maintenance equipment and construction on the FFA barn, both of which were completed in the prior year.

The overall fund balance as of June 30, 2026, represented approximately 28.8% of operating expenditures. Within fund balance, approximately 82% of the balance is considered unassigned. The remaining 18% is considered either restricted, committed, or assigned for other items and is not readily available for use.

Sinking Fund

The fund balance of the District's sinking fund increased by 61%. The increase in fund balance is attributable to a reduction in expenditures due to new roofing at the high school paid out of the sinking fund in 2025 causing the prior year fund balance to be lower than typical.

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

2014-2015 Refunding Debt Fund

The fund balance of the District's 2014-2015 refunding debt fund decreased by 100% due to the refunding that occurred during the year. The District refinanced the remaining portion of the 2014-2015 refunding bonds in 2026, closing this fund in the current year.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets-original cost minus accumulated depreciation- decreased 3.8% from 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
New Lothrop Area Public Schools' Capital Assets

	2026			2025	Total
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Percentage Change
Land	$ 56,000	$ -	$ 56,000	$ 56,000	0.0%
Buildings and additions	29,314,434	(12,713,928)	16,600,506	17,209,496	-3.5%
Land improvements	928,122	(328,222)	599,900	619,283	-3.1%
Right to use - leased equipment	174,247	(127,242)	47,005	65,551	-28.3%
Furniture and equipment	2,454,844	(1,845,117)	609,727	640,526	-4.8%
Right to use - leased transportation equipment	707,624	(214,963)	492,661	524,820	-6.1%
Transportation equipment	163,356	(77,414)	85,942	100,185	-14.2%
Total	$ 33,798,627	$ (15,306,886)	$ 18,491,741	$ 19,215,861	-3.8%

During 2026, the District entered into a new bus lease and purchased various other equipment. Current year depreciation outpaced the additions of capital assets during the year, resulting in a net decrease in capital assets.

Long-term Obligations

Overall, the carrying value of the District's long-term obligations decreased by 11.6% from the prior year. See Table A-5 for the carrying value of the District's long-term obligations.

Table A-5
New Lothrop Area Public Schools'
Outstanding Long-Term Obligations

	2026	2025	Total Percentage Change
General obligation bonds - net	$ 14,140,982	$ 16,224,555	-12.8%
Compensated absences	972,803	925,294	5.1%
Notes from direct borrowings and direct placements	524,694	546,843	-4.1%
	$ 15,638,479	$ 17,696,692	-11.6%

During 2026, the District refinanced a portion of the 2014-2015 refunding bonds in the amount of $4.4 million. As part of the refunding, the District paid an additional $865 thousand of principal balance and lowered the amount of future interest payments on the outstanding debt obligations. The refinancing is anticipated to save the District approximately $324 thousand in future interest payments. This is the primary reason for the decrease in general obligation bonds. Additionally, the District continued to make scheduled debt payments on existing outstanding obligations. The total amount of principal paid in the current year, not including the additional principal paid during the refunding, was approximately $1.06 million.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

There are several factors that could significantly affect the financial health of the District in the future.

- Our elected officials and administration considered many factors when setting the District's 2027 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 2027 fiscal year budget was adopted in June 2026, based on an estimate of students that will be enrolled in September 2026. Greater than 90% 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 2026-2027 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2027 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.

BASIC FINANCIAL STATEMENTS

NEW LOTHROP AREA PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 2,797,569
Investments	1,398,784
Accounts receivable	29,013
Due from other governmental units	2,085,972
Inventories	6,319
Prepaids	21,701
Net OPEB asset	3,397,726
Capital assets not being depreciated	56,000
Capital assets, net of accumulated depreciation/amortization	18,435,741
TOTAL ASSETS	28,228,825
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	2,914,617
Related to OPEB	618,882
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,533,499
LIABILITIES	
Accounts payable	74,391
Accrued payroll	788,692
Accrued retirement	400,260
Other accrued liabilities	63,686
Accrued interest payable	52,230
Unearned revenue	245,000
Noncurrent liabilities	
Due within one year	2,422,974
Due in more than one year	13,215,505
Net pension liability	9,896,012
TOTAL LIABILITIES	27,158,750
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	3,558,195
Related to OPEB	2,894,773
Related to state aid funding for pension	802,740
Deferred gain on refunding, net of amortization	171,341
TOTAL DEFERRED INFLOWS OF RESOURCES	7,427,049
NET POSITION	
Net investment in capital assets	4,534,718
Restricted for debt service	244,447
Restricted for capital projects (sinking fund)	598,464
Restricted for net other postemployment benefits	3,397,726
Unrestricted	(11,598,830)
TOTAL NET POSITION	$ (2,823,475)

See notes to financial statements.

NEW LOTHROP AREA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenues and Changes in Net Position
Governmental activities				
Instruction	$ 5,537,855	$ 48,826	$ 2,643,206	$ (2,845,823)
Supporting services	3,238,415	51,997	475,670	(2,710,748)
Community services	4,735	-	-	(4,735)
Food service	524,729	52,308	573,706	101,285
Student/school activities	313,330	-	326,857	13,527
Interest and costs on long-term debt	604,365	-	-	(604,365)
Unallocated depreciation/amortization	1,057,758	-	-	(1,057,758)
TOTAL	$ 11,281,187	$ 153,131	$ 4,019,439	(7,108,617)
General revenues				
Property taxes				2,161,862
State school aid - unrestricted				8,416,199
Investment earnings				55,656
Miscellaneous				192,261
Total general revenues				10,825,978
CHANGE IN NET POSITION				3,717,361
NET POSITION, beginning of year				(6,540,836)
NET POSITION, end of year				$ (2,823,475)

See notes to financial statements.

NEW LOTHROP AREA PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	Capital Projects Sinking Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,645,595	$ 549,258	$ 602,716	$ 2,797,569
Investments	1,297,034	50,206	51,544	1,398,784
Accounts receivable	28,664	-	349	29,013
Due from other funds	10	-	2,498	2,508
Due from other governmental units	2,041,095	-	44,877	2,085,972
Inventories	-	-	6,319	6,319
Prepaids	21,701	-	-	21,701
TOTAL ASSETS	$ 5,034,099	$ 599,464	$ 708,303	$ 6,341,866
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 70,342	$ 1,000	$ 3,049	$ 74,391
Due to other funds	2,498	-	10	2,508
Accrued payroll	788,692	-	-	788,692
Accrued retirement	383,320	-	16,940	400,260
Other accrued liabilities	63,686	-	-	63,686
Unearned revenue	238,575	-	6,425	245,000
TOTAL LIABILITIES	1,547,113	1,000	26,424	1,574,537
FUND BALANCES				
Nonspendable				
Prepaids and inventories	21,701	-	6,319	28,020
Restricted				
Debt service	-	-	296,677	296,677
Food service	-	-	178,368	178,368
Capital projects	-	598,464	1,374	599,838
Committed				
Student/school activities	-	-	199,141	199,141
Assigned for subsequent year's expenditures	596,051	-	-	596,051
Unassigned	2,869,234	-	-	2,869,234
TOTAL FUND BALANCES	3,486,986	598,464	681,879	4,767,329
TOTAL LIABILITIES AND FUND BALANCES	$ 5,034,099	$ 599,464	$ 708,303	$ 6,341,866

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, 2026

Total governmental fund balances		$ 4,767,329
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred gain on refunding, net of amortization	$ (171,341)	
Deferred outflows of resources - related to pensions	2,914,617	
Deferred outflows of resources - related to OPEB	618,882	
Deferred inflows of resources - related to pensions	(3,558,195)	
Deferred inflows of resources - related to OPEB	(2,894,773)	
Deferred inflows of resources - related to state pension funding	(802,740)	
		(3,893,550)
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		3,397,726
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of capital assets is	33,798,627	
Accumulated depreciation/amortization is	(15,306,886)	
		18,491,741
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(14,140,982)
Direct borrowings and direct placements		(524,694)
Compensated absences		(972,803)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(52,230)
Net pension liability		(9,896,012)
Net position of governmental activities		$ (2,823,475)

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, 2026

	General Fund	Capital Projects Sinking Fund	Debt Service 2014-2015 Refunding Debt	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources	$ 870,517	$ 235,824	$ 878,680	$ 1,103,446	$ 3,088,467
State sources	11,366,260	247	1,250	329,189	11,696,946
Federal sources	102,291	-	-	244,960	347,251
TOTAL REVENUES	12,339,068	236,071	879,930	1,677,595	15,132,664
EXPENDITURES					
Current					
Instruction	7,524,519	-	-	-	7,524,519
Supporting services	4,335,764	-	-	-	4,335,764
Community services	4,729	-	-	-	4,729
Food service	-	-	-	643,201	643,201
Student/school activities	-	-	-	313,330	313,330
Capital outlay	-	10,000	-	-	10,000
Debt service					
Principal repayment	207,445	-	625,000	230,000	1,062,445
Interest and other	14,745	-	240,148	267,193	522,086
Bond issuance costs	-	-	-	114,251	114,251
TOTAL EXPENDITURES	12,087,202	10,000	865,148	1,567,975	14,530,325
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	251,866	226,071	14,782	109,620	602,339
OTHER FINANCING SOURCES (USES)					
Proceeds from lease issuance	185,296	-	-	-	185,296
Transfers in	20,000	-	276,000	933,220	1,229,220
Transfers out	-	-	(933,220)	(296,000)	(1,229,220)
Payment to refunded bond escrow agent	-	-	-	(5,477,436)	(5,477,436)
Proceeds from bonded debt	-	-	-	4,375,000	4,375,000
Premium from bonded debt	-	-	-	351,687	351,687
TOTAL OTHER FINANCING SOURCES (USES)	205,296	-	(657,220)	(113,529)	(565,453)
NET CHANGE IN FUND BALANCES	457,162	226,071	(642,438)	(3,909)	36,886
FUND BALANCES					
Beginning of year	3,029,824	372,393	642,438	685,788	4,730,443
End of year	$ 3,486,986	$ 598,464	$ -	$ 681,879	$ 4,767,329

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, 2026

Net change in fund balances total governmental funds	$	36,886
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		(1,057,758)
Capital outlay		333,638
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		84,202
Accrued interest payable, end of the year		(52,230)
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:		
Proceeds from bonded debt		(4,375,000)
Premium from bonded debt		(351,687)
Payments to refunded bond escrow agent		5,477,436
Payments on bonded debt		855,000
Principal payment on lease obligations		207,445
Proceeds from lease issuance		(185,296)
Amortization of deferred gain on refunding		(26,579)
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		925,294
Accrued compensated absences, end of the year		(972,803)
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		1,725,721
Other postemployement benefit related items		1,159,951
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		(134,116)
Change in net position of governmental activities	$	3,717,361

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. *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.

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. This fund was closed in the current year.

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	$ 2,766,994
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 2019 capital projects bond, 2021 capital projects bond, 2021 refunding bond, and 2026 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. 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 benefits 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefits related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four 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 benefits actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefits 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. The fourth is the deferred gain on refunding. A deferred gain 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.

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, 2026, the outstanding balance was $3,785,000. 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, 2026 is $878,620.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases (continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes (continued)

For the year ended June 30, 2026, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.00
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.

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, 2026, 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, 2026, $2,927,049 of the District's bank balance of $3,177,049 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits, exclusive of petty cash, at the end of the year was $2,797,469.

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.

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	$ 651,293	N/A
MILAF External Investment pool - MAX	747,491	N/A
Total fair value	$ 1,398,784	

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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	$ 651,293	AAAm	Standard & Poor's
MILAF External Investment pool - MAX	747,491	AAAm	Standard & Poor's
Total fair value	$ 1,398,784		

Foreign Currency Risk

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

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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	$ 651,293
MILAF External Investment pool - MAX	747,491
	$ 1,398,784

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	$ 2,797,569
Investments	1,398,784
Total	$ 4,196,353

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

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

	Government-wide
State Aid	$ 1,958,522
Intermediate Sources	77,101
Federal	50,349
Total	$ 2,085,972

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, 2025	Additions	Deletions	Balance June 30, 2026
Capital assets not being depreciated				
Land	$ 56,000	$ -	$ -	$ 56,000
Capital assets being depreciated/amortized				
Land improvements	905,952	22,170	-	928,122
Buildings and additions	29,237,256	77,178	-	29,314,434
Right to use - leased equipment	145,788	28,459	-	174,247
Furniture and equipment	2,405,850	48,994	-	2,454,844
Right to use - leased transportation equipment	879,942	156,837	(329,155)	707,624
Vehicles	163,356	-	-	163,356
Total capital assets being depreciated/amortized	33,738,144	333,638	(329,155)	33,742,627
Less accumulated depreciation/amortization for:				
Land improvements	(286,669)	(41,553)	-	(328,222)
Buildings and additions	(12,027,760)	(686,168)	-	(12,713,928)
Right to use - leased equipment	(80,237)	(47,005)	-	(127,242)
Furniture and equipment	(1,765,324)	(79,793)	-	(1,845,117)
Right to use - leased transportation equipment	(355,122)	(188,996)	329,155	(214,963)
Vehicles	(63,171)	(14,243)	-	(77,414)
Total accumulated depreciation/amortization	(14,578,283)	(1,057,758)	329,155	(15,306,886)
Total capital assets being depreciated/amortized	19,159,861	(724,120)	-	18,435,741
Capital assets, net	$ 19,215,861	$ (724,120)	$ -	$ 18,491,741

Depreciation/amortization for the fiscal year ended June 30, 2026 amounted to $1,057,758 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 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2026:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026	Amounts Due Within One Year
General obligation bonds	$ 16,224,555	$ 4,726,687	$ 6,810,260	$ 14,140,982	$ 1,285,000
Direct borrowings and direct placements					
Lease liabilities	546,843	185,296	207,445	524,694	165,171
Compensated absences*	925,294	47,509	-	972,803	972,803
	$ 17,696,692	$ 4,959,492	$ 7,017,705	$ 15,638,479	$ 2,422,974

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

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

General Obligation Bonds	
$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.	$ 2,920,000
$4,135,000 2021 Refunding bonds dated May 12, 2021, due in annual principal installments ranging from $245,000 to $580,000 through May 1, 2034, with interest of 1.35% to 2.35%, payable semi-annually.	3,785,000
$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.	2,300,000
$4,375,000 2026 Refunding bonds dated June 30, 2026, due in annual principal installments ranging from $405,000 to $990,000 through May 1, 2035, with interest of 5.00%, payable semi-annually.	4,375,000
Plus issuance premiums	760,982
Total general obligation bonds	14,140,982
Direct Borrowings and Direct Placements	
Lease agreements due in annual installments ranging from $28,885 to $141,445, implied/stated interest ranging from 3.00% to 6.75%, expiring at various times through July of 2030.	524,694
Total general obligation bonds and direct borrowings and direct placements	14,665,676
Compensated absences	972,803
Total long-term obligations	$ 15,638,479

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2026, are as follows:

Year Ending June 30,	General Obligation Bonds		Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2027	$ 1,285,000	$ 444,941	$ 165,171	$ 30,045	$ -	$ 1,925,157
2028	840,000	426,486	167,696	21,898	-	1,456,080
2029	915,000	397,092	89,466	8,355	-	1,409,913
2030	985,000	366,136	93,156	4,655	-	1,448,947
2031	1,020,000	333,262	9,205	203	-	1,362,670
2032-2036	4,040,000	1,152,164	-	-	-	5,192,164
2037-2041	1,370,000	721,100	-	-	-	2,091,100
2042-2046	1,640,000	456,000	-	-	-	2,096,000
2047-2051	1,285,000	126,400	-	-	-	1,411,400
	13,380,000	4,423,581	524,694	65,156	-	18,393,431
Issuance premium	760,982	-	-	-	-	760,982
Compensated absences	-	-	-	-	972,803	972,803
	$ 14,140,982	$ 4,423,581	$ 524,694	$ 65,156	$ 972,803	$ 20,127,216

Interest (all funds) on long-term obligations for the year ended June 30, 2026 was approximately $522,000.

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of approximately $525,000 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.

On June 30, 2026, the District issued a general obligation bond of $4,375,000 with an interest rate of 5.00% to advance refund the 2027 through 2035 bond payments of the 2014-2015 Refunding Bond. The bonds mature at various times through May 1, 2035. The general obligation bond was issued at premium of $351,687. After paying issuance costs of $114,251 the net proceeds were $4,612,436. The net proceeds from the issuance of the general obligation bonds, and a District payment of $865,000, were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by $324,382, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of $116,681.

NOTE 6 - 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.

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%.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (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.

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.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

Employees who first work on or after September 4, 2012, and before February 1, 2018, choose between two retirement plans: The Pension Plus Plan and a Defined Contribution Plan that provides a 50% employer match (up to 3% of salary) on employee contributions.

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

Pension Reform of 2017

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

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

Pension Reform of 2023

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefits (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2025 were determined as of the September 30, 2022 actuarial valuations. The pension and OPEB unfunded (overfunded) actuarial accrued liabilities (UAAL) as of September 30, 2022 are amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefits
October 1, 2025 - September 30, 2026	15.21% - 26.08%	0.00% - 3.83%
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%

The District's pension contributions for the year ended June 30, 2026 were equal to the required contribution total. Total pension contributions were approximately $2,294,000. Of the total pension contributions approximately $2,208,000 was contributed to fund the Defined Benefit Plan and approximately $86,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2026 were equal to the required contribution total. Total OPEB contributions were approximately $141,000. Of the total OPEB contributions approximately $100,000 was contributed to fund the Defined Benefit Plan and approximately $41,000 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 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2024 and rolled-forward using generally accepted actuarial procedures.

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

MPSERS (Plan) Non-University Employers	September 30, 2025	September 30, 2024
Total pension liability	$ 97,436,103,863	$ 95,765,499,515
Plan fiduciary net position	77,403,114,236	71,283,482,728
Net pension liability	20,032,989,627	24,482,016,787
Proportionate share	0.04940%	0.05112%
Net pension liability for the district	9,896,012	12,514,029

For the year ended June 30, 2026, the District recognized pension expense of $482,767.

At June 30, 2026, 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	$ 383,301	$ 88,143
Changes of assumptions	355,196	523,028
Net difference between projected and actual earnings on pension plan investments	-	2,364,935
Changes in proportion and difference between employer contributions and proportionate share of contributions	73,945	582,089
Reporting Unit's contributions subsequent to the measurement date	2,102,175	-
	$ 2,914,617	$ 3,558,195

$2,102,175, 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 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ending June 30,	Amount
2027	$ (259,224)
2028	(1,243,133)
2029	(953,595)
2030	(289,801)

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

The net OPEB liability (asset) was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2024 and rolled-forward using generally accepted actuarial procedures.

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

MPSERS (Plan) Non-University Employers	September 30, 2025	September 30, 2024
Total other postemployment benefit liability	$ 9,360,649,860	$ 9,991,545,923
Plan fiduciary net position	15,439,767,833	14,295,943,589
Net other postemployment benefit asset	(6,079,117,973)	(4,304,397,666)
Proportionate share	0.05589%	0.05033%
Net other postemployment benefit asset for the District	(3,397,726)	(2,166,386)

For the year ended June 30, 2026, the District recognized OPEB benefit of $1,060,173.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 75,554	$ 55,038
Differences between expected and actual experience	-	2,326,244
Changes of assumptions	453,463	36,036
Net differences between projected and actual plan investment earnings	-	477,455
Reporting Unit's contributions subsequent to the measurement date	89,865	-
	$ 618,882	$ 2,894,773

$89,865, 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
2027	$ (605,520)
2028	(618,977)
2029	(583,665)
2030	(384,547)
2031	(133,253)
2032	(39,794)

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

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

The Long-term Expected Rate of Return on Pension and Other Postemployment Benefits Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefits 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 Benefits - Pre 65, 7.75% for year one and graded to 3.50% in year fifteen. Post 65, 6.50% for year one and graded to 3.50% in year fifteen.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

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

	Target Allocation		
Investment Category	Pension	OPEB	Long-term Expected Real Rate of Return*
Domestic Equity Pools	21.00%	16.00%	5.8%
International Equity Pools	14.00%	11.00%	5.6%
Private Equity Pools	16.00%	16.00%	9.3%
Real Estate and Infrastructure Pools	8.00%	5.00%	7.0%
Fixed Income Pools	15.00%	26.00%	2.5%
Absolute Return Pools	13.00%	15.00%	4.4%
Real Return/Opportunistic Pools	9.00%	7.00%	7.0%
Short Term Investment Pools	4.00%	4.00%	1.3%
	100.00%	100.00%	

* Long term rate of return are net of administrative expenses and 2.4% inflation.

Rate of Return - For fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 15,616,453	$ 9,896,012	$ 5,131,617

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	$ (2,927,356)	$ (3,397,726)	$ (3,809,402)

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefits liability (asset) calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefits 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	$ (3,805,645)	$ (3,397,726)	$ (2,969,424)

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 7 - RISK MANAGEMENT

The District 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 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2026 are as follows:

Receivable Fund		Payable Fund	
General Fund	$ 10	General Fund	$ 2,498
Nonmajor funds	2,498	Nonmajor funds	10
	$ 2,508	Total	$ 2,508

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 9 - TRANSFERS

During the year, the food service fund transferred $20,000 to the general fund for indirect cost reimbursement. Additionally, $1,209,220 was transferred among the various debt funds for re-allocation of funds to meet debt service requirements.

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2026, the District did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements made by the District.

NOTE 12 - CHANGES IN ACCOUNTING PRINCIPLE

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

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

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

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

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

NEW LOTHROP AREA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance with Original and Final Budget	Actual	Variance with Final Budget and Actual
	Original	Final			
REVENUES					
Local sources	$ 854,826	$ 835,507	$ (19,319)	$ 870,517	$ 35,010
State sources	10,795,892	11,698,363	902,471	11,366,260	(332,103)
Federal sources	52,463	85,699	33,236	102,291	16,592
TOTAL REVENUES	11,703,181	12,619,569	916,388	12,339,068	(280,501)
EXPENDITURES					
Current					
Instruction					
Basic programs	6,180,066	6,164,499	15,567	6,032,557	131,942
Added needs	1,381,807	1,508,373	(126,566)	1,491,962	16,411
TOTAL INSTRUCTION	7,561,873	7,672,872	(110,999)	7,524,519	148,353
Supporting services					
Student services	402,733	494,557	(91,824)	468,618	25,939
Instructional staff	84,266	209,916	(125,650)	83,952	125,964
General administration	584,078	520,974	63,104	494,134	26,840
School administration	609,360	636,231	(26,871)	629,501	6,730
Business	289,628	268,796	20,832	263,617	5,179
Operations and maintenance	1,092,242	1,116,362	(24,120)	1,106,579	9,783
Transportation	849,751	670,877	178,874	586,704	84,173
Central services	381,700	421,941	(40,241)	306,018	115,923
Athletics	423,543	427,942	(4,399)	396,641	31,301
TOTAL SUPPORTING SERVICES	4,717,301	4,767,596	(50,295)	4,335,764	431,832
Community services	-	6,000	(6,000)	4,729	1,271
Debt service					
Principal repayment	202,775	201,366	1,409	207,445	(6,079)
Interest	-	-	-	14,745	(14,745)
TOTAL DEBT SERVICE	202,775	201,366	1,409	222,190	(20,824)
TOTAL EXPENDITURES	12,481,949	12,647,834	(165,885)	12,087,202	560,632
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(778,768)	(28,265)	750,503	251,866	280,131
OTHER FINANCING SOURCES (USES)					
Transfers in	30,000	20,000	(10,000)	20,000	-
Proceeds from lease issuance	459,755	122,259	(337,496)	185,296	63,037
TOTAL OTHER FINANCING SOURCES (USES)	489,755	142,259	(347,496)	205,296	63,037
NET CHANGE IN FUND BALANCE	(289,013)	113,994	403,007	457,162	343,168
FUND BALANCE, beginning of year	3,029,824	3,029,824	-	3,029,824	-
FUND BALANCE, end of year	$ 2,740,811	$ 3,143,818	$ 403,007	$ 3,486,986	$ 343,168

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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Reporting Unit's proportion of net pension liability (%)	0.04720%	0.04690%	0.04780%	0.04795%	0.04799%	0.05020%	0.05202%	0.05225%	0.05112%	0.04940%
Reporting Unit's proportionate share of net pension liability	$ 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	$ 9,896,012
Reporting Unit's covered-employee payroll	$ 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	$ 5,417,269
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	292.65%	311.59%	350.75%	380.91%	376.89%	256.56%	395.74%	323.80%	239.66%	182.68%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	63.27%	64.21%	62.36%	60.31%	59.72%	72.60%	60.77%	65.91%	74.44%	79.44%

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)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Statutorily required contributions	$ 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	$ 2,208,488
Contributions in relation to statutorily required contributions	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	2,208,488
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered employee payroll	$ 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	$ 5,802,660
Contributions as a percentage of covered-employee payroll	29.49%	28.39%	28.58%	29.64%	32.67%	35.73%	45.67%	40.39%	41.15%	38.06%

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	2025
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%	0.05589%
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)	$ (3,397,726)
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	$ 5,417,269
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%	62.72%
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%	164.94%

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	2026
Statutorily required contributions	$ 329,811	$ 313,422	$ 372,610	$ 399,141	$ 408,791	$ 430,034	$ 447,558	$ 28,742	$ 99,778
Contributions in relation to statutorily required contributions	329,811	313,422	372,610	399,141	408,791	430,034	447,558	28,742	99,778
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	$ 5,802,660
Contributions as a percentage of covered-employee payroll	8.32%	7.50%	8.53%	8.81%	8.47%	8.22%	8.54%	0.53%	1.72%

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
FOR THE YEAR ENDED JUNE 30, 2026

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

b. Public hearings are conducted to obtain taxpayer comments.

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

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

e. The final budget was approved prior to June 30, 2026 year-end.

NOTE 2 - BUDGETARY COMPARISON

Significant variances between original and final budget:

	Variance	Explanation
REVENUES		
State sources	$ 902,471	When the original budget was adopted, the state budget was not finalized. Even though the District had a decline in students, there were increases in various categoricals which included the foundation allowance increase that had been originally estimated along with an increase in At Risk funds, Great Start Readiness Program (GSRP), and the receipt of the 35m Literacy Grant.
EXPENDITURES		
Instruction - Added needs	(126,566)	The original budget was developed with the allocation of instructional aides being allocated to the elementary and high school building budgets. There was a reallocation to the special education department for staff that are working as one-on-one aides with students. In addition, with the increase in At Risk funds that were received for the school year, additional expenses were allocated to At Risk to support staff and student services in this area.
Support services - Instructional	(125,650)	The original budget for instructional support services increased from the original budget due to an increase in the need for aide support services as well as an increase in the salary, retirement and FICA cost for the support contract for the 2025-2026 school year.
Support services - Transportation	178,874	The original budget for transportation support services included the cost of a bus lease in an incorrect function/department code. The update to the correct function/department code was completed in the final budget revision.
OTHER FINANCING SOURCES (USES)		
Proceeds from lease issuance	(337,496)	The District had budgeted for up to three leased buses in other financing sources at the start of the school year. The adjustment was completed as the District leased just one new bus for the 2025-2026 school year.

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant variances between final budget and actual:

	Variance	Explanation
REVENUES		
State sources	$ (332,103)	The District has unearned revenue for the 2025-2026 school year for grant funds that were not used during the school year and are being carried over to the 2026-2027 school year. In addition, funds from the GSRP program are being carried over to the new school year as the grant deadline is September 30, 2026.
EXPENDITURES		
Instruction - Basic programs	131,942	The final budget included the expenditures for the 35m Literacy Grant. The grant funds are being accounted for as an unearned revenue for the 2025-2026 school year. Therefore, the funds were not used in the school year but were accounted for in the budget.
Support services - Instructional	125,964	The final budget includes grant funds that were not used during the 2025-2026 school year and are being carried forward as unearned revenue for the school year.
Support services - Central services	115,923	The final budget includes grant funds that were not used during the 2025-2026 school year and are being carried forward as unearned revenue for the school year.

NOTE 3 - PENSION INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

NOTE 3 - PENSION INFORMATION (continued)

Changes in Assumptions (continued)

- 2018 - The discount rate used in the September 30, 2017, actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

- 2017 - The discount rate used in the September 30, 2016, actuarial valuation decreased by 0.50 percentage points.

NOTE 4 - OPEB INFORMATION

Benefit Changes

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

Changes in Assumptions

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

- 2025 - The health care cost trend rate used in the September 30, 2024, actuarial valuation increased by 0.50 percentage points for members under 65. This increased the plan's total OPEB liability by $267 million in 2025.

- 2024 - The health care cost trend rate used in the September 30, 2023, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.

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

- 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.

NOTE 4 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 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, 2026

	Special Revenue		Capital Projects
	Food Service	Student/ School Activities	2021 Bonded Construction
ASSETS			
Cash and cash equivalents	$ 155,309	$ 151,038	$ -
Investments	-	49,852	1,374
Accounts receivable	-	349	-
Due from other governmental units	44,877	-	-
Due from other funds	2,498	-	-
Inventories	6,319	-	-
TOTAL ASSETS	$ 209,003	$ 201,239	$ 1,374
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 951	$ 2,098	$ -
Due to other funds	-	-	-
Unearned revenue	6,425	-	-
Accrued retirement	16,940	-	-
TOTAL LIABILITIES	24,316	2,098	-
FUND BALANCES			
Nonspendable			
Prepaids and inventories	6,319	-	-
Restricted			
Debt service	-	-	-
Food service	178,368	-	-
Capital projects	-	-	1,374
Committed			
Student/school activities	-	199,141	-
TOTAL FUND BALANCES	184,687	199,141	1,374
TOTAL LIABILITIES AND FUND BALANCES	$ 209,003	$ 201,239	$ 1,374

Debt Service					
2013 Technology Bond	2019 Bonded Construction Debt	2021 SBLF Refunding Debt	2021 Bonded Construction Debt	2026 Refunding Debt	Total
$ 14,789	$ 100,228	$ 53,505	$ 59,945	$ 67,902	$ 602,716
-	-	-	-	318	51,544
-	-	-	-	-	349
-	-	-	-	-	44,877
-	-	-	-	-	2,498
-	-	-	-	-	6,319
$ 14,789	$ 100,228	$ 53,505	$ 59,945	$ 68,220	$ 708,303
$ -	$ -	$ -	$ -	$ -	$ 3,049
-	-	5	5	-	10
-	-	-	-	-	6,425
-	-	-	-	-	16,940
-	-	5	5	-	26,424
-	-	-	-	-	6,319
14,789	100,228	53,500	59,940	68,220	296,677
-	-	-	-	-	178,368
-	-	-	-	-	1,374
-	-	-	-	-	199,141
14,789	100,228	53,500	59,940	68,220	681,879
$ 14,789	$ 100,228	$ 53,505	$ 59,945	$ 68,220	$ 708,303

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

	Special Revenue		Capital Projects
	Food Service	Student/ School Activities	2021 Bonded Construction
REVENUES			
Local sources	$ 52,308	$ 326,857	$ 82
State sources	328,746	-	-
Federal sources	244,960	-	-
TOTAL REVENUES	626,014	326,857	82
EXPENDITURES			
Current			
Food service	643,201	-	-
Student activities	-	313,330	-
Debt service			
Principal repayment	-	-	-
Interest and other	-	-	-
Bond issuance costs	-	-	-
TOTAL EXPENDITURES	643,201	313,330	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,187)	13,527	82
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(20,000)	-	-
Payment to refunded bond escrow agent	-	-	-
Bond proceeds	-	-	-
Bond premium	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	-	-
NET CHANGE IN FUND BALANCES	(37,187)	13,527	82
FUND BALANCES			
Beginning of year	221,874	185,614	1,292
End of year	$ 184,687	$ 199,141	$ 1,374

Debt Service					
2013 Technology Bond	2019 Bonded Construction Debt	2021 SBLF Refunding Debt	2021 Bonded Construction Debt	2026 Refunding Debt	Total
$ 37	$ 192,525	$ 407,092	$ 124,545	$ -	$ 1,103,446
-	152	181	110	-	329,189
-	-	-	-	-	244,960
37	192,677	407,273	124,655	-	1,677,595
-	-	-	-	-	643,201
-	-	-	-	-	313,330
-	25,000	180,000	25,000	-	230,000
-	119,348	78,779	69,066	-	267,193
-	-	-	-	114,251	114,251
-	144,348	258,779	94,066	114,251	1,567,975
37	48,329	148,494	30,589	(114,251)	109,620
-	-	-	-	933,220	933,220
-	(50,000)	(191,000)	(35,000)	-	(296,000)
-	-	-	-	(5,477,436)	(5,477,436)
-	-	-	-	4,375,000	4,375,000
-	-	-	-	351,687	351,687
-	(50,000)	(191,000)	(35,000)	182,471	(113,529)
37	(1,671)	(42,506)	(4,411)	68,220	(3,909)
14,752	101,899	96,006	64,351	-	685,788
$ 14,789	$ 100,228	$ 53,500	$ 59,940	$ 68,220	$ 681,879

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Lothrop Area Public Schools, as of and for the year ended June 30, 2026, 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 4, 2026

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Maner Costerisan PC

Lansing, Michigan
September 4, 2026

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2851 Charlevoix Dr SE #300,
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September 4, 2026

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, 2026. 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. We have communicated such information orally during our discussion on August 4, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by New Lothrop Area Public Schools are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 103, *Financial Reporting Model Improvements* and No. 104, *Disclosure of Certain Capital Assets* during the year ended June 30, 2026. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by 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:

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

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. 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 4, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

This information is intended solely for the use of the management and members of the Board of Education of 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

Lansing, Michigan