

Leslie Public Schools

Financial Report
With Supplemental Information

Year Ended June 30, 2025

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WILLIS & JURASEK

CPAs AND CONSULTANTS

Independent Auditors' Report

Board of Education
Leslie Public Schools
Leslie, Michigan

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Leslie Public Schools, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Leslie 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 12 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Leslie 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 Leslie 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, budgetary comparison information, and certain pension and OPEB information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Leslie Public Schools' basic financial statements. The combining nonmajor fund financial statements and schedules of debt are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedules of debt are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2025 (under separate cover), on our consideration of Leslie 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 Leslie 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 Leslie Public Schools' internal control over financial reporting and compliance.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

October 21, 2025

Leslie Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

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

Financial Highlights

- The District's total net position increased by \$5,680,871
- As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was \$5,314,797.
- The General Fund had a net change in fund balance of \$195,859. At the end of the year, the total fund balance for the General Fund was \$3,759,134 or approximately 23% of the total General Fund expenditures.

Using this Annual Report

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

Reporting the District as a Whole

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

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

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

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

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

Leslie Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

Reporting the District's Most Significant Funds

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

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

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

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

Additional Information – The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7-25 of this report.

Leslie Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

Government-Wide Financial Analysis

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

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

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024*</u>
Assets:		
Current assets	\$ 9,094,572	\$ 9,068,624
Non-current assets	18,772,394	16,050,204
Total assets	<u>27,866,966</u>	<u>25,118,828</u>
 Deferred Outflows of Resources	 <u>5,040,469</u>	 <u>6,487,889</u>
 Liabilities:		
Current liabilities	3,779,775	4,046,193
Non-current liabilities	18,338,132	23,038,004
Total liabilities	<u>22,117,907</u>	<u>27,084,197</u>
 Deferred Inflows of Resources	 <u>10,616,299</u>	 <u>8,266,690</u>
 Net Position:		
Invested in capital assets - net of related debt	15,250,438	14,039,067
Restricted	3,873,641	1,490,469
Unrestricted	(18,950,850)	(19,273,706)
Total net position	<u>\$ 173,229</u>	<u>\$ (3,744,170)</u>

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

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

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

Typically, one portion of the District's net position, the *restricted* portion, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these included amounts restricted for student activities, food service activities, and debt service. The *unrestricted* balance of \$(18,950,850), which is a *negative* net position, is negative as a result of the pension liability. The pension liability at fiscal year-end is expected to be amortized over a declining period through 2038.

Leslie Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

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

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

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024*</u>
Revenues:		
Program revenues:		
Charges for services	\$ 685,466	\$ 837,386
Operating grants	6,201,117	7,323,515
General revenues:		
Property taxes	2,999,915	2,884,755
State School Aid	8,971,345	9,048,580
Unrestricted investment earnings	218,129	171,028
Other	69,359	63,023
Total revenues	<u>19,145,331</u>	<u>20,328,287</u>
Expenses:		
Instruction	6,285,944	7,475,395
Support services	4,817,660	5,380,550
Food service	788,270	843,990
Student activities	382,910	565,285
Community service	123,602	101,289
Interest	47,537	28,310
Capital outlay	78,286	-
Depreciation (unallocated)	940,251	925,171
Total expenses	<u>13,464,460</u>	<u>15,319,990</u>
Change in net position	5,680,871	5,008,297
Net position beginning of year	(3,744,170)	(8,752,467)
Adjustments to beginning net position	<u>(1,763,472)</u>	<u>-</u>
Ending net position	<u>\$ 173,229</u>	<u>\$ (3,744,170)</u>

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

The District's net position increased by \$5,680,871 during the current fiscal year. The increase in net position differs from the change in fund balance and a reconciliation appears on page 6.

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

Leslie Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

General Fund Budgeting and Operating Highlights

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

The change between the original and final amended budget for revenues was an increase of \$1,556,205. The District experienced an increase in revenue from multiple sources, including a higher special education county claim and expanded allocations of federal and state grants. These funding streams provided additional support for the District's educational and operational priorities.

The change between the original and final amended budget for expenditures was an increase of \$1,566,188 over the original budget. Expenditures increased in alignment with the additional restricted funds received through federal and state grants. The District also invested in the procurement of two new buses to support student transportation needs.

Overall, actual General Fund revenues were \$221,285 less than the final amended budget, and actual General Fund expenditures were \$488,119 below budget. In total, this produced a favorable budget variance of \$266,834, which represents approximately 0.2% of total expenditures.

Capital Asset and Debt Administration

Capital Assets – At the end of the fiscal year 2025, the School District had \$35,179,305 invested in land and buildings, furniture and equipment, vehicles, and construction in progress. Of this amount, \$19,084,783 in depreciation/amortization has been taken over the years. We currently have a net book value of \$16,094,522.

	<u>2025</u>	<u>2024</u>
Land	\$ 661,357	\$ 661,357
Construction in progress	28,300	675,848
Buildings and improvements	31,350,618	29,892,891
Vehicles	1,506,310	1,200,539
Furniture and equipment	1,544,405	1,306,347
Right to use - SBITAs	88,315	88,315
Total capital assets	35,179,305	33,825,297
Less accumulated depreciation/amortization	<u>(19,084,783)</u>	<u>(18,144,532)</u>
Net capital assets	<u>\$ 16,094,522</u>	<u>\$ 15,680,765</u>

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

Leslie Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

Long-Term Debt – At June 30, 2025, the District had total long-term debt outstanding of \$2,678,759. Long-term debt at fiscal year-end included the following:

	<u>2025</u>	<u>2024</u>
Bonds payable	\$ -	\$ 455,000
Notes and capital leases payable	824,759	1,109,310
Bond premium	-	45,776
Compensated absences	1,854,000	1,836,000
Total long-term debt	<u>\$ 2,678,759</u>	<u>\$ 3,446,086</u>

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

Outlook for the Future

At the time these financial statements were prepared and audited, the District was aware existing circumstances that could significantly affect its financial health in the future:

- The 2025-26 proposed budget was based on the State Aid Foundation allowance increasing from \$9,608 to \$10,000, or an increase of \$392 per student.
- The District continues to project losses in enrollment due to reduced population in the county and state as well as competition from other districts for "Schools of Choice" students. For the 2025-26 school year, the District anticipates the loss of about 52 students from the 2024 fall count.
- In preparing the financial outlook, the District has assumed stable levels of federal and state categorical funding based on prior-year allocations and historical trends. These assumptions include continued support for programs such as Title, National School Lunch and Breakfast Programs, GSRP, at risk and special education funding. The District monitors state and federal legislative developments closely and will adjust its budget and operations as needed should material changes in funding occur.

Requests for Information

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

Central Administration
Leslie Public Schools
4141 Hull Road
Leslie, MI 49251

Leslie Public Schools

Statement of Net Position

June 30, 2025

	Governmental Activities
Assets:	
Cash and investments	\$ 6,373,589
Due from other governmental units	2,510,113
Inventories	17,197
Prepaid expenses	193,673
Net OPEB asset	2,677,872
Capital assets:	
Cost of capital assets	35,179,305
Less: accumulated depreciation/amortization	<u>(19,084,783)</u>
Net capital assets	<u>16,094,522</u>
Total assets	<u>27,866,966</u>
Deferred Outflows of Resources:	
Pension related	4,376,787
OPEB related	<u>663,682</u>
Total deferred outflows of resources	<u>5,040,469</u>
Liabilities:	
Accounts payable and accrued expenses	1,899,645
Unearned revenue	737,272
State aid note payable	1,142,858
Long-term liabilities:	
Due within one year:	
Bonds and notes payable	53,023
Accrued interest	19,325
Compensated absences	359,000
Due in more than one year:	
Bonds and notes payable	771,736
Compensated absences	1,495,000
Net pension liability	<u>15,640,048</u>
Total liabilities	<u>22,117,907</u>
Deferred Inflows of Resources:	
Pension related	6,737,383
OPEB related	<u>3,878,916</u>
Total deferred inflows of resources	<u>10,616,299</u>
Net Position:	
Invested in capital assets, net of related debt	15,250,438
Restricted for:	
Student activities	148,005
Capital projects	1,047,764
Net other post-employment benefits	2,677,872
Unrestricted	<u>(18,950,850)</u>
Total net position	<u>\$ 173,229</u>

See Notes to Financial Statements.

Leslie Public Schools
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position
Primary Government				
Governmental activities:				
Instruction	\$ 6,285,944	\$ -	\$ 3,118,506	\$ (3,167,438)
Support services	4,817,660	85,033	1,152,408	(3,580,219)
Community services	123,602	137,694	371,334	385,426
Food service activities	788,270	94,101	946,548	252,379
Student activities	382,910	368,638	-	(14,272)
Interest on long-term debt	47,537	-	-	(47,537)
Capital outlay	78,286	-	612,321	534,035
Depreciation and amortization	940,251	-	-	(940,251)
Total governmental activities	\$ 13,464,460	\$ 685,466	\$ 6,201,117	(6,577,877)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				1,683,968
Property taxes, levied for debt service				409,612
Property taxes, levied for capital projects				906,335
State aid not restricted to specific purposes				8,971,345
Unrestricted investment earnings				218,129
Other				69,359
Total general revenues				12,258,748
Change in Net Position				5,680,871
Net Position - Beginning of Year				(5,507,642)
Net Position - End of Year				\$ 173,229

See Notes to Financial Statements.

Leslie Public Schools

Balance Sheet
Governmental Funds
June 30, 2025

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and investments	\$ 4,690,138	\$ 1,037,436	\$ 646,015	\$ 6,373,589
Due from other funds	182,907	-	2,930	185,837
Due from other governments	2,438,704	-	71,409	2,510,113
Inventories	-	-	17,197	17,197
Prepaid expenditures	186,311	-	7,362	193,673
Total assets	<u>\$ 7,498,060</u>	<u>\$ 1,037,436</u>	<u>\$ 744,913</u>	<u>\$ 9,280,409</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 327,069	\$ -	\$ 11,248	\$ 338,317
Accrued interest payable	30,620	-	-	30,620
Accrued salaries and related items	1,502,555	-	28,153	1,530,708
Due to other funds	2,930	-	182,907	185,837
Revenue anticipation notes	1,142,858	-	-	1,142,858
Unearned revenue	732,894	-	4,378	737,272
Total liabilities	<u>3,738,926</u>	<u>-</u>	<u>226,686</u>	<u>3,965,612</u>
Fund Balances:				
Nonspendable:				
Inventories	-	-	17,197	17,197
Prepays	186,311	-	7,362	193,673
Restricted:				
Capital projects	-	1,037,436	10,328	1,047,764
Food service	-	-	335,335	335,335
Student activities	-	-	148,005	148,005
Assigned for subsequent year expenditures	161,192	-	-	161,192
Unassigned	3,411,631	-	-	3,411,631
Total fund balances	<u>3,759,134</u>	<u>1,037,436</u>	<u>518,227</u>	<u>5,314,797</u>
Total liabilities and fund balances	<u>\$ 7,498,060</u>	<u>\$ 1,037,436</u>	<u>\$ 744,913</u>	<u>\$ 9,280,409</u>

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

Total Fund Balances - Governmental Funds \$ 5,314,797

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

The cost of capital assets is	\$ 35,179,305	
Accumulated depreciation and amortization is	<u>(19,084,783)</u>	16,094,522

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

Noncurrent assets at year-end consist of:

Net OPEB asset		2,677,872
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Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Notes and capital leases payable	(824,759)	
Compensated absences	(1,854,000)	
Accrued interest on bonds and notes payable	(19,325)	
Net pension liability	<u>(15,640,048)</u>	(18,338,132)

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

Deferred outflows related to net pension liability	4,376,787	
Deferred outflows related to net OPEB asset/liability	663,682	
Deferred inflows related to net pension liability	(6,737,383)	
Deferred inflows related to net OPEB asset/liability	<u>(3,878,916)</u>	<u>(5,575,830)</u>

Total Net Position - Governmental Activities \$ 173,229

Leslie Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2025

	General Fund	Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 2,204,668	\$ 955,362	\$ 897,941	\$ 4,057,971
State sources	12,695,965	-	264,961	12,960,926
Federal sources	446,474	-	662,339	1,108,813
Interdistrict and other	1,154,823	-	-	1,154,823
Total revenues	<u>16,501,930</u>	<u>955,362</u>	<u>1,825,241</u>	<u>19,282,533</u>
Expenditures:				
Instruction	9,178,365	-	-	9,178,365
Support services	6,565,568	-	-	6,565,568
Community services	123,602	-	-	123,602
Food service activities	-	-	945,068	945,068
Student activities	-	-	382,910	382,910
Capital outlay	114,425	846,654	-	961,079
Debt service:				
Principal repayment on debt	284,490	-	455,000	739,490
Interest on debt	75,386	-	18,699	94,085
Total expenditures	<u>16,341,836</u>	<u>846,654</u>	<u>1,801,677</u>	<u>18,990,167</u>
Revenues Over (Under) Expenditures	<u>160,094</u>	<u>108,708</u>	<u>23,564</u>	<u>292,366</u>
Other Financing Sources (Uses):				
Transfers in	60,940	-	25,175	86,115
Transfers out	(25,175)	-	(60,940)	(86,115)
Total other financing sources (uses)	<u>35,765</u>	<u>-</u>	<u>(35,765)</u>	<u>-</u>
Net Changes in Fund Balances	<u>195,859</u>	<u>108,708</u>	<u>(12,201)</u>	<u>292,366</u>
Fund Balances - Beginning of Year	<u>3,563,275</u>	<u>928,728</u>	<u>530,428</u>	<u>5,022,431</u>
Fund Balances - End of Year	<u>\$ 3,759,134</u>	<u>\$ 1,037,436</u>	<u>\$ 518,227</u>	<u>\$ 5,314,797</u>

Leslie Public Schools

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	\$	292,366
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (940,251)	
Capital outlay	<u>1,354,008</u>	413,757

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

Principal payments on long-term debt	739,551	
Amortization of bond premium	45,776	
Amortization of deferred charge on refunding	<u>(12,076)</u>	773,251

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

Change in accrued interest on bonds and notes payable	12,287	
Change in accrued compensated absences	<u>(18,000)</u>	(5,713)

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

Changes in pension related liabilities and deferrals	2,925,603	
Changes in OPEB related assets/liabilities and deferrals	<u>1,281,607</u>	<u>4,207,210</u>

Change in Net Position of Governmental Activities	\$	<u>5,680,871</u>
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Leslie Public Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide and Fund Financial Statements

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

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

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

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

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

Leslie Public Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

District-Wide and Fund Financial Statements (Continued)

Fund-Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay, claims, and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds; issuance of long-term debt and acquisition of lease and SBITA assets are reported as other financing sources.

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

The School District reports the following major governmental funds:

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

Sinking Fund – The Sinking Fund is a Capital Projects Fund and is used to record tax receipts or other revenue and the disbursement of monies specifically designated for the acquisition or construction of capital assets. For the Sinking 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. 2023-1.

Additionally, the government reports the following fund types:

Capital Projects Funds – Capital Projects Funds are used to record tax receipts or other revenue and the disbursement of monies specifically designated for the acquisition or construction of capital assets. The District maintains the Capital Projects Fund and Sinking Fund (a major fund as described above). For the Capital Projects Fund, the District has complied with the applicable provisions of Section 1351a of the Revised School Code.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes (not including expendable trusts or major capital projects). The District maintains the Food Service Fund and the Student Activities Fund.

Debt Funds – Debt funds are used to account for and report financial resources that are restricted to expenditures for principal and interest. The District's debt fund, the 2019 Debt Fund, was used to make the final debt payments on its 2019 general obligation bonds outstanding, see Note 8.

Leslie Public Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue, Assets, Liabilities, and Net Position or Equity

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

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

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

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

For the year ended June 30, 2025, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund – non-primary residence	18.0000
General Fund – commercial personal property	6.0000
Sinking Fund – all taxable values	2.9649
Debt Fund – all taxable values	1.3400

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

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

Leslie Public Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments (Continued) – State statutes authorize the District to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

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

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

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

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

Buildings and additions	20-50 years
Buses and other vehicles	8 years
Equipment and technology	5-20 years
Right-to-use – leased equipment	5 years

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

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

Leslie Public Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

The District monitors changes in circumstances that would require a remeasurement of its lease/SBITA liabilities and remeasures lease/SBITA assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liabilities.

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

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

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

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

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

Leslie Public Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

Defined Benefit Pension Plan – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value. See Note 10 for detailed information.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Related investments are reported at fair value. See Note 10 for detailed information.

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

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

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

Leslie Public Schools
Notes to Financial Statements

Note 2 – Stewardship, Compliance, and Accountability

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplemental information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the General Fund are noted in the required supplemental information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditures functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to fiscal year-end.

Note 3 – Cash and Investments

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

	Governmental Activities
Cash and investments	\$ 6,373,589

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

Deposits (checking, savings accounts, CDs)	\$ 6,373,589
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Investment and Deposit Risk – The District's cash and investments are subject to several types of risk, as noted below.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District requires that financial institutions be evaluated and only those with an acceptable risk level are used for the District's deposits for custodial credit risk. At year-end, the District's deposit balance of approximately \$6,500,000 had approximately \$580,000 of bank deposits that were uninsured and uncollateralized.

Leslie Public Schools
Notes to Financial Statements

Note 3 – Cash and Investments (Continued)

Custodial Credit Risk – Investments – Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk.

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

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

Note 4 – Receivables

Receivables at year-end totaled \$2,510,113 and consist mainly of amounts due from the Michigan Department of Education for State aid and federal grants.

Note 5 – Interfund Receivables, Payables and Transfers

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

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

	Due From:	
	General Fund	Nonmajor Governmental Funds
Due To:		
General Fund	\$ -	\$ 182,907
Nonmajor governmental funds	2,930	
	<u>\$ 2,930</u>	<u>\$ 182,907</u>

For the year ended June 30, 2025, interfund transfers consisted of a transfer of \$60,940 from the Food Service Fund to the General Fund for the payment of indirect costs and a transfer of \$25,175 from the General Fund to the 2019 Debt Fund for debt service.

Leslie Public Schools
Notes to Financial Statements

Note 6 – Capital Assets

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

	Beginning Balance	Additions	Disposals	Year-End Balance
Capital assets not being depreciated/ amortized:				
Land	\$ 661,357	\$ -	\$ -	\$ 661,357
Construction in progress	675,848	28,300	675,848	28,300
Subtotal	<u>1,337,205</u>	<u>28,300</u>	<u>675,848</u>	<u>689,657</u>
Capital assets being depreciated/ amortized:				
Buildings and additions	29,892,891	1,457,727	-	31,350,618
Buses and other vehicles	1,200,539	305,771	-	1,506,310
Equipment and technology	1,306,347	238,058	-	1,544,405
Right-to-use - leased equipment	88,315	-	-	88,315
Subtotal	<u>32,488,092</u>	<u>2,001,556</u>	<u>-</u>	<u>34,489,648</u>
Accumulated depreciation/amortization:				
Buildings and additions	16,501,916	735,055	-	17,236,971
Buses and other vehicles	711,484	96,681	-	808,165
Equipment and technology	913,469	90,852	-	1,004,321
Right-to-use - leased equipment	17,663	17,663	-	35,326
Subtotal	<u>18,144,532</u>	<u>940,251</u>	<u>-</u>	<u>19,084,783</u>
Net capital assets being depreciated/ amortized	<u>14,343,560</u>	<u>1,061,305</u>	<u>-</u>	<u>15,404,865</u>
Net capital assets	<u>\$ 15,680,765</u>	<u>\$ 1,089,605</u>	<u>\$ 675,848</u>	<u>\$ 16,094,522</u>

Depreciation/amortization for the current year totaled \$940,251. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Leslie Public Schools
Notes to Financial Statements

Note 7 – Notes Payable – State Aid Anticipation Notes

The District issued State Aid Anticipation Notes for the school year to allow for needed cash flow prior to receipt of State Aid in the amount of \$2,000,000; \$1,000,000 was borrowed under a set-aside arrangement due in seven increments including interest at 3.33% of \$147,231 per month beginning January, 2025 and ending July, 2025. Another \$1,000,000 was borrowed, with an interest rate of 3.31%, and maturity date of August 20, 2025. The State Aid Anticipation Notes are secured by the full faith and credit of the School District as well as pledged State Aid. At year-end, the outstanding balance totaled \$1,142,858.

The activity related to State Aid Anticipation Notes for the year is as follows:

Balance June 30, 2024	Additions	Payments	Balance June 30, 2025
\$ 1,714,286	\$ 2,000,000	\$ 2,571,428	\$ 1,142,858

For the fiscal year ending June 30, 2026, the School District issued State Aid Anticipation Notes which totaled \$1,350,000. Of the balance, \$550,000 is payable in a set-aside arrangement with monthly payments due beginning March, 2026 and ending July, 2026 and an interest rate of 2.79%. The remaining balance due of \$800,000 has an interest rate of 2.77% and is due August, 2026.

Note 8 – Long-Term Debt

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

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation					
bonds payable	\$ 455,000	\$ -	\$ 455,000	\$ -	\$ -
Notes & leases payable	1,109,310	-	284,551	824,759	53,023
Subtotal - installment debt	1,564,310	-	739,551	824,759	53,023
Bond premium	45,776	-	45,776	-	-
Compensated absences*	1,836,000	18,000	-	1,854,000	359,000
Total long-term debt	\$ 3,446,086	\$ 18,000	\$ 785,327	\$ 2,678,759	\$ 412,023

*See Note 12 regarding change in accounting principle related to compensated absences liabilities.

Leslie Public Schools
Notes to Financial Statements

Note 8 – Long-Term Debt (Continued)

Notes and capital lease payable consists of:

Copier lease payable - due in monthly installments of \$1,732 through July 2028, with an implied interest rate of 8.25%	\$ 59,073
Note payable Independent Bank - building loan, due in annual installments of \$82,300 through December, 2030, with interest of 5.90%	<u>765,686</u>
	<u><u>\$ 824,759</u></u>

Annual debt service requirements to maturity on the above notes and leases payable are as follows:

Notes & Leases Payable			
	Principal	Interest	Total
2026	\$ 53,023	\$ 50,061	\$ 103,084
2027	56,623	46,462	103,085
2028	60,474	42,610	103,084
2029	48,465	39,031	87,496
2030	46,039	36,261	82,300
2031	<u>560,135</u>	<u>33,507</u>	<u>593,642</u>
Total	<u><u>\$ 824,759</u></u>	<u><u>\$ 247,932</u></u>	<u><u>\$ 1,072,691</u></u>

Note 9– Risk Management

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

Leslie Public Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions

Organization

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

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

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

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

Pension Benefits Provided – Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Based on current benefit provisions, new hires can opt between two plans. The first plan, called Pension Plus 2, is a hybrid plan that contains a pension component with a required employee contribution and a flexible and transferrable defined contribution tax deferred investment account component that contains a 50/50 contribution share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. The second option is a Defined Contribution plan under which a participant receives a 4% employer contribution to a tax-deferred 401(k) account and can choose to make employee contributions up to the maximum allowed per IRS regulations to a tax deferred 457 account.

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

Leslie Public Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

OPEB Benefits Provided – Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008 (Basic, MIP-Fixed, and MIP Graded plan members), the subsidy is the maximum allowed by statute.

To limit future liabilities of OPEB, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended. Public Act 300 of 2012 granted all active members of the MPSERS, who earned service credit in the twelve months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability will be amortized over a declining period ending September 30, 2038.

Leslie Public Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

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

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

Employer contributions range from 13.90% to 23.03% for the plan year ended September 30, 2024 and are determined based on employee elections. The District's required and actual contributions to the plan for the year ended September 30, 2024 were \$2,670,888. The District's required and actual pension contributions include an allocation of \$1,291,715 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2024.

OPEB Contributions – OPEB employee contributions in effect for the fiscal year ended September 30, 2024 range from 0% - 3%. Employer contributions range from 0.00% to 8.31% for the plan year ended September 30, 2024 and are determined based on employee elections. Required contributions to the OPEB plan from the District were \$517,114 for the year ended September 30, 2024. The District's required and actual OPEB contributions include an allocation of \$0 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2024.

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

Proportionate Share of School District's Net Pension Liability - At June 30, 2025, the District reported a liability of \$15,640,048 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2023. The District's proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of statutorily required pension contributions from all applicable employers during the measurement period. At September 30, 2024, the District's proportionate share was .06388382 percent, a decrease of .00199931 percent from its proportion measured as of September 30, 2023.

Pension Expense - For the year ended June 30, 2025, the School District recognized pension expense of \$269,899, inclusive of payments to fund the MPSERS UAAL stabilization rate.

Proportionate Share of School District's Net OPEB Asset/Liability - At June 30, 2025, the District reported an asset of \$2,677,872 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024, and the total OPEB asset used to calculate the net OPEB asset/liability was determined by an actuarial valuation rolled forward from September 30, 2023. The District's proportionate share of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of statutorily required OPEB contributions from all applicable employers during the measurement period. At September 30, 2024, the District's proportionate share was .06221247 percent, a decrease of .00309423 percent from its proportion measured as of September 30, 2023.

Leslie Public Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

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

OPEB Expense - For the year ended June 30, 2025, the School District recognized OPEB benefit of \$1,122,981 inclusive of payments to fund the MPSERS UAAL stabilization rate.

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

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>Pension</u>	<u>OPEB</u>	<u>Pension</u>	<u>OPEB</u>
Difference between expected and actual experience	\$ 424,325	\$ -	\$ 169,931	\$ 2,837,727
Changes of assumptions	1,630,568	584,886	1,145,921	67,228
Net difference between projected and actual earnings on pension/OPEB plan investments	-	-	2,984,784	506,952
Changes in proportion and differences between District contributions and proportionate share of contributions	-	17,990	1,750,865	467,009
District contributions subsequent to the measurement date	2,321,894	60,806	685,882	-
Total	<u>\$ 4,376,787</u>	<u>\$ 663,682</u>	<u>\$ 6,737,383</u>	<u>\$ 3,878,916</u>

\$2,321,894 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

\$60,806 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 asset/liability in the year ended June 30, 2026.

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

<u>Year Ended June 30</u>	<u>Pension</u>	<u>OPEB</u>
2026	\$ (1,343,157)	\$ (1,079,137)
2027	(448,648)	(703,532)
2028	(1,364,980)	(631,323)
2029	(839,823)	(524,819)
2030	-	(283,470)
2031	-	(53,759)

Leslie Public Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

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

Payables to the Pension/OPEB Plan - The District reported an accrued pension/OPEB plan payable at June 30, 2025 of \$249,680. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2025 but not yet paid. The District is current on all required pension and OPEB plan payments. Amounts accrued at year-end represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS unfunded actuarial accrued liability (UAAL).

Actuarial Assumptions

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

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

Valuation date	September 30, 2023
Actuarial cost method	Entry age, normal
Asset valuation method	Fair value
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans	6.00%, net of investment expenses
Pension Plus Plan and Plus 2 Plan	6.00%, net of investment expenses
OPEB	6.00%, net of investment expenses
Projected salary increases	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	Pre-65: 7.25% Year 1 graded to 3.50% Year 15 Post-65: 6.50% Year 1 graded to 3.50% Year 15
Cost of living pension adjustments	3.0% annual non-compounded for MIP members
Mortality: Retirees:	PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Mortality: Active Members:	PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Disabled Retirees:	PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions (OPEB) – applies to individuals hired before September 4, 2012:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	Of those opting out 75% of male and 60% of female future retirees who elect coverage are assumed to elect coverage for 1 or more dependents.

Leslie Public Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Additional assumption information includes the following:

- Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension/OPEB asset/liability as of September 30, 2024 is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years – 4.4612 for pension plan employers and 6.2834 for OPEB plan employers.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Plan Assets – The long-term expected rate of return on pension/OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

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

Leslie Public Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

The projection of cash flows used to determine these discount rates assumed that future plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on these assumptions, the pension/OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension/OPEB plan investments was applied to all periods of projected benefits payments to determine the total pension/OPEB liabilities.

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

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
<u>\$22,928,478</u>	<u>\$15,640,048</u>	<u>\$9,571,027</u>

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
<u>(\$2,069,482)</u>	<u>(\$2,677,872)</u>	<u>(\$3,203,890)</u>

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>(\$3,203,896)</u>	<u>(\$2,677,872)</u>	<u>(\$2,113,715)</u>

Leslie Public Schools
Notes to Financial Statements

Note 11 – Federal and State Grants

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

Note 12 – Change in Accounting Principle

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

Note 13 – Adjustments to Beginning Fund Balances/Net Position

The change to beginning net position as a result of adopting GASB Statement No. 101, *Compensated Absences*, is as follows:

	Governmental Activities
Net position, as of July 1, 2024 as originally reported	\$ (3,744,170)
Adoption of GASB Statement No. 101	(1,763,472)
Net position as of July 1, 2024, as restated	<u>\$ (5,507,642)</u>

Required Supplementary Information

Leslie Public Schools
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Local sources	\$ 2,037,813	\$ 2,148,594	\$ 2,204,668	\$ 56,074
State sources	12,337,194	12,961,476	12,695,965	(265,511)
Federal sources	290,339	454,236	446,474	(7,762)
Interdistrict and other	501,664	1,158,909	1,154,823	(4,086)
Total revenues	<u>15,167,010</u>	<u>16,723,215</u>	<u>16,501,930</u>	<u>(221,285)</u>
Expenditures:				
Instruction:				
Basic programs	7,149,550	7,865,430	7,403,296	462,134
Added needs	1,797,480	1,745,131	1,775,069	(29,938)
Support services:				
Pupil	1,016,250	1,111,242	1,095,929	15,313
Instructional staff	505,459	534,923	483,083	51,840
General administration	368,743	376,286	353,193	23,093
School administration	840,357	799,619	799,679	(60)
Business	283,130	304,648	325,245	(20,597)
Operation and maintenance	1,558,536	1,795,450	1,747,291	48,159
Pupil transportation	811,201	1,059,919	961,580	98,339
Central services	325,256	408,107	389,432	18,675
Athletic activities	425,632	434,322	406,676	27,646
Other	8,050	3,460	3,460	-
Community services	115,766	135,986	123,602	12,384
Capital outlay	20,000	114,425	114,425	-
Debt service:				
Principal	30,357	80,357	284,490	(204,133)
Interest and other charges	8,000	60,650	75,386	(14,736)
Total expenditures	<u>15,263,767</u>	<u>16,829,955</u>	<u>16,341,836</u>	<u>488,119</u>
Revenues Over (Under) Expenditures	<u>(96,757)</u>	<u>(106,740)</u>	<u>160,094</u>	<u>266,834</u>
Other Financing Sources (Uses):				
Transfers in	25,000	50,000	60,940	10,940
Transfers out	-	-	(25,175)	(25,175)
Total other financing sources (uses)	<u>25,000</u>	<u>50,000</u>	<u>35,765</u>	<u>(14,235)</u>
Net Changes in Fund Balances	<u>(71,757)</u>	<u>(56,740)</u>	<u>195,859</u>	<u>\$ 252,599</u>
Fund Balances - Beginning of Year	<u>3,563,275</u>	<u>3,563,275</u>	<u>3,563,275</u>	
Fund Balances - End of Year	<u>\$ 3,491,518</u>	<u>\$ 3,506,535</u>	<u>\$ 3,759,134</u>	

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of net pension liability (%)	<u>0.06388%</u>	<u>0.06588%</u>	<u>0.06993%</u>	<u>0.07488%</u>	<u>0.07856%</u>	<u>0.07902%</u>	<u>0.07756%</u>	<u>0.07717%</u>	<u>0.08094%</u>	<u>0.07970%</u>
District's proportionate share of net pension liability	<u>\$ 15,640,048</u>	<u>\$ 21,323,778</u>	<u>\$ 26,299,947</u>	<u>\$ 17,727,678</u>	<u>\$ 26,987,657</u>	<u>\$ 26,169,993</u>	<u>\$ 23,314,845</u>	<u>\$ 19,996,843</u>	<u>\$ 20,193,351</u>	<u>\$ 19,465,630</u>
District's covered-employee payroll	<u>\$ 6,581,049</u>	<u>\$ 6,527,343</u>	<u>\$ 6,771,943</u>	<u>\$ 6,610,195</u>	<u>\$ 6,962,102</u>	<u>\$ 6,950,947</u>	<u>\$ 6,724,376</u>	<u>\$ 6,295,783</u>	<u>\$ 6,959,664</u>	<u>\$ 6,457,949</u>
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>237.65%</u>	<u>326.68%</u>	<u>388.37%</u>	<u>268.19%</u>	<u>387.64%</u>	<u>376.50%</u>	<u>346.72%</u>	<u>317.62%</u>	<u>290.15%</u>	<u>301.42%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>74.44%</u>	<u>65.91%</u>	<u>60.77%</u>	<u>72.60%</u>	<u>59.72%</u>	<u>60.31%</u>	<u>62.36%</u>	<u>64.21%</u>	<u>63.27%</u>	<u>63.17%</u>

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	\$ 2,523,298	\$ 2,652,126	\$ 3,089,927	\$ 2,341,938	\$ 2,229,918	\$ 2,114,147	\$ 2,081,015	\$ 1,914,124	\$ 1,850,621	\$ 1,773,372
Contributions in relation to statutorily required contributions	2,523,298	2,652,126	3,089,927	2,341,938	2,229,918	2,114,147	2,081,015	1,914,124	1,850,621	1,773,372
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,867,792	\$ 6,536,610	\$ 6,504,655	\$ 6,488,035	\$ 6,705,529	\$ 7,017,544	\$ 6,857,345	\$ 6,577,513	\$ 6,578,407	\$ 6,620,123
Contributions as a percentage of covered-employee payroll	36.74%	40.57%	47.50%	36.10%	33.25%	30.13%	30.35%	29.10%	28.13%	26.79%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB (asset) liability (%)	<u>0.06221%</u>	<u>0.06531%</u>	<u>0.06665%</u>	<u>0.07285%</u>	<u>0.07876%</u>	<u>0.07953%</u>	<u>0.07897%</u>	<u>0.07285%</u>
District's proportionate share of net OPEB (asset) liability	<u>\$ (2,677,872)</u>	<u>\$ (369,439)</u>	<u>\$ 1,411,690</u>	<u>\$ 1,111,973</u>	<u>\$ 4,219,395</u>	<u>\$ 5,708,118</u>	<u>\$ 6,277,657</u>	<u>\$ 6,862,401</u>
District's covered-employee payroll	<u>\$ 6,581,049</u>	<u>\$ 6,527,343</u>	<u>\$ 6,771,943</u>	<u>\$ 6,610,195</u>	<u>\$ 6,962,102</u>	<u>\$ 6,950,947</u>	<u>\$ 6,724,376</u>	<u>\$ 6,295,783</u>
District's proportionate share of net OPEB (asset) liability as a percentage of its covered-employee payroll	<u>-40.69%</u>	<u>-5.66%</u>	<u>20.85%</u>	<u>16.82%</u>	<u>60.61%</u>	<u>82.12%</u>	<u>93.36%</u>	<u>109.00%</u>
Plan fiduciary net position as a percentage of total OPEB (asset) liability	<u>143.08%</u>	<u>105.04%</u>	<u>83.09%</u>	<u>87.33%</u>	<u>59.44%</u>	<u>48.46%</u>	<u>42.95%</u>	<u>36.39%</u>

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

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required OPEB contributions	\$ 135,491	\$ 514,488	\$ 566,417	\$ 528,201	\$ 572,512	\$ 584,914	\$ 576,559	\$ 531,612
OPEB contributions in relation to statutorily required contributions	135,491	514,488	566,417	528,201	572,512	584,914	576,559	531,612
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll (OPEB)	\$ 6,867,792	\$ 6,536,610	\$ 6,504,655	\$ 6,488,035	\$ 6,705,529	\$ 7,017,544	\$ 6,857,345	\$ 6,577,513
OPEB contributions as a percentage of covered-employee payroll	1.97%	7.87%	8.71%	8.14%	8.54%	8.34%	8.41%	8.08%

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

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

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

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

The healthcare cost trend rate was adjusted as follows:

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

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

Other Supplementary Information

Leslie Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue		Debt Fund	Capital Projects Fund	
	Food Service Fund	Student Activity Fund	2019 Debt Fund	Capital Projects	Total Nonmajor Governmental Funds
<u>Assets</u>					
Cash and investments	\$ 478,381	\$ 157,306	\$ -	\$ 10,328	\$ 646,015
Due from other funds	2,930	-	-	-	2,930
Due from other governments	71,409	-	-	-	71,409
Inventories	17,197	-	-	-	17,197
Prepaid expenditures	7,362	-	-	-	7,362
Total assets	<u>\$ 577,279</u>	<u>\$ 157,306</u>	<u>\$ -</u>	<u>\$ 10,328</u>	<u>\$ 744,913</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 3,339	\$ 7,909	\$ -	\$ -	\$ 11,248
Accrued salaries and related	28,153	-	-	-	28,153
Due to other funds	181,515	1,392	-	-	182,907
Unearned revenue	4,378	-	-	-	4,378
Total liabilities	<u>217,385</u>	<u>9,301</u>	<u>-</u>	<u>-</u>	<u>226,686</u>
Fund Balances:					
Nonspendable:					
Inventories	17,197	-	-	-	17,197
Prepaid expenses	7,362	-	-	-	7,362
Restricted	335,335	148,005	-	10,328	493,668
Total fund balances	<u>359,894</u>	<u>148,005</u>	<u>-</u>	<u>10,328</u>	<u>518,227</u>
Total liabilities and fund balances	<u>\$ 577,279</u>	<u>\$ 157,306</u>	<u>\$ -</u>	<u>\$ 10,328</u>	<u>\$ 744,913</u>

See Notes to Financial Statements.

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

	Special Revenue		Debt Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service Fund	Student Activity Fund	2019 Debt Fund	Capital Projects	
Revenues:					
Local sources	\$ 100,476	\$ 368,638	\$ 428,827	\$ -	\$ 897,941
State sources	264,961	-	-	-	264,961
Federal sources	662,339	-	-	-	662,339
Total revenues	<u>1,027,776</u>	<u>368,638</u>	<u>428,827</u>	<u>-</u>	<u>1,825,241</u>
Expenditures:					
Food service activities	945,068	-	-	-	945,068
Student activities	-	382,910	-	-	382,910
Debt service:					
Principal	-	-	455,000	-	455,000
Interest and other charges	-	-	18,699	-	18,699
Capital outlay	-	-	-	-	-
Total expenditures	<u>945,068</u>	<u>382,910</u>	<u>473,699</u>	<u>-</u>	<u>1,801,677</u>
Revenues Over (Under) Expenditures	<u>82,708</u>	<u>(14,272)</u>	<u>(44,872)</u>	<u>-</u>	<u>23,564</u>
Other Financing Sources (Uses):					
Transfers in	-	-	25,175	-	25,175
Transfers out	(60,940)	-	-	-	(60,940)
Total other financing sources (uses)	<u>(60,940)</u>	<u>-</u>	<u>25,175</u>	<u>-</u>	<u>(35,765)</u>
Net Changes in Fund Balances	21,768	(14,272)	(19,697)	-	(12,201)
Fund Balances - Beginning of Year	<u>338,126</u>	<u>162,277</u>	<u>19,697</u>	<u>10,328</u>	<u>530,428</u>
Fund Balances - End of Year	<u>\$ 359,894</u>	<u>\$ 148,005</u>	<u>\$ -</u>	<u>\$ 10,328</u>	<u>\$ 518,227</u>

See Notes to Financial Statements.



WILLIS & JURASEK

CPAS AND CONSULTANTS

October 21, 2025

Board of Education
Leslie Public Schools
Leslie, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leslie Public Schools for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Leslie Public Schools are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, for fiscal year 2025 the District changed accounting policies related to recognizing compensated absences by adopting GASB Statement No. 101, *Compensated Absences*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities (see Note 13). There were no other changes to the application of existing policies during the year. We noted no transactions entered into by Leslie Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates were used for the calculation of net pension and other post-employment benefits (OPEB) liabilities and assets as well as related deferred inflows and deferred outflows of resources. This information has been provided by ORS to all school districts participating in the MPSERS pension/OPEB system. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Management has estimated the value of capitalized assets and the related accumulated depreciation. The bulk of the capitalized costs is based upon an appraisal done in a prior year. Related depreciation is based upon estimated consumption using estimated lives and methods to formulate net book value. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Management has also estimated the liability for compensated absences. We have evaluated the key factors and assumptions used to develop the estimated liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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 auditors' 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 October 21, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Leslie Public Schools' financial statements or a determination of the type of auditors' 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 Leslie Public Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule, the Schedules of the District's Proportionate Share of the Net Pension/OPEB Asset/Liability of the MPSERS Plan, and the Schedules of the District's Contributions to the MPSERS Pension/OPEB Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Comments and Recommendations

To improve internal controls, we recommend the following:

- Consider formally closing out Debt Fund.
- Consider cleaning up old outstanding checks.

- Note that there is an excess fund balance in the Food Service Fund; we recommend implementing a plan to spend the balance down to stay within allowable limits.
- A reminder to request federal/State funds soon after spent to ensure reimbursements are received timely.
- Consider amending the capitalization policy to increase the threshold from \$5,000 to a larger amount. We recommend using \$10,000 to match your policy for capitalizing leased assets.

Restriction on Use

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

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.