

NEW LOTHROP AREA PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2022

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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, 2022, 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, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2022 the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Lothrop Area Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2022 on our consideration of New Lothrop Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Lothrop Area Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Lothrop Area Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

September 12, 2022

NEW LOTHROP AREA PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

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

This section of New Lothrop Area Public Schools' annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

New Lothrop Area Public Schools, a K-12 school district located in Shiawassee County, Michigan, issues its financial statements under the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of accounting principles generally accepted in the United States of America, is intended to be the New Lothrop Area Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2022.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand New Lothrop Area Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant funds - the General fund and 2021 Bonded capital projects fund, individually, and the remaining Special Revenue, Debt Service, and Capital Projects Funds collectively as nonmajor governmental funds. The remaining statements, the Statement of Fiduciary Net Position, and the Statement of Changes in Fiduciary Net Position, present financial information about activities for which the District acts solely as a trustee or agent for the benefit of others.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

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

NEW LOTHROP AREA PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

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

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

FUND FINANCIAL STATEMENTS

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

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

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

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

Summary of Net Position

The following summarizes the net position as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021*</u>
Assets		
Current and other assets	\$ 4,462,707	\$ 6,475,028
Capital assets	<u>19,698,507</u>	<u>17,402,939</u>
Total assets	<u>24,161,214</u>	<u>23,877,967</u>
Deferred outflows of resources	<u>4,758,591</u>	<u>5,471,688</u>
Liabilities		
Current liabilities	2,036,206	2,621,191
Noncurrent liabilities	<u>32,061,066</u>	<u>38,765,012</u>
Total liabilities	<u>34,097,272</u>	<u>41,386,203</u>
Deferred inflows of resources	<u>7,689,661</u>	<u>2,729,743</u>
Net position		
Net investment in capital assets	1,678,221	1,435,117
Restricted	708,175	383,166
Unrestricted	<u>(15,253,524)</u>	<u>(16,584,574)</u>
Total net position	<u>\$ (12,867,128)</u>	<u>\$ (14,766,291)</u>

*The 2021 figures have not been updated for the adoption of GASB 87.

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

Results of Operations

For the fiscal years ended June 30, 2022 and 2021, the District-wide results of operations were:

	<u>2022</u>	<u>2021*</u>
Revenues		
Program revenues		
Charges for service	\$ 193,630	\$ 120,877
Operating grants and contributions	3,380,692	2,151,567
General revenues		
Property taxes	1,796,145	1,592,243
State school aid-unrestricted	7,403,072	7,215,367
Other	<u>58,507</u>	<u>34,755</u>
Total revenues	<u>12,832,046</u>	<u>11,114,809</u>
Function/program expenses		
Instruction	5,788,096	6,256,035
Supporting services	3,067,517	3,603,642
Food service	462,765	369,980
Student/school activities	208,162	66,252
Interest and costs on long-term debt	612,831	690,784
Unallocated depreciation	<u>793,512</u>	<u>624,901</u>
Total expenses	<u>10,932,883</u>	<u>11,611,594</u>
Change in net position	<u><u>\$ 1,899,163</u></u>	<u><u>\$ (496,785)</u></u>

*The 2021 figures have not been updated for the adoption of GASB 87.

Analysis of Results of Operations

During the fiscal year ended June 30, 2022, the District's net position increased by \$1,899,163. Several factors which caused the increase are discussed in the following sections.

Governmental Fund Operating Results

The District's revenues and other financing sources were below expenditures and other financing uses by \$1,431,182 for the fiscal year ended June 30, 2022, mainly due to the utilization of bond proceeds in the current year. Further discussion of the District's operating results is available in the section entitled "Results of 2021-2022 Operations" located on the following pages.

Capital Outlay

Capital purchases are recorded as an asset at the government-wide level and depreciated over the useful lives of the assets. During 2021-2022, the District had a net increase in the cost of capital assets of \$2,333,157, and district's accumulated depreciation changed by a net of \$617,906, causing a net increase in net district capital assets of \$2,295,568.

NEW LOTHROP AREA PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

Analysis of Results of Operations (continued)

Long-Term Obligations

The District's bonds payable decreased by a net of \$720,000, compensated absences decreased by \$12,308, borrowings and accrued interest related to the Michigan School Loan Revolving Fund caused a net increase of \$103,119, lease liabilities decreased by \$129,814, and capitalized bond premiums increased by a net of \$67,257. As a result of these activities, net district long-term obligations decreased by \$826,260.

General Fund Operations

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

The District's General Fund change in fund balance was an increase of \$159,513 for the fiscal year ended June 30, 2022. The General Fund as of June 30, 2022, has a fund balance of \$1,249,760 or 12.04% of expenditures and other financing uses for the 2021-2022 fiscal year. The District has budgeted to add \$69,969 to fund balance.

Debt Service Fund Operations

The Debt Service Funds are set up to collect taxes and state revenues and pay annual debt payments. At June 30, 2022, the Debt Service Funds had \$373,082 in fund balance available for future bond payments. The District levies taxes to make debt payment obligations. If taxes levied are not sufficient the District will borrow funds from the Michigan School Loan Revolving Fund. Any funds borrowed from this Fund will be paid back toward the end of the bond obligations. In the fiscal year ended June 30, 2022, the District borrowed from the Fund in the amount of \$103,119 (including accrued interest). The District also had compensated absences and lease liabilities outstanding at June 30, 2022, which totaled \$100,130 and \$450,503, respectively. The District had changes to their long-term obligations as follows:

	As Restated Principal Balance June 30, 2021	Additions	Payments	Principal Balance June 30, 2022
2014 Refunding Bonds	\$ 8,570,000	\$ -	\$ 610,000	\$ 7,960,000
2013 School Technology Bonds	170,000	-	85,000	85,000
2019 Building and Site Bonds	3,045,000	-	25,000	3,020,000
2021 Building and Site Bonds	4,135,000	-	-	4,135,000
2021 SBLF Refunding Bonds	2,400,000	-	-	2,400,000
Capitalized bond premiums	1,193,583	-	67,257	1,126,326
Lease liabilities	580,317	-	129,814	450,503
Compensated absences	112,438	-	12,308	100,130
Michigan School Loan Revolving Fund Principal and interest	9,474	103,119	-	112,593
Total long-term obligations	<u>\$ 20,215,812</u>	<u>\$ 103,119</u>	<u>\$ 929,379</u>	<u>\$ 19,389,552</u>

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

NEW LOTHROP AREA PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

Analysis of Results of Operations (continued)

Capital Projects Operations

The District has refinished the Elementary Gym Floor, asphalt maintenance for the parking lots which also included repairs to the bus parking lot area, replacement of the food service cooler and freezer, purchase of office furniture for the high school office locker rooms and high school office and the purchase of a key cutter so that the interior door locks can be updated.

School Service Funds

The New Lothrop Area Public Schools has a school service fund for food service. In 2021-2022, the Food Service Fund had revenues and other financing sources of \$719,253 and expenditures and other financing uses of \$542,041. The Food Service Fund is self-supporting. The Food Service Fund had a fund balance of \$204,243.

The New Lothrop Area Public Schools also has a school service fund for student/school activities. In 2021-2022, the Student Activity Fund had revenues of \$232,780 and expenditures of \$208,162. The Student Activity Fund is self-supporting. The Student Activity Fund had a fund balance of \$113,885.

Net Investment in Capital Assets

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

	As Restated Balance June 30, 2021	Net Change	Balance June 30, 2022
Capital assets	\$ 29,388,774	\$ 2,333,157	\$ 31,721,931
Less accumulated depreciation/amortization	(11,405,518)	(617,906)	(12,023,424)
Net investment in capital outlay	<u>\$ 17,983,256</u>	<u>\$ 1,715,251</u>	<u>\$ 19,698,507</u>

See Note 4 for more details related to capital assets.

IMPORTANT ECONOMIC FACTORS

State of Michigan Unrestricted Aid (Net State Foundation Grant)

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

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

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The New Lothrop Area Public Schools' foundation allowance was \$8,700 per student for the In 2021-2022 school year.

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

Student Enrollment

The District's State aid membership count for In 2021-2022 was 889 students. Districts within Michigan have historically, with the exception being 2020-2021 where a "super blend" was utilized, used a blended count formula consisting of 90% of the student count from the fall count day and 10% of the student count from the supplemental spring count day.

	<u>State Aid Membership</u>	<u>FTE Change from Prior Year</u>
2021-2022	889	-26
2020-2021	915	-5
2019-2020	920	9
2018-2019	911	12
2017-2018	899	-3
2016-2017	902	-27
2015-2016	929	17
2014-2015	912	19

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

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

Debt Fund Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. For 2021-2022, the District's debt millage levy was 9.07 mills which generated revenue of approximately \$1,367,000.

Sinking Fund Property Taxes

The District also had a 1.24 mill sinking fund millage in place in 2021-2022 to fund certain capital project needed costs. This millage generated approximately \$188,000.

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

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

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

General Fund Revenues and Other Sources, Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual and Original Budget	Actual and Final Budget
2021-2022	\$ 9,095,561	\$ 10,426,489	\$ 10,542,326	15.91%	1.11%
2020-2021	8,311,127	9,573,285	9,420,858	13.35%	-1.59%
2019-2020	8,532,187	8,824,394	8,704,402	2.02%	-1.36%
2018-2019	8,335,572	8,547,029	8,572,214	2.84%	0.29%
2017-2018	7,813,328	8,179,562	8,104,666	3.73%	-0.92%
2016-2017	7,856,815	7,873,559	7,837,168	-0.25%	-0.46%
2015-2016	7,597,079	7,931,948	7,930,671	4.39%	-0.02%
2014-2015	7,391,437	7,601,558	7,599,352	2.81%	-0.03%

General Fund Expenditures and Other Uses Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual and Original Budget	Actual and Final Budget
2021-2022	\$ 9,269,641	\$ 10,356,520	\$ 10,382,813	-12.01%	-0.25%
2020-2021	8,883,025	9,485,631	9,344,244	-5.19%	1.49%
2019-2020	8,674,780	8,837,649	8,833,912	-1.83%	0.04%
2018-2019	8,410,981	8,375,680	8,387,173	0.28%	-0.14%
2017-2018	8,047,179	8,234,450	8,160,891	-1.41%	0.89%
2016-2017	7,833,135	7,947,169	7,960,726	-1.63%	-0.17%
2015-2016	7,493,755	7,836,570	7,853,099	-4.80%	-0.21%
2014-2015	7,235,534	7,577,821	7,576,419	-4.71%	0.02%

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year. As a matter of practice, New Lothrop Area Public Schools amends its budget periodically during the school year. The June 2022 budget amendment was the final budget for the fiscal year.

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

Revenues and Other Sources Change from Original to Final Budget

		<u>Percent</u>
Total revenues and other sources original budget	\$ 9,095,561	100%
Total revenues and other sources final budget	<u>10,426,489</u>	<u>114.6%</u>
Increase in budgeted revenues and other sources	<u>\$ 1,330,928</u>	<u>14.6%</u>

Expenditures Change from Original to Final Budget

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

		<u>Percent</u>
Total expenditures original budget	\$ 9,269,641	100%
Total expenditures final budget	<u>10,356,520</u>	<u>111.7%</u>
Increase in budgeted expenditures	<u>\$ 1,086,879</u>	<u>11.7%</u>

The District's actual expenditures differed from the final budget by \$2,207.

Additional Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the District's 2023 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2022 fiscal year was 10% and 90% of the February 2021 and September 2021 student counts, respectively. The 2023 fiscal year budget was adopted in June 2022, based on an estimate of students that will be enrolled in September 2022. Approximately 95% of total General Fund revenues are from State sources. Under State law, the District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2022-2023 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2023 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations.

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

NEW LOTHROP AREA PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,073,664
Investments	1,332,385
Accounts receivable	1,004
Due from other governmental units	2,030,534
Inventories	7,288
Prepays	17,832
Capital assets not being depreciated	56,000
Capital assets, net of accumulated depreciation/amortization	<u>19,642,507</u>
TOTAL ASSETS	<u>24,161,214</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	3,112,759
Related to OPEB	1,300,284
Deferred charges on refunding, net of amortization	<u>345,548</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,758,591</u>
LIABILITIES	
Accounts payable	69,983
Accrued payroll	604,644
Accrued retirement	304,176
Other accrued liabilities	72,067
Note payable	702,745
Accrued interest payable	98,216
Unearned revenue	184,375
Noncurrent liabilities	
Due within one year	1,016,927
Due in more than one year	18,372,625
Net pension liability	11,886,002
Net OPEB liability	<u>785,512</u>
TOTAL LIABILITIES	<u>34,097,272</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	3,904,064
Related to OPEB	2,980,619
Related to state aid funding for pension	<u>804,978</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,689,661</u>
NET POSITION	
Net investment in capital assets	1,678,221
Restricted for debt service	274,866
Restricted for capital projects (sinking fund)	433,309
Unrestricted	<u>(15,253,524)</u>
TOTAL NET POSITION	<u><u>\$ (12,867,128)</u></u>

See notes to financial statements.

**NEW LOTHROP AREA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

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	\$ 5,788,096	\$ 82,766	\$ 2,433,985	\$ (3,271,345)
Supporting services	3,067,517	51,482	82,556	(2,933,479)
Food service	462,765	59,382	631,371	227,988
Student/school activities	208,162	-	232,780	24,618
Interest and costs on long-term debt	612,831	-	-	(612,831)
Unallocated depreciation/amortization	793,512	-	-	(793,512)
TOTAL	<u>\$ 10,932,883</u>	<u>\$ 193,630</u>	<u>\$ 3,380,692</u>	<u>(7,358,561)</u>
General revenues				
Property taxes				1,796,145
State school aid - unrestricted				7,403,072
Investment earnings				2,356
Miscellaneous				<u>56,151</u>
Total general revenues				<u>9,257,724</u>
CHANGE IN NET POSITION				1,899,163
NET POSITION, beginning of year				<u>(14,766,291)</u>
NET POSITION, end of year				<u>\$ (12,867,128)</u>

See notes to financial statements.

**NEW LOTHROP AREA PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Capital Projects 2021 Bonded Construction	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 59,595	\$ -	\$ 1,014,069	\$ 1,073,664
Investments	1,015,877	169,259	147,249	1,332,385
Accounts receivable	1,004	-	-	1,004
Due from other funds	9,910	1,707	-	11,617
Due from other governmental units	2,003,075	-	27,459	2,030,534
Inventories	-	-	7,288	7,288
Prepays	17,832	-	-	17,832
TOTAL ASSETS	\$3,107,293	\$ 170,966	\$ 1,196,065	\$ 4,474,324
LIABILITIES				
Accounts payable	\$ 4,662	\$ 65,223	\$ 98	\$ 69,983
Due to other funds	-	-	11,617	11,617
Accrued payroll	604,644	-	-	604,644
Accrued retirement	289,040	-	15,136	304,176
Other accrued liabilities	72,067	-	-	72,067
Unearned revenue	184,375	-	-	184,375
Note payable	702,745	-	-	702,745
TOTAL LIABILITIES	1,857,533	65,223	26,851	1,949,607
FUND BALANCES				
Nonspendable				
Prepays and inventories	17,832	-	7,288	25,120
Restricted				
Debt service	-	-	373,082	373,082
Food service	-	-	196,955	196,955
Capital projects	-	105,743	433,309	539,052
Committed				
Capital projects	-	-	44,695	44,695
Student/school activities	-	-	113,885	113,885
Unassigned	1,231,928	-	-	1,231,928
TOTAL FUND BALANCES	1,249,760	105,743	1,169,214	2,524,717
TOTAL LIABILITIES AND FUND BALANCES	\$3,107,293	\$ 170,966	\$ 1,196,065	\$ 4,474,324

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, 2022**

Total governmental fund balances		\$	2,524,717
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred charges on refunding	\$	345,548	
Deferred outflows of resources - related to pensions		3,112,759	
Deferred outflows of resources - related to OPEB		1,300,284	
Deferred inflows of resources - related to pensions		(3,904,064)	
Deferred inflows of resources - related to OPEB		(2,980,619)	
Deferred inflows of resources - related to state pension funding		<u>(804,978)</u>	
			(2,931,070)
Capital assets used in governmental activities are not financial resources and are not reported in the funds			
The cost of the capital assets is		31,721,931	
Accumulated depreciation/amortization is		<u>(12,023,424)</u>	
			19,698,507
Long-term liabilities are not due and payable in the current period and are not reported in the funds			
General obligation bonds			(18,726,326)
Direct borrowings and direct placements			(563,096)
Compensated absences			(100,130)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid			(98,216)
Net pension liability			(11,886,002)
Net OPEB liability			<u>(785,512)</u>
Net position of governmental activities		\$	<u><u>(12,867,128)</u></u>

NEW LOTHROP AREA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects 2021 Bonded Construction	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 553,954	\$ 370	\$ 1,846,946	\$ 2,401,270
State sources	9,163,887	-	22,545	9,186,432
Federal sources	801,485	-	608,826	1,410,311
TOTAL REVENUES	10,519,326	370	2,478,317	12,998,013
EXPENDITURES				
Current				
Instruction	6,461,429	-	-	6,461,429
Supporting services	3,763,070	-	-	3,763,070
Food service	-	-	519,041	519,041
Student/school activities	-	-	208,162	208,162
Capital outlay	-	2,044,631	44,623	2,089,254
Debt service				
Principal repayment	129,814	-	720,000	849,814
Bond issuance costs	-	24,450	-	24,450
Interest	-	-	615,650	615,650
TOTAL EXPENDITURES	10,354,313	2,069,081	2,107,476	14,530,870
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	165,013	(2,068,711)	370,841	(1,532,857)
OTHER FINANCING SOURCES (USES)				
School loan revolving fund issuance	-	-	101,675	101,675
Transfers in	23,000	97,824	28,500	149,324
Transfers out	(28,500)	-	(120,824)	(149,324)
TOTAL OTHER FINANCING SOURCES (USES)	(5,500)	97,824	9,351	101,675
NET CHANGE IN FUND BALANCES	159,513	(1,970,887)	380,192	(1,431,182)
FUND BALANCES				
Beginning of year	1,090,247	2,076,630	789,022	3,955,899
End of year	<u>\$ 1,249,760</u>	<u>\$ 105,743</u>	<u>\$ 1,169,214</u>	<u>\$ 2,524,717</u>

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, 2022**

Net change in fund balances total governmental funds \$ (1,431,182)

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation/amortization expense	(793,512)
Loss on disposal of capital assets	(37,295)
Capital outlay	2,546,058

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	102,062
Accrued interest payable, end of the year	(98,216)

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

Payments on debt	720,000
Payments on leases	129,814
School loan revolving fund issuance	(101,675)
Amortization of deferred loss on refunding	(26,580)
Amortization of bond premium	67,257
Long-term interest on school loan revolving fund (accrued)	(1,444)

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	112,438
Accrued compensated absences, end of the year	(100,130)

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	213,269
Other postemployment benefit related items	764,299

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	(166,000)
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Change in net position of governmental activities \$ 1,899,163

See notes to financial statements.

**NEW LOTHROP AREA PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022**

	<u>Custodial Fund</u>
ASSETS	
Cash	\$ 61
Investments	<u>5,397</u>
 TOTAL ASSETS	 <u>5,458</u>
 NET POSITION	
Restricted for student organizations	<u><u>\$ 5,458</u></u>

See notes to financial statements.

**NEW LOTHROP AREA PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022**

	<u>Custodial Fund</u>
Additions	
Student activity income	\$ 31
Deductions	
Payments made on behalf of student organizations	<u>1,127</u>
CHANGE IN NET POSITION	(1,096)
Net position - beginning of year	<u>6,554</u>
Net position - end of year	<u><u>\$ 5,458</u></u>

NEW LOTHROP AREA PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *2021 Bonded Construction Capital Projects Fund* is 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Nonmajor Funds

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

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

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

	<u>2019 Bonded Construction</u>	<u>2021 Bonded Construction</u>
Revenues and other financing sources	<u>\$ 3,439,439</u>	<u>\$ 2,716,840</u>
Expenditures and other finance uses	<u>\$ 3,395,759</u>	<u>\$ 2,611,097</u>

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

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

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

NEW LOTHROP AREA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Nonmajor Funds (continued)

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

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

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

Budgetary Information

Budgetary Basis of Accounting

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting(continued)

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2022. The District does not consider these amendments to be significant.

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

Cash and Cash Equivalents

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

Investments

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments (continued)

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

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

Inventories and Prepaid Items

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

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

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

Defined Benefit Plans

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

Deferred Outflows

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

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

Net Position Flow Assumption

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

In computation of invested in capital assets, net of related debt, the school loan revolving fund principal balance of \$111,110 is considered capital-related debt. Accrued interest on the school bond loan fund of \$1,483 is not considered capital-related debt.

In addition, in 2021, the District issued bonded debt in the amount of \$4,135,000 used to make principal and interest payments related to the school loan revolving fund. As of June 30, 2022 the outstanding balance was \$4,135,000. Of this amount, 22.3% of the proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The remaining allocation of this debt that is not considered capital related debt at June 30, 2022 is \$922,105.

Fund Balance Flow Assumptions

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies

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

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

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

Leases

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases (continued)

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

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

For the year ended June 30, 2022, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	9.07
Sinking fund	
PRE, Non-PRE, Commercial Personal Property	1.25

Compensated Absences

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Compensated Absences

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

Long-term Obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2022, 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, 2022, \$1,180,408 of the District's bank balance of \$1,430,408 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$1,073,625.

Custodial Credit Risk - Investments

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

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

NEW LOTHROP AREA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
MILAF External Investment pool - CMC	\$ 885,012	N/A
MILAF External Investment pool - MAX	<u>452,770</u>	N/A
Total fair value	<u><u>\$ 1,337,782</u></u>	

As of June 30, 2022, the District had a book and market value of \$1,337,782 invested in MILAF.

Concentration of Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment pool - CMC	\$ 885,012	AAAm	Standard & Poor's
MILAF External Investment pool - MAX	<u>452,770</u>	AAAm	Standard & Poor's
Total fair value	<u><u>\$ 1,337,782</u></u>		

Foreign Currency Risk

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

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

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

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

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

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

	Amortized Cost
MILAF External Investment pool - CMC	\$ 885,012
MILAF External Investment pool - MAX	452,770
	<u>\$ 1,337,782</u>

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

NEW LOTHROP AREA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

At June 30, 2022, the carrying amounts are summarized as follows:

Deposits - including fiduciary funds of \$61	\$ 1,073,625
Petty cash	100
Investments - including fiduciary funds of \$5,397	<u>1,337,782</u>
Total	<u><u>\$ 2,411,507</u></u>

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

Cash and cash equivalents - District-wide	\$ 1,073,664
Cash and cash equivalents - fiduciary funds	61
Investments - fiduciary funds	5,397
Investments - District-wide	<u>1,332,385</u>
Total	<u><u>\$ 2,411,507</u></u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2022 consist of the following:

	<u>Government- wide</u>
State Aid	\$ 1,603,991
Intermediate Sources	55,435
Federal	<u>371,108</u>
Total	<u><u>\$ 2,030,534</u></u>

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

NEW LOTHROP AREA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

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

	As restated Balance July 1, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 56,000	\$ -	\$ -	\$ 56,000
Construction in progress	467,384	-	(467,384)	-
Subtotal	523,384	-	(467,384)	56,000
Capital assets being depreciated/amortized				
Land improvements	270,786	470,429	-	741,215
Buildings and additions	25,906,131	2,502,829	(53,560)	28,355,400
Right to use - leased equipment	16,097	-	-	16,097
Furniture and equipment	1,930,923	40,184	(31,517)	1,939,590
Right to use - leased transportation equipment	564,220	-	-	564,220
Vehicles	177,233	-	(127,824)	49,409
Total capital assets being depreciated/amortized	28,865,390	3,013,442	(212,901)	31,665,931
Less accumulated depreciation/amortization for:				
Land improvements	(164,687)	(10,401)	-	(175,088)
Buildings and additions	(9,533,794)	(565,192)	21,424	(10,077,562)
Right to use - leased equipment	-	(16,097)	-	(16,097)
Furniture and equipment	(1,553,804)	(82,105)	26,358	(1,609,551)
Right to use - leased transportation equipment	-	(113,717)	-	(113,717)
Vehicles	(153,233)	(6,000)	127,824	(31,409)
Total accumulated depreciation/amortization	(11,405,518)	(793,512)	175,606	(12,023,424)
Total capital assets being depreciated/amortized	16,879,555	2,219,930	(37,295)	19,642,507
Capital assets, net	\$ 17,402,939	\$ 2,219,930	\$ (504,679)	\$ 19,698,507

Depreciation/amortization for the fiscal year ended June 30, 2022 amounted to \$793,512 and is reported as unallocated depreciation/amortization on the statement of activities. The District has determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

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

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

During the current year the District was issued a state aid anticipation note in the amount of \$700,000 which had an interest rate of 0.39%. Proceeds of the note were used to fund school operations. The note was secured by the full faith and credit of the District as well as pledged state aid. In an event of the unavailability or insufficiency of state school aid for any reason, the note is payable from tax levies within the District's constitutional and statutory limitations or from unencumbered funds. Activity for the year ended June 30, 2022, including accrued interest, is as follows:

<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2022</u>
<u>\$ 965,675</u>	<u>\$ 702,745</u>	<u>\$ (965,675)</u>	<u>\$ 702,745</u>

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2022:

	<u>As Restated Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>	<u>Amounts Due Within One Year</u>
General obligation bonds	\$ 19,513,583	\$ -	\$ 787,257	\$ 18,726,326	\$ 770,000
Direct borrowings and direct placements					
School Loan Revolving					
Fund, including interest	9,474	103,119	-	112,593	-
Lease liabilities	580,317	-	129,814	450,503	146,797
Compensated absences	112,438	-	12,308	100,130	100,130
	<u>\$ 20,215,812</u>	<u>\$ 103,119</u>	<u>\$ 929,379</u>	<u>\$ 19,389,552</u>	<u>\$ 1,016,927</u>

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

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2022 is comprised of the following issues:

General Obligation Bonds

\$8,570,000 2014 Refunding bonds dated November 12, 2014, due in annual principal installments ranging from \$600,000 to \$635,000 from May 1, 2022 through May 1, 2035, with interest of 3.50% to 4.00%, payable semi-annually.	\$ 7,960,000
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\$760,000 2013 School technology bonds dated June 26, 2013, due in annual principal installments of \$85,000 through May 1, 2023, with interest of 2.35%, payable semi-annually.	85,000
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\$3,095,000 2019 School building and site bonds dated August 1, 2019, due in annual principal installments ranging from \$25,000 to \$235,000 through May 1, 2049, with interest of 4.00% to 5.00%, payable semi-annually.	3,020,000
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\$4,135,000 2021 Refunding bonds dated May 12, 2021, due in annual principal installments ranging from \$55,000 to \$580,000 through May 1, 2034, with interest of 0.90% to 2.40%, payable semi-annually.	4,135,000
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\$2,400,000 2021 building and site bonds dated May 12, 2021, due in annual principal installments ranging from \$25,000 to \$120,000 through May 1, 2051, with interest of 1.00% to 4.00%, payable semi-annually.	2,400,000
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Plus issuance premiums	1,126,326
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Total general obligation bonds	18,726,326
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Direct Borrowings and Direct Placements

Borrowing from the State of Michigan under the School Loan Revolving Fund, excluding interest at 1.19% at June 30, 2022.	112,593
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Lease agreements due in annual installments ranging from \$13,733 to \$202,000, interest ranging from 2.7% to 2.8%, expiring at various times through 2025.	450,503
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Total direct borrowings and direct placements	563,096
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Total general obligation bonds and direct borrowings and direct placements	19,289,422
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Compensated absences	100,130
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Total long-term obligations	\$ 19,389,552
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NEW LOTHROP AREA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2022, are as follows:

Year Ending June 30,	General Obligation Bonds		Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2023	\$ 770,000	\$ 589,290	\$ 146,797	\$ -	\$ -	\$ 1,506,087
2024	735,000	560,142	228,896	-	-	1,524,038
2025	795,000	532,947	74,810	-	-	1,402,757
2026	855,000	505,212	-	-	-	1,360,212
2027	920,000	476,642	-	-	-	1,396,642
2028-2032	5,675,000	1,899,992	-	-	-	7,574,992
2033-2037	3,805,000	1,024,798	-	-	-	4,829,798
2038-2042	1,435,000	677,800	-	-	-	2,112,800
2043-2047	1,675,000	390,400	-	-	-	2,065,400
2048-2051	935,000	75,000	-	-	-	1,010,000
	17,600,000	6,732,223	450,503	-	-	24,782,726
Issuance premium	1,126,326	-	-	-	-	1,126,326
School Loan Revolving Fund	-	-	111,110	1,483	-	112,593
Compensated absences	-	-	-	-	100,130	100,130
	<u>\$ 18,726,326</u>	<u>\$ 6,732,223</u>	<u>\$ 561,613</u>	<u>\$ 1,483</u>	<u>\$ 100,130</u>	<u>\$ 26,121,775</u>

Interest on long-term obligations for the year ended June 30, 2022 was approximately \$616,000.

Borrowing from the State of Michigan - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30, 2022 was 1.19%. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 8.49 mills. The school district is required to levy 8.49 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 9.07 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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 MPERS is as follows:

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

Benefits Provided - Pension

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over an 18-year period beginning October 1, 2020 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:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$1,750,000. Of the total pension contributions approximately \$1,724,000 was contributed to fund the Defined Benefit Plan and approximately \$26,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$428,000. Of the total OPEB contributions approximately \$409,000 was contributed to fund the Defined Benefit Plan and approximately \$19,000 was contributed to fund the Defined Contribution Plan.

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

NEW LOTHROP AREA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total pension liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan fiduciary net position	\$ 62,717,060,920	\$ 50,939,496,006
Net pension liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate share	0.05020%	0.04799%
Net pension liability for the district	\$ 11,886,002	\$ 16,483,545

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

For the year ended June 30, 2022, the District recognized pension expense of \$1,510,715.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 184,119	\$ 69,994
Changes of assumptions	749,251	-
Net difference between projected and actual earnings on pension plan investments	-	3,821,311
Changes in proportion and difference between employer contributions and proportionate share of contributions	559,105	12,759
The District's contributions subsequent to the measurement date	<u>1,620,284</u>	<u>-</u>
Total	<u>\$ 3,112,759</u>	<u>\$ 3,904,064</u>

NEW LOTHROP AREA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

\$1,620,284, 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.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (151,831)
2023	(514,584)
2024	(777,214)
2025	(967,960)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-University Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total other postemployment benefit liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	\$ 10,520,015,621	\$ 7,849,636,555
Net other postemployment benefit liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.05146%	0.04939%
Net other postemployment benefit liability for the District	\$ 785,512	\$ 2,645,972

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2022, the District recognized OPEB benefit of \$355,418.

At June 30, 2022, 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	\$ 277,607	\$ 48,118
Differences between expected and actual experience	-	2,242,188
Changes of assumptions	656,649	98,259
Net differences between projected and actual plan investment earnings	-	592,054
Reporting Unit's contributions subsequent to the measurement date	366,028	-
	<u>\$ 1,300,284</u>	<u>\$ 2,980,619</u>

\$366,028, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (530,791)
2023	(491,650)
2024	(458,954)
2025	(412,926)
2026	(134,410)
2027	(17,632)

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment Rate of Return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.40%
International Equity Pools	15.00%	7.50%
Private Equity Pools	16.00%	9.10%
Real Estate and Infrastructure Pools	10.00%	5.40%
Fixed Income Pools	10.50%	-0.70%
Absolute Return Pools	9.00%	2.60%
Real Return/Opportunistic Pools	12.50%	6.10%
Short Term Investment Pools	2.00%	-1.30%
	<u>100.00%</u>	

* Long term rate of return are net of administrative expenses and 2.0% inflation.

Rate of Return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

OPEB Discount Rate - A single discount rate of 6.95% 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 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), 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	<u>\$ 16,993,759</u>	<u>\$ 11,886,002</u>	<u>\$ 7,651,336</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	<u>\$ 1,459,623</u>	<u>\$ 785,512</u>	<u>\$ 213,432</u>

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

	Other Postemployment Benefits		
	Current		
	1% Decrease	Healthcare Cost Trend	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	<u>\$ 191,187</u>	<u>\$ 785,512</u>	<u>\$ 1,454,199</u>

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2021 Annual Comprehensive Financial Report.

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

NOTE 8 - RISK MANAGEMENT

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

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

NOTE 9 - TRANSFERS

During the year, the food service fund transferred \$23,000 to the general fund for indirect cost reimbursement. The general fund transferred \$28,500 to the food service fund for reimbursement of an equipment purchase. The technology capital projects fund and the 2019 bonded capital projects fund transferred \$1,707 and \$96,117, respectively, to the 2021 bonded capital projects fund for capital asset purchases.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent to year-end, the District borrowed \$800,000 to meet future cash flow needs.

NOTE 11 - CONTINGENT LIABILITIES

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

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

NOTE 12 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2022, the District did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements made by the District.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The restatement of the beginning of year had no impact on net position. The change capital assets and long-term obligations is as follows:

	<u>Capital Assets</u>	<u>Long-term Obligations</u>
Balances as of July 1, 2021, as previously stated	\$ 28,808,457	\$ 19,635,495
Adoption of GASB Statement No. 87	<u>580,317</u>	<u>580,317</u>
Balances as of July 1, 2021, as restated	<u><u>\$ 29,388,774</u></u>	<u><u>\$ 20,215,812</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**NEW LOTHROP AREA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (negative)
REVENUES				
Local sources	\$ 508,894	\$ 525,710	\$ 553,954	\$ 28,244
State sources	8,495,323	9,111,137	9,163,887	52,750
Federal sources	70,344	766,642	801,485	34,843
TOTAL REVENUES	9,074,561	10,403,489	10,519,326	115,837
EXPENDITURES				
Current				
Instruction				
Basic programs	5,059,079	5,518,481	5,528,175	(9,694)
Added needs	924,144	928,584	933,254	(4,670)
TOTAL INSTRUCTION	5,983,223	6,447,065	6,461,429	(14,364)
Supporting services				
Student services	303,493	435,062	465,112	(30,050)
Instructional staff	73,871	88,881	83,415	5,466
General administration	431,271	427,499	421,962	5,537
School administration	436,232	450,231	460,248	(10,017)
Business	194,727	199,485	187,246	12,239
Operations and maintenance	794,908	1,261,046	1,254,212	6,834
Transportation	290,051	308,144	296,329	11,815
Other supporting services				
Technology	314,944	270,739	246,461	24,278
Athletics	333,204	338,554	348,085	(9,531)
TOTAL SUPPORTING SERVICES	3,172,701	3,779,641	3,763,070	16,571
Debt service				
Principal repayment	113,717	129,814	129,814	-
TOTAL EXPENDITURES	9,269,641	10,356,520	10,354,313	2,207
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(195,080)	46,969	165,013	118,044
OTHER FINANCING SOURCES				
Transfers Out	-	-	(28,500)	28,500
Transfers In	21,000	23,000	23,000	-
TOTAL OTHER FINANCING SOURCES (USES)	21,000	23,000	(5,500)	28,500
NET CHANGE IN FUND BALANCE	\$ (174,080)	\$ 69,969	159,513	\$ 146,544
FUND BALANCE, beginning of year			1,090,247	
FUND BALANCE, end of year			\$ 1,249,760	

**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)**

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

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

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

	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily required contributions	\$ 872,329	\$ 1,041,875	\$ 1,226,671	\$ 1,126,094	\$ 1,194,435	\$ 1,294,176	\$ 1,479,489	\$ 1,724,048
Contributions in relation to statutorily required contributions	872,329	1,041,875	1,226,671	1,126,094	1,194,435	1,294,176	1,479,489	1,724,048
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting Unit's covered employee payroll	\$ 3,749,768	\$ 3,881,147	\$ 4,159,848	\$ 3,966,267	\$ 3,966,267	\$ 4,366,483	\$ 4,529,049	\$ 4,824,751
Contributions as a percentage of covered-employee payroll	23.26%	26.84%	29.49%	28.39%	30.11%	29.64%	32.67%	35.73%

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

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

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

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

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

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

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

**NEW LOTHROP AREA PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions – there were no changes of assumptions in 2021.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - the assumption changes for 2021 were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

ADDITIONAL SUPPLEMENTARY INFORMATION

**NEW LOTHROP AREA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
JUNE 30, 2022**

	Special Revenue		Capital Projects		
	Food Service	Student/ School Activities	Technology Capital Projects	General Capital Projects	2019 Bonded Construction
ASSETS					
Cash and cash equivalents	\$ 184,730	\$ 46,094	\$ -	\$ -	\$ -
Investments	-	67,791	1,707	1,015	43,680
Due from other governmental units	27,459	-	-	-	-
Inventories	7,288	-	-	-	-
TOTAL ASSETS	\$ 219,477	\$ 113,885	\$ 1,707	\$ 1,015	\$ 43,680
LIABILITIES					
Accounts payable	\$ 98	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	1,707	-	-
Accrued retirement	15,136	-	-	-	-
TOTAL LIABILITIES	15,234	-	1,707	-	-
FUND BALANCES					
Nonspendable					
Inventories	7,288	-	-	-	-
Restricted					
Debt service	-	-	-	-	-
Food service	196,955	-	-	-	-
Capital projects	-	-	-	-	-
Committed					
Capital projects	-	-	-	1,015	43,680
Student/school activities	-	113,885	-	-	-
TOTAL FUND BALANCES	204,243	113,885	-	1,015	43,680
TOTAL LIABILITIES AND FUND BALANCES	\$ 219,477	\$ 113,885	\$ 1,707	\$ 1,015	\$ 43,680

Capital Projects		Debt Service				Total
Sinking Fund	2013 Technology Bond	2014-2015 Refunding Debt	2019 Bonded Construction Debt	2021 SBLF Refunding Debt	2021 Bonded Construction Debt	
\$ 402,616	\$ 13,813	\$ 137,073	\$ 83,311	\$ 117,921	\$ 28,511	\$ 1,014,069
30,693	-	244	-	2,119	-	147,249
-	-	-	-	-	-	27,459
-	-	-	-	-	-	7,288
<u>\$ 433,309</u>	<u>\$ 13,813</u>	<u>\$ 137,317</u>	<u>\$ 83,311</u>	<u>\$ 120,040</u>	<u>\$ 28,511</u>	<u>\$ 1,196,065</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98
-	9,900	-	-	5	5	11,617
-	-	-	-	-	-	15,136
-	9,900	-	-	5	5	26,851
-	-	-	-	-	-	7,288
-	3,913	137,317	83,311	120,035	28,506	373,082
-	-	-	-	-	-	196,955
433,309	-	-	-	-	-	433,309
-	-	-	-	-	-	44,695
-	-	-	-	-	-	113,885
<u>433,309</u>	<u>3,913</u>	<u>137,317</u>	<u>83,311</u>	<u>120,035</u>	<u>28,506</u>	<u>1,169,214</u>
<u>\$ 433,309</u>	<u>\$ 13,813</u>	<u>\$ 137,317</u>	<u>\$ 83,311</u>	<u>\$ 120,040</u>	<u>\$ 28,511</u>	<u>\$ 1,196,065</u>

**NEW LOTHROP AREA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022**

	Special Revenue		Capital Projects		
	Food Service	Student/ School Activities	Technology Capital Projects	General Capital Projects	2019 Bonded Construction
REVENUES					
Local sources	\$ 59,382	\$ 232,780	\$ 7	\$ 2	\$ 87
State sources	22,545	-	-	-	-
Federal sources	608,826	-	-	-	-
TOTAL REVENUES	690,753	232,780	7	2	87
EXPENDITURES					
Current					
Food service	519,041	-	-	-	-
Student activities	-	208,162	-	-	-
Capital outlay	-	-	-	-	44,623
Debt service					
Principal retirement	-	-	-	-	-
Interest and other	-	-	450	-	-
TOTAL EXPENDITURES	519,041	208,162	450	-	44,623
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	171,712	24,618	(443)	2	(44,536)
OTHER FINANCING SOURCES (USES)					
Transfers in	28,500	-	-	-	-
Transfers out	(23,000)	-	(1,707)	-	(96,117)
School loan revolving fund issuance	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	5,500	-	(1,707)	-	(96,117)
NET CHANGE IN FUND BALANCES	177,212	24,618	(2,150)	2	(140,653)
FUND BALANCES					
Beginning of year	27,031	89,267	2,150	1,013	184,333
End of year	\$ 204,243	\$ 113,885	\$ -	\$ 1,015	\$ 43,680

Capital Projects		Debt Service				
Sinking Fund	2013 Technology Bond	2014-2015 Refunding Debt	2019 Bonded Construction Debt	2021 SBLF Refunding Debt	2021 Bonded Construction Debt	Total
\$ 187,757	\$ 87,304	\$ 884,915	\$ 140,046	\$ 158,210	\$ 96,456	\$ 1,846,946
-	-	-	-	-	-	22,545
-	-	-	-	-	-	608,826
187,757	87,304	884,915	140,046	158,210	96,456	2,478,317
-	-	-	-	-	-	519,041
-	-	-	-	-	-	208,162
-	-	-	-	-	-	44,623
-	85,000	610,000	25,000	-	-	720,000
-	4,172	340,368	124,333	78,377	67,950	615,650
-	89,172	950,368	149,333	78,377	67,950	2,107,476
187,757	(1,868)	(65,453)	(9,287)	79,833	28,506	370,841
-	-	-	-	-	-	28,500
-	-	-	-	-	-	(120,824)
-	-	64,089	-	37,586	-	101,675
-	-	64,089	-	37,586	-	9,351
187,757	(1,868)	(1,364)	(9,287)	117,419	28,506	380,192
245,552	5,781	138,681	92,598	2,616	-	789,022
\$ 433,309	\$ 3,913	\$ 137,317	\$ 83,311	\$ 120,035	\$ 28,506	\$ 1,169,214

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

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2022
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (donated foods)								
Entitlement Donated Foods	10.555	N/A	\$ 30,718	\$ -	\$ -	\$ 25,248	\$ 25,248	\$ -
Cash Assistance								
COVID-19 - National School Lunch Program	10.555	211961	47,877	-	-	47,877	47,877	-
COVID-19 - National School Lunch Program	10.555	221961	344,606	-	-	344,606	344,606	-
COVID-19 - National School Lunch Program	10.555	211965	1,778	-	-	1,778	1,778	-
COVID-19 - National School Lunch Program	10.555	220910	21,057	-	-	21,057	21,057	-
COVID-19 - National School Lunch Program	10.555	221980	4,567	-	-	4,567	4,567	-
Total ALN 10.555			419,885	-	-	419,885	419,885	-
COVID-19 - School Breakfast Program	10.553	221971	104,819	-	16,958	104,819	104,819	-
COVID-19 - Summer Food Service Program for Children	10.559	210904	287,167	-	253,907	33,260	33,260	-
Total cash assistance			811,871	-	270,865	557,964	557,964	-
Total Child Nutrition Cluster			842,589	-	270,865	583,212	583,212	-
COVID-19 - Pandemic EBT Local Level Costs	10.649	210980	614	-	-	614	614	-
Food Equipment Assistance Grant	10.579	201991	25,000	-	-	25,000	-	25,000
Total U.S. Department of Agriculture			868,203	-	270,865	608,826	583,826	25,000

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

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2022
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	211530-2021	\$ 51,154	\$ 13,730	\$ 51,154	\$ -	\$ 13,730	\$ -
Title I Grants to Local Educational Agencies	84.010	221530-2122	50,905	-	-	50,755	37,746	13,009
Total ALN 84.010			102,059	13,730	51,154	50,755	51,476	13,009
Supporting Effective Instruction State Grants	84.367	210520-2021	13,627	3,784	13,627	-	3,784	-
Supporting Effective Instruction State Grants	84.367	220520-2122	15,302	-	-	15,302	13,246	2,056
Total ALN 84.367			28,929	3,784	13,627	15,302	17,030	2,056
Student Support and Academic Enrichment	84.424	210750-2021	10,000	-	-	10,000	10,000	-
Education Stabilization Fund								
COVID-19 Governor's Emergency Education Relief Funds (GEER II Teacher and Support Staff Payments)	84.425C	211202-2122	15,250	-	-	14,500	14,500	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	177,470	-	-	177,470	-	177,470
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Program K-8)	84.425D	213722-2122	53,900	-	-	30,804	30,804	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Credit Recovery 9-12)	84.425D	213742-2122	9,350	-	-	9,350	9,350	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Benchmark Assessment)	84.425D	213762-2122	7,387	-	-	7,387	-	7,387
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	398,856	-	-	264,996	119,805	145,191
Total ALN 84.425 and Education Stabilization Fund			662,213	-	-	504,507	174,459	330,048
Total U.S. Department of Education			803,201	17,514	64,781	580,564	252,965	345,113

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

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2022
<u>U.S. Department of Health and Human Services</u>								
Passed through Shiawassee Intermediate School District Medicaid Cluster								
Medical Assistance Program	93.778	N/A	\$ 4,256	\$ -	\$ -	\$ 4,256	\$ 4,256	\$ -
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	HRA2002	26,874	-	-	26,874	26,874	-
Passed through United Way								
COVID-19 - Child Care and Development Block Grant	93.575	N/A	995	-	-	995	-	995
Total U.S. Department of Health and Human Services			32,125	-	-	32,125	31,130	995
<u>Federal Emergency Management Agency</u>								
Passed through Michigan State Police								
Emergency Management and Homeland Security Division								
COVID-19 - Public Assistance Grant Program	97.036	N/A	19,921	-	-	19,921	19,921	-
TOTAL FEDERAL AWARDS			\$ 1,723,450	\$ 17,514	\$ 335,646	\$ 1,241,436	\$ 887,842	\$ 371,108

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of New Lothrop Area Publics Schools under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of New Lothrop Area Publics Schools, it is not intended to and does not present the financial position or change in net position of New Lothrop Area Publics Schools.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3 - RECONILIATION WITH AUDITED FINANCIAL STATEMENTS

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

General fund	\$ 801,485
Other nonmajor governmental funds	<u>608,826</u>
Total federal revenue in the fund financial statements	1,410,311
Less: Federal assistance funding not subject to single audit act	<u>(168,875)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 1,241,436</u></u>



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

To the Board of Education
New Lothrop Area Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Lothrop Area Public Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the New Lothrop Area Public Schools' basic financial statements and have issued our report thereon dated September 12, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Manes Costeiran PC

September 12, 2022



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

To the Board of Education
New Lothrop Area Public Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Lothrop Area Public Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each New Lothrop Area Public Schools' major federal programs for the year ended June 30, 2022. New Lothrop Area Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, New Lothrop Area Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of New Lothrop Area Public Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of New Lothrop Area Public Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Maney Costeiran PC

September 12, 2022

**NEW LOTHROP AREA PUBLICS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

_____ Yes X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.556, 10.559 and 10.582	Child Nutrition Cluster

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

\$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**NEW LOTHROP AREA PUBLICS SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

The District was not subject to the single audit act in the previous year.



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September 12, 2022

To the Board of Education
New Lothrop Area Public Schools

In planning and performing our audit of the financial statements of New Lothrop Area Public Schools as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered New Lothrop Area Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated September 12, 2022 on the financial statements of New Lothrop Area Public Schools. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that New Lothrop Area Public Schools develop a plan to spend down the excess by June 30, 2023.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC



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September 12, 2022

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, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by New Lothrop Area Public Schools are described in Note 1 to the financial statements. In the current year, the District adopted new accounting guidance, GASB No. 87, Leases. The application of existing policies was not changed during fiscal year 2022. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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 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 the 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 12, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement 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 the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other 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 other 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 Board of Education and management of New Lothrop Area Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC



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**NEW LOTHROP AREA PUBLIC SCHOOLS
NEW LOTHROP, MICHIGAN**

**2019 AND 2021 BOND ISSUE ACTIVITY
SUMMARY REPORT AND TRANSMITTAL**

In accordance with the requirements of the Bulletin for School District Audits of Bonded Construction Fund and Sinking Funds in Michigan, this report transmits a summary of the activity of the 2019 School Building and Site Bonds, Series I and 2021 School Building and Site Bonds, Series II for the entire period. The activity period was from August 1, 2019, the issue date of the Series I bond through June 30, 2022, the date that constructively all bond proceeds had been spent.

The 2019 and 2021 Capital Project activity was audited annually by the school district's independent auditor. The school district's annual financial reports which include the results of each audit, the annual Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance for the 2019 and 2021 Capital Project Funds are attached to this transmittal.

The activity for the entire period is summarized below:

**NEW LOTHROP AREA PUBLIC SCHOOLS
NEW LOTHROP, MICHIGAN
2019 BONDED CONSTRUCTION AND 2021 BONDED CONSTRUCTION CAPITAL PROJECT FUNDS**

**BALANCE SHEET
JUNE 30, 2019, 2020, 2021, and 2022**

	2019	2020	2021	2022		
	2019 Bonded Construction	2019 Bonded Construction	2019 Bonded Construction	2021 Bonded Construction	2019 Bonded Construction	2021 Bonded Construction
ASSETS						
Assets:						
Investments	\$ -	\$ 2,473,053	\$ 184,333	\$ 2,551,409	\$ 43,680	\$ 169,259
Due from other funds	-	-	-	-	-	1,707
Total assets	<u>\$ -</u>	<u>\$ 2,473,053</u>	<u>\$ 184,333</u>	<u>\$ 2,551,409</u>	<u>\$ 43,680</u>	<u>\$ 170,966</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 43,150	\$ 605,901	\$ -	\$ 465,149	\$ -	\$ 65,223
Due to other funds	-	-	-	9,630	-	-
Fund Balance:						
Restricted for capital project	<u>(43,150)</u>	<u>1,867,152</u>	<u>184,333</u>	<u>2,076,630</u>	<u>43,680</u>	<u>105,743</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 2,473,053</u>	<u>\$ 184,333</u>	<u>\$ 2,551,409</u>	<u>\$ 43,680</u>	<u>\$ 170,966</u>

**NEW LOTHROP AREA PUBLIC SCHOOLS
NEW LOTHROP, MICHIGAN
2019 BONDED CONSTRUCTION AND 2021 BONDED CONSTRUCTION CAPITAL PROJECT FUNDS**

**SUMMARY OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2019, 2020, 2021, and 2022**

	2019	2020	2021		2022	
	2019 Bonded Construction	2019 Bonded Construction	2019 Bonded Construction	2021 Bonded Construction	2019 Bonded Construction	2021 Bonded Construction
Revenues:						
Investment earnings	\$ -	\$ 38,101	\$ 399	\$ 133	\$ 87	\$ 370
Expenditures:						
Capital outlay	43,150	1,497,014	1,683,218	520,035	44,623	2,044,631
Bond issuance costs	-	24,605	-	21,981	-	24,450
Other	-	7,032	-	-	-	-
Total expenditures	43,150	1,528,651	1,683,218	542,016	44,623	2,069,081
Deficiency of revenue under expenditures	(43,150)	(1,490,550)	(1,682,819)	(541,883)	(44,536)	(2,068,711)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	97,824
Transfers out	-	-	-	-	(96,117)	-
Premium on bond issuance	-	305,852	-	218,513	-	-
Proceeds from sale of bonds	-	3,095,000	-	2,400,000	-	-
Net change in fund balance	(43,150)	1,910,302	(1,682,819)	2,076,630	(140,653)	(1,970,887)
Fund balance, beginning of period	-	(43,150)	1,867,152	-	184,333	2,076,630
Fund balance, end of period	<u>\$ (43,150)</u>	<u>\$ 1,867,152</u>	<u>\$ 184,333</u>	<u>\$ 2,076,630</u>	<u>\$ 43,680</u>	<u>\$ 105,743</u>

The above financial information is compiled from the District's annual audited financial statements. The 2019 Bonded Construction and 2021 Bonded Construction capital project funds were included in the scope of the audit as required by the above audit guide. In accordance with the requirements of the above audit guide, the annual financial report included disclosures relating to compliance findings or reportable conditions, when required.


The following items were disclosed in the annual reports:

NONE

TRANSMITTAL CERTIFICATION

This is to certify that to the best of my knowledge and belief, the school district has: engaged an independent auditor to perform annual audits of the above bond fund in accordance with the Bulletin for School District Audits of Bonded Construction Fund and of Sinking Funds in Michigan; the auditor has completed such audits; and the data included on this transmittal is true and correct.

Signed,

<u> 9/30/22</u>	Signature and date
<u>Anthony Berthiaume</u>	Name (print)
<u>Superintendent</u>	Title
<u>New Lothrop Area Public Schools</u>	School District

Checklist for the minimum document to be submitted with the Transmittal (from annual audits for all fiscal years involved in the construction period).

	2019	2020	2021		2022	
	2019 Bonded Construction	2019 Bonded Construction	2019 Bonded Construction	2021 Bonded Construction	2019 Bonded Construction	2021 Bonded Construction
	Page No.	Page No.	Page No.	Page No.	Page No.	Page No.
Opinion on Financial Statements	4 - 6	1 - 3	1 - 3	1 - 3	1 - 3	1 - 3
Bond Compliance Footnote	25	22	22	22	23	23
Bond Balance Sheet	67	15 - 16	15 - 16	15 - 16	61-62	16
Bond Revenue and Expenditure Statement	68	17	17	17	63-64	18
Compliance Letter (for General Purpose Financial Statements)	72 - 73	62 - 63	62 - 63	62 - 63	69-70	69-70
Schedule of Findings and Questioned Costs - Section II (if findings exist)	N/A	N/A	N/A	N/A	N/A	N/A