

Ovid-Elsie Area Schools

Financial Statements

June 30, 2025



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Ovid-Elsie Area Schools
Members of the Board of Education and Administration
June 30, 2025

Members of the Board of Education

Brooke Wooley – President

Sue Kadlek – Vice President

Becky Williams – Secretary

Mary Thompson – Treasurer

Dr. David Huff – Trustee

Joshua Miller – Trustee

Kevin Nash – Trustee

Administration

Wayne Petroejle – Superintendent



Independent Auditors' Report

Management and the Board of Education
Ovid-Elsie Area Schools
Elsie, Michigan

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, based on our audit, 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 Ovid-Elsie Area 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 Ovid-Elsie Area 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.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, during the year ended June 30, 2025, Ovid-Elsie Area Schools adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ovid-Elsie Area 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 Ovid-Elsie Area 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 Ovid-Elsie Area 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, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability (asset), and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ovid-Elsie Area Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, 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 other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2025 on our consideration of Ovid-Elsie Area 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 Ovid-Elsie Area 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 Ovid-Elsie Area Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
October 20, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2025

The management's discussion and analysis section of Ovid Elsie Area Schools (District) annual financial report provides the District's evaluation of its own financial performance during the year ended June 30, 2025. Management's discussion and analysis should be read in conjunction with the District's financial statements immediately following this section.

Using this Annual Report

The District's annual report consists of a series of financial statements and notes related to those statements. Financial statements are organized so the reader can understand the District's financial operations as a whole. *District-wide Financial Statements* provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a long-term view of those finances. Governmental activities statements explain how services were financed in the short-term and explain how remaining funds can be used for future operations. *Fund Financial Statements* examine the District's operations in more detail than the district-wide financial statements.

The District's annual financial report includes the following financial statements and related information:

Management's Discussion and Analysis (MD&A) (required supplementary information)

Basic Financial Statements

District-wide Financial Statements
Fund Financial Statements
Notes to the Financial Statements

Required Supplementary Information

Budgetary Comparison Schedules
Schedule of the District's Proportionate Share of the Net Pension Liability
Schedule of the District's Pension Contributions
Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
Schedule of the District's OPEB Contributions

District-wide Financial Statements

The statement of net position and the statement of activities, which appear first in the financial statements, report information on the financial condition of the District as a result of this year's activities. These statements record all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are recognized regardless of when cash is received or paid.

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2025

The statement of net position and the statement of activities report the governmental activities of the District which encompass all the District's services including instruction, supporting services, and community services. Property taxes, state aid, and state and federal grants finance most of these activities.

The statement of net position and the statement of activities report the District's net position as the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is a measurement of the District's financial health. Over time, increases or decreases in the District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The District's primary goal is to provide services to students, local districts, and constituents. As a result, one must consider many non-financial factors, such as the quality of services provided and the safety of the schools, to assess the overall health of the District.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. However, the District establishes other funds to help it control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain taxes, grants, and other money.

The District's basic services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance District programs. The relationship between governmental activities as reported in the statement of net position and the statement of activities and governmental funds is reported in a reconciliation.

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Financial Position and Results of Operations

Net Position

The statement of net position provides a perspective of the District as a whole and may serve over time as a useful indicator of the District's financial position. Due to the implementation of GASB Statement No. 101, *Compensated Absences*, total net position listed below of (\$17,674,590) was restated as noted in Note 16 to the financial statements. This GASB Statement increased compensated absences previously recorded in 2024 by more than \$534,000. The table below presents a comparative analysis of fiscal year 2025 to fiscal year 2024 prior to the restatement.

	2024	2025
Assets		
Current and other assets	\$ 9,431,379	\$ 12,567,776
Capital assets not being depreciated	-	201,627
Capital assets, net of depreciation	31,876,725	31,017,500
Total assets	41,308,104	43,786,903
Deferred outflows of resources	11,625,603	7,758,248
Liabilities		
Current liabilities	2,599,420	2,433,022
Non-current liabilities	58,662,186	48,597,251
Total liabilities	61,261,606	51,030,273
Deferred inflows of resources	9,346,691	13,164,032
Net Position		
Net investment in capital assets	3,146,708	3,997,410
Restricted	643,201	4,253,984
Unrestricted (deficit)	(21,464,499)	(20,900,548)
Total net position	\$ (17,674,590)	\$ (12,649,154)

By far the most significant portion of the District's net position is the negative unrestricted portion caused by the net pension liability. The District also reports its investment in capital assets (e.g., land, buildings, equipment, etc.). The District uses these capital assets to provide services to students and residents of the community; consequently, these assets are not available for future spending.

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Changes in Net Position

Similar to the statement of net position, the statement of activities reports on the District as a whole. A summary of the District-wide results of operations for the year ended June 30, 2025, is found in the table below, along with a comparison to the year ended June 30, 2024. The cost of the District's governmental activities this year was approximately \$18.1 million. The District experienced a decrease in revenue of roughly \$462,000, related to unrestricted state aid and a decrease in the state aid pupil membership. Expenditures decreased \$2.2 million as a result of staffing changes in the instructional category and budget cuts and savings in support services.

Overall, the District experienced an increase in net position of \$5,560,284.

	2024	2025
Revenues		
Program revenues		
Charges for services	\$ 767,494	\$ 691,787
Operating grants and contributions	8,025,517	7,799,008
General revenues		
Property taxes	3,668,057	3,903,182
State school aid - unrestricted	11,385,340	10,985,871
Other	300,010	304,471
Total revenues	24,146,418	23,684,319
Functions/Program Expenses		
Instruction	10,219,896	8,859,304
Supporting services	8,392,098	7,638,988
Food services	874,617	816,353
Community services	6,380	6,309
Interest on long-term debt	827,668	803,081
Total expenses	20,320,659	18,124,035
Change in net position	\$ 3,825,759	\$ 5,560,284

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Budgetary Analysis

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year. State law allows the budget to be amended to ensure expenditures do not exceed appropriations. Schedules showing that District's original and final budgets compared to amounts actually received and paid are provided on pages 5-1 and 5-2.

Larger than anticipated expenses incurred in School Administration and transportation resulted in over expenditures of \$12,428 and \$14,177 respectively in those categories. In addition, early summer maintenance projects caused the operations and maintenance line item to be over expended by \$70,123. To comply with governmental accounting standards, a new copier lease entered into in late June was recorded, resulted in business operations being \$126,635 over expended.

Capital Assets

At June 30, 2025, as indicated in the table below, the District had \$31 million invested in a broad range of capital assets, including buildings, furniture and equipment, vehicles, land and right to use assets. The values shown are net of applicable accumulated depreciation, i.e. net book value at the end of the year.

	2024	2025
Capital assets not being depreciated - construction in progress	\$ -	\$ 201,627
Building and additions	27,187,120	26,543,244
Site improvements	2,551,544	2,376,128
Equipment and furniture	1,525,484	1,525,672
Vehicles	549,643	445,448
Right to use assets - equipment, furniture and other assets	62,934	127,008
	\$ 31,876,725	\$ 31,219,127

Additional information about the District's capital assets in contained in Note 4 to the financial statements.

Compensated Absences

The District has a compensated absence liability accumulated at June 30, 2025 in the amount of \$897,451. This compares to the balance at June 30, 2024 of \$1,059,207 as restated for GASB Statement No. 101.

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Economic Factors and Next Year's Budget

The District relies on three main sources of revenue: property taxes, state funding, and grants. We budgeted a 3% increase in taxable values for the 2025-26 fiscal year. Originally, we had budgeted for a per pupil foundation allowance of \$10,000, however, at this time, the state has not taken action on the State Aid budget, so it is not known if funding will be provided at that level. In addition, federal funding remains uncertain. 2025-2026 Title 1 funding has been allocated at an amount similar to the previous year. No transfer to the Capital Projects fund is budgeted for 2025-2026, leaving the district vulnerable to financial fluctuations if reserves are not available for high-dollar capital projects.

How the rate of inflation and the increased costs of operating Ovid Elsie Area Schools will financially impact the District remains to be seen. Volatility contributes to the challenging environment where public schools provide a broad range of services with limited and restricted funding – funding that often does not take into consideration the full cost of providing the services. The costs of infrastructure, limits on the capacity of the administration, and difficulty in recruiting and retaining talent continue to stress Ovid Elsie and all schools in Michigan.

Requests for Information

This report is designed to give an overview of the financial condition of Ovid Elsie Area Schools. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Office, 8989 E. Colony Rd, Elsie, MI, 48831.

BASIC FINANCIAL STATEMENTS

Ovid-Elsie Area Schools
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Assets	
Cash	\$ 5,672,692
Accounts receivable	2,927
Due from other governmental units	3,251,437
Inventory	5,300
Prepaid items	97,815
Capital assets not being depreciated	201,627
Capital assets - net of accumulated depreciation	31,017,500
Net OPEB asset	<u>3,537,605</u>
Total assets	<u>43,786,903</u>
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	6,563,961
Deferred amount relating to the net OPEB asset	<u>1,194,287</u>
Total deferred outflows of resources	<u>7,758,248</u>
Liabilities	
Accounts payable	352,120
Accrued expenditures	894,900
Accrued salaries payable	1,062,311
Unearned revenue	123,691
Long-term liabilities	
Net pension liability	20,691,716
Due within one year	3,732,379
Due in more than one year	<u>24,173,156</u>
Total liabilities	<u>51,030,273</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Deferred Inflows of Resources	
Deferred amount on debt refunding	\$ 213,633
Deferred amount relating to the net pension liability	8,030,255
Deferred amount relating to the net OPEB asset	<u>4,920,144</u>
 Total deferred inflows of resources	 <u>13,164,032</u>
 Net Position	
Net investment in capital assets	3,997,410
Restricted for	
Food service	458,781
Debt service	257,598
Net OPEB asset	3,537,605
Unrestricted (deficit)	<u>(20,900,548)</u>
 Total net position	 <u>\$ (12,649,154)</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Statement of Activities
For the Year Ended June 30, 2025

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs					
Governmental activities					
Instruction	\$ 8,859,304	\$ -	\$ 3,795,939	\$ -	\$ (5,063,365)
Supporting services	7,638,988	670,396	3,043,295	-	(3,925,297)
Food services	816,353	21,391	958,814	-	163,852
Community services	6,309	-	960	-	(5,349)
Interest and fiscal charges on long-term debt	803,081	-	-	-	(803,081)
Total governmental activities	<u>\$ 18,124,035</u>	<u>\$ 691,787</u>	<u>\$ 7,799,008</u>	<u>\$ -</u>	<u>(9,633,240)</u>
General revenues					
Property taxes, levied for general purposes					1,084,598
Property taxes, levied for debt service					2,818,584
State aid - unrestricted					10,985,871
Interest and investment earnings					105,724
Other					105,942
Insurance recoveries					92,805
Total general revenues					<u>15,193,524</u>
Change in net position					<u>5,560,284</u>
Net position - beginning					(17,674,590)
Adjustments					<u>(534,848)</u>
Net position - beginning, as restated					<u>(18,209,438)</u>
Net position - ending					<u>\$ (12,649,154)</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Governmental Funds
Balance Sheet
June 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 3,517,780	\$ 348,635	\$ 1,806,277	\$ 5,672,692
Accounts receivable	2,811	-	116	2,927
Due from other funds	100,664	15,083	1,670	117,417
Due from other governmental units	3,245,658	-	5,779	3,251,437
Inventory	-	-	5,300	5,300
Prepaid items	<u>92,220</u>	<u>-</u>	<u>5,595</u>	<u>97,815</u>
Total assets	<u>\$ 6,959,133</u>	<u>\$ 363,718</u>	<u>\$ 1,824,737</u>	<u>\$ 9,147,588</u>
Liabilities				
Accounts payable	\$ 262,567	\$ -	\$ 89,553	\$ 352,120
Due to other funds	15,282	-	102,135	117,417
Accrued expenditures	788,727	-	53	788,780
Accrued salaries payable	1,061,617	-	694	1,062,311
Unearned revenue	<u>123,691</u>	<u>-</u>	<u>-</u>	<u>123,691</u>
Total liabilities	<u>2,251,884</u>	<u>-</u>	<u>192,435</u>	<u>2,444,319</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Governmental Funds
Balance Sheet
June 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Non-spendable				
Inventory	\$ -	\$ -	\$ 5,300	\$ 5,300
Prepaid items	92,220	-	5,595	97,815
Restricted for				
Food service	-	-	447,886	447,886
Debt service	-	363,718	-	363,718
Committed				
Student activities	-	-	383,581	383,581
Installment purchase agreement repayment	806,831	-	-	806,831
Succession costs	125,000	-	-	125,000
Assigned				
Capital projects	-	-	789,940	789,940
Future budgeted expenditures	280,256	-	-	280,256
Unassigned	<u>3,402,942</u>	<u>-</u>	<u>-</u>	<u>3,402,942</u>
 Total fund balances	 <u>4,707,249</u>	 <u>363,718</u>	 <u>1,632,302</u>	 <u>6,703,269</u>
 Total liabilities and fund balances	 <u>\$ 6,959,133</u>	 <u>\$ 363,718</u>	 <u>\$ 1,824,737</u>	 <u>\$ 9,147,588</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2025

Total fund balances for governmental funds	\$ 6,703,269
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	201,627
Capital assets - net of accumulated depreciation	31,017,500
Net OPEB asset is not recorded as an asset in the governmental funds	3,537,605
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from the net pension liability	6,563,961
Deferred outflows of resources resulting from the net OPEB asset	1,194,287
Deferred inflows of resources resulting from debt refunding	(213,633)
Deferred inflows of resources resulting from the net pension liability	(8,030,255)
Deferred inflows of resources resulting from the net OPEB asset	(4,920,144)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(106,120)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(20,691,716)
Compensated absences	(897,451)
Bonds payable	(18,199,326)
School bond loan payable	(7,950,049)
Other loans payable and liabilities	<u>(858,709)</u>
Net position of governmental activities	<u>\$ (12,649,154)</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 1,428,883	\$ 2,702,704	\$ 561,177	\$ 4,692,764
State sources	15,912,230	124,395	258,424	16,295,049
Federal sources	290,175	-	700,390	990,565
Interdistrict sources	1,613,136	-	-	1,613,136
	<u>19,244,424</u>	<u>2,827,099</u>	<u>1,519,991</u>	<u>23,591,514</u>
Total revenues				
Expenditures				
Current				
Education				
Instruction	10,282,422	-	-	10,282,422
Supporting services	8,380,413	-	486,359	8,866,772
Food services	-	-	955,873	955,873
Community services	6,309	-	-	6,309
Capital outlay	245,752	-	282,779	528,531
Debt service				
Principal	146,005	3,295,000	-	3,441,005
Interest and other expenditures	24,064	747,246	-	771,310
	<u>19,084,965</u>	<u>4,042,246</u>	<u>1,725,011</u>	<u>24,852,222</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>159,459</u>	<u>(1,215,147)</u>	<u>(205,020)</u>	<u>(1,260,708)</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from school loan revolving fund	\$ -	\$ 1,284,649	\$ -	\$ 1,284,649
Proceeds from issuance of leases	120,160	-	-	120,160
Insurance recoveries	92,805	-	-	92,805
Transfers in	47,810	-	200,000	247,810
Transfers out	<u>(200,000)</u>	<u>-</u>	<u>(47,810)</u>	<u>(247,810)</u>
 Total other financing sources (uses)	 <u>60,775</u>	 <u>1,284,649</u>	 <u>152,190</u>	 <u>1,497,614</u>
 Net change in fund balances	 220,234	 69,502	 (52,830)	 236,906
 Fund balances - beginning	 <u>4,487,015</u>	 <u>294,216</u>	 <u>1,685,132</u>	 <u>6,466,363</u>
 Fund balances - ending	 <u>\$ 4,707,249</u>	 <u>\$ 363,718</u>	 <u>\$ 1,632,302</u>	 <u>\$ 6,703,269</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Net change in fund balances - Total governmental funds	\$ 236,906
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation and amortization expense	(1,456,358)
Capital outlay	798,760
Expenses are recorded when incurred in the statement of activities.	
Interest	(279,529)
Compensated absences	161,756
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	8,494,216
Net change in deferrals of resources related to the net pension liability	(6,111,890)
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB changes. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB asset	3,048,081
Net change in deferrals of resources related to the net OPEB asset	(1,615,612)
Proceeds from long-term financing liabilities are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(1,404,809)
Repayments of long-term debt	3,441,005
Amortization of premiums	204,952
Amortization of deferred amount on debt refunding	<u>42,806</u>
Change in net position of governmental activities	<u>\$ 5,560,284</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2025

	<u>Private Purpose Trust Funds</u>
Assets	
Cash	\$ <u>85,116</u>
Net Position	
Assets held for scholarships	\$ <u><u>85,116</u></u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ <u>59,627</u>
Deductions	
Scholarships	55,537
Miscellaneous	<u>375</u>
Total deductions	<u>55,912</u>
Change in net position	3,715
Net position - beginning	<u>81,401</u>
Net position - ending	<u><u>\$ 85,116</u></u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2025

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Ovid-Elsie Area Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

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. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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.

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 School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2025

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.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Debt Service Fund – The Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Additionally, the School District reports the following fund types:

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. The School District’s Special Revenue Funds include the Food Service Fund and Student Activities Fund.

Capital Projects Fund - The Capital Projects Fund is used to record transfers from the General Fund or other revenue and the disbursement of invoices specifically for improving school sites, buildings, equipment, and for remodeling and repairs.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Private-Purpose Trust Funds are funds entrusted to the School District for scholarship awards.

Assets, Liabilities and Net Position or Fund Balance

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as “due from/to other funds.” These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2025, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.87950
Commercial personal property	5.87950
Debt Service Funds	7.80000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Clinton and remitted to the School District by May 15.

Investments - Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2025

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. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 - 50 years
Site improvements	10 - 20 years
Equipment and furniture	5 - 10 years
Buses and other vehicles	5 - 8 years
Right to use asset - equipment and furniture	5 years

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually

earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities (assets) in the following year.

Compensated Absences - The School District recognizes a liability for compensated absences that meet the following criteria: (1) the leave is attributable to services already rendered, (2) the leave accumulates and may be carried forward to future periods, and (3) it is more likely than not that the leave will be used or paid. The liability is reported in the government-wide statements. A liability for these amounts is reported in governmental funds as it comes due for payment.

Examples of compensated absences include vacation, sick leave, and personal time off. The liability is measured using the pay rates in effect at the financial statement date, unless a different rate is more likely to be paid. Leave settled through conversion to defined benefit postemployment benefits is excluded from this liability.

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. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2025

Pension - 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 School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions - For purposes of measuring the net OPEB liability (asset), 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 School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

For governmental funds this may include unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease.

Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance - In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned - amounts intended to be used for specific purposes, as determined by the board of education. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2025

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

In the General Fund, the goal of the School District shall be to maintain a minimum unassigned fund balance of no less than 5% of the preceding year's expenditures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization's vulnerabilities due to certain concentrations or constraints.

Upcoming Accounting and Reporting Changes

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization's accountability while also addressing certain application issues. This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. This statement is effective for the year ending June 30, 2026.

The School District is evaluating the impact that the above pronouncements will have on its financial reporting.

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2025

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
School administration	\$ 1,195,931	\$ 1,208,359	\$ 12,428
Business	244,451	371,086	126,635
Operations and maintenance	2,107,342	2,177,465	70,123
Pupil transportation services	1,132,179	1,146,356	14,177
Capital outlay	181,719	245,752	64,033
Debt service	166,590	170,069	3,479

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	<u>\$ 5,672,692</u>	<u>\$ 85,116</u>	<u>\$ 5,757,808</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 3,629,275
Investments in securities, mutual funds, and similar vehicles	<u>2,128,533</u>
Total	<u>\$ 5,757,808</u>

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2025

As of year end, the School District had the following investments:

Investment	Carrying Value	Maturities	Rating	Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
MAX Class	\$2,128,533	< 60 days	AAAm	S&P

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

MILAF + Portfolio - Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the School District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

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

mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk - State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk - The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$3,645,242 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2025

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Construction-in-progress	\$ -	\$ 201,627	\$ -	\$ 201,627
Capital assets being depreciated				
Buildings and additions	\$ 46,172,107	\$ 199,977	\$ -	\$ 46,372,084
Site improvements	3,654,728	-	-	3,654,728
Equipment and furniture	3,114,479	228,554	12,024	3,331,009
Buses and other vehicles	2,403,564	48,442	-	2,452,006
Right to use asset - equipment and furniture	148,115	120,160	132,311	135,964
Total capital assets being depreciated	<u>55,492,993</u>	<u>597,133</u>	<u>144,335</u>	<u>55,945,791</u>
Less accumulated depreciation for				
Buildings and additions	18,984,987	843,853	-	19,828,840
Site improvements	1,103,184	175,416	-	1,278,600
Equipment and furniture	1,588,995	228,366	12,024	1,805,337
Buses and other vehicles	1,853,921	152,637	-	2,006,558
Right to use asset - equipment and furniture	85,181	56,086	132,311	8,956
Total accumulated depreciation	<u>23,616,268</u>	<u>1,456,358</u>	<u>144,335</u>	<u>24,928,291</u>
Net capital assets being depreciated	<u>31,876,725</u>	<u>(859,225)</u>	<u>-</u>	<u>31,017,500</u>
Net capital assets	<u>\$31,876,725</u>	<u>\$ (657,598)</u>	<u>\$ -</u>	<u>\$31,219,127</u>

Depreciation expense of capital assets and amortization expense of right to use assets were charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 742,742
Supporting services	640,798
Food services	72,818
Total governmental activities	<u>\$ 1,456,358</u>

Construction Contracts

At year end, the School District had an uncompleted improvement contract. The remaining commitment on this contract was approximately \$66,887.

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 100,664
Debt Service Fund	General Fund	15,083
Nonmajor Governmental Funds	General Fund	199
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,471
		<u>\$ 117,417</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
Transfers In			
General Fund	\$ -	\$ 47,810	\$ 47,810
Nonmajor Governmental Funds	200,000	-	200,000
	<u>\$ 200,000</u>	<u>\$ 47,810</u>	<u>\$ 247,810</u>

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2025

The transfer from General Fund to the Nonmajor Governmental Funds was made to fund capital improvements in future years. The transfer from the Nonmajor Governmental Funds to the General Fund was made to cover indirect costs related to the food service program.

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 123,691</u>
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Note 8 - Lease Liability

The School District has the following lease liabilities:

Lease	Commencement Date	Termination Date	Payment Frequency	Payment Amount	Interest Rate	Total Lease Liability	Balance at June 30, 2025
Copiers	September 2022	September 2027	Monthly	\$ 307	6.00%	\$ 15,804	\$ 7,724
Copiers	July 2025	July 2030	Monthly	\$ 6,233	58.70%	120,160	<u>120,160</u>
							<u>\$ 127,884</u>

Annual requirements to amortize lease liabilities and related interest are as follows:

Year ending June 30,	Principal	Interest
2026	\$ 8,914	\$ 69,568
2027	13,470	65,011
2028	18,580	57,139
2029	31,336	43,462
2030	55,584	19,214
Total	<u>\$ 127,884</u>	<u>\$ 254,394</u>

Note 9 - 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. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. For the School Loan Revolving Fund, the State may withhold state aid if the School District is in default or apply late charges in an instance of default or fails to appropriately levy debt mills. Other long-term obligations include leases and compensated absences.

Long-term obligation activity is summarized as follows:

	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$20,445,000	\$ -	\$3,295,000	\$17,150,000	\$3,405,000
Premium on bonds	<u>1,254,278</u>	<u>-</u>	<u>204,952</u>	<u>1,049,326</u>	<u>115,615</u>
Total bonds payable	<u>21,699,278</u>	<u>-</u>	<u>3,499,952</u>	<u>18,199,326</u>	<u>3,520,615</u>
Notes from direct borrowings and direct placements					
School Loan Revolving Fund (SLRF)	5,889,746	1,284,649	-	7,174,395	-
Accrued interest (SLRF)	478,317	297,337	-	775,654	-
Installment purchase agreement	<u>835,229</u>	<u>-</u>	<u>104,404</u>	<u>730,825</u>	<u>104,404</u>
Total notes from direct borrowings and direct placements	<u>7,203,292</u>	<u>1,581,986</u>	<u>104,404</u>	<u>8,680,874</u>	<u>104,404</u>
Other liabilities					
Leases	49,325	120,160	41,601	127,884	8,914
Compensated absences	<u>1,059,207</u>	<u>-</u>	<u>161,756</u>	<u>897,451</u>	<u>98,446</u>
Total other liabilities	<u>1,108,532</u>	<u>120,160</u>	<u>203,357</u>	<u>1,025,335</u>	<u>107,360</u>
Total	<u>\$30,011,102</u>	<u>\$1,702,146</u>	<u>\$3,807,713</u>	<u>\$27,905,535</u>	<u>\$3,732,379</u>

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General obligation bonds payable at year end, consist of the following:

2014 Refunding Bonds – dated August 6, 2014, in the amount of \$5,195,000 with interest rate of 4% per annum, matures in 2029. \$ 2,125,000
 Due in annual installments of \$500,000 - \$560,000.

2016 Refunding Bonds – dated January 28, 2016, in the amount of \$7,225,000 with interest rate of 4% per annum, matures in 2032. Due in annual installments of \$1,010,000 - \$1,055,000. 7,225,000

2019 Refunding Bonds - dated August 21, 2019, in the amount of \$7,510,000, bearing interest at rates varying from 2.45% to 2.55% per annum, matures in 2027. Due in annual installments of \$1,610,000 - \$ 1,715,000. 3,325,000

2019 School Building and Site Bonds and Refunding Bonds - dated August 21, 2019, in the amount of \$6,855,000, bearing interest at 4% per annum, matures in 2043. Due in annual installments of \$240,000 - \$255,000. 4,475,000

Total general obligation bonded debt \$ 17,150,000

Future principal and interest requirements for bonded debt and direct borrowings and direct placements are as follows:

Year Ending June 30,	Bonds		Notes from direct borrowings and direct placements	
	Principal	Interest	Principal	Interest
2026	\$ 3,405,000	\$ 636,178	\$ 104,404	\$ 19,002
2027	3,525,000	524,932	104,404	16,287
2028	1,825,000	408,800	104,404	13,573
2029	1,835,000	335,800	104,404	10,858
2030	1,275,000	262,400	104,404	8,143
2031-2035	3,270,000	674,000	208,805	8,143
2036-2040	1,250,000	303,000	-	-
2041-2043	765,000	61,200	-	-
Total	<u>\$17,150,000</u>	<u>\$3,206,310</u>	<u>\$ 730,825</u>	<u>\$ 76,006</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a fund balance of \$363,718 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year in the General Fund and Debt Service Fund were \$24,064 and \$747,246, respectively.

State School Revolving Loan Fund Loan

The State School Revolving Loan Fund Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's bond issues. Since the monies generated by the debt mills levied are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow to meet the debt service requirements. Management of the School District anticipates that as bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

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Compensated Absences

Accrued compensated absences at year end, consist of \$4,510 of vacation hours and \$892,941 in accrued sick time benefits. Compensated absences additions and deductions are reported net. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Note 10 - Net Investment in Capital Assets

The composition of net investment in capital assets was as follows:

Capital assets	
Capital assets not being depreciated	\$ 201,627
Capital assets, net of accumulated depreciation	<u>31,017,500</u>
Total capital assets	<u>31,219,127</u>
Related debt	
General obligation bonds	(17,150,000)
Notes from direct borrowing and direct placements	(8,680,874)
Leases	(127,884)
Unamortized bond premiums	(1,049,326)
Deferred charge on bond refunding	<u>(213,633)</u>
Total related debt	<u>(27,221,717)</u>
Net investment in capital assets	<u>\$ 3,997,410</u>

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District limits its exposure to such claims through its participation in and payments to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary. The terms of the participation agreement with the pool indicate that, should losses of the pool incur in a given coverage period exceed the loss fund and the aggregate

excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The School District's management believes that participation in this pool provides sufficient coverage to protect the School District from any significant adverse financial impact.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2025 or any of the prior 3 years.

Note 12 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the

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general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

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.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued

liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2024.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	23.03%
Member Investment Plan	3.0 - 7.0%	23.03%
Pension Plus	3.0 - 6.4%	19.17%
Pension Plus 2	6.2%	20.10%
Defined Contribution	0.0%	13.90%

Required contributions to the pension plan from the School District were \$3,533,574 for the year ending September 30, 2024.

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

At June 30, 2025, the School District reported a liability of \$20,691,716 for its proportionate share of the MPERS 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 2023. The School District's proportion 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 pension contributions required from all applicable employers during the measurement period. At September 30, 2024, the School District's proportion was 0.0845 percent, which was a decrease of 0.0057 percent from its proportion measured as of September 30, 2023.

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For the plan year ending September 30, 2024, the School District recognized pension expense of \$1,652,675 for the measurement period. For the reporting period ending June 30, 2025, the School District recognized total pension contribution expense of \$3,231,496.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 561,381	\$ (224,818)	\$ 336,563
Changes of assumptions	2,157,234	(1,516,048)	641,186
Net difference between projected and actual earnings on pension plan investments	-	(3,948,856)	(3,948,856)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>871,357</u>	<u>(1,432,849)</u>	<u>(561,492)</u>
Total to be recognized in future	3,589,972	(7,122,571)	(3,532,599)
School District contributions subsequent to the measurement date	<u>2,973,989</u>	<u>(907,684)</u>	<u>2,066,305</u>
Total	<u>\$ 6,563,961</u>	<u>\$ (8,030,255)</u>	<u>\$ (1,466,294)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be

recognized as a reduction of the net pension liability in the year ending June 30, 2026. The School District will offset the contribution expense in the year ended June 30, 2026 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2025	\$ (648,736)
2026	58,471
2027	(1,737,790)
2028	<u>(1,204,544)</u>
	<u>\$ (3,532,599)</u>

Actuarial 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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2023
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:

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- MIP and Basic Plans: 6.00% net of investment expenses
- Pension Plus Plan: 6.00% net of investment expenses
- Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% 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.
 - Active: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension 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 is 4.4612 years.

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 Return on Plan Assets

The long-term expected rate of return on pension 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 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 plan's target asset allocation as of September 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25%	5.3%
Private Equity Pools	16%	9.0%
International Equity	15%	6.5%
Fixed Income Pools	13%	2.2%
Real Estate and Infrastructure Pools	10%	7.1%
Absolute Return Pools	9%	5.2%
Real Return/Opportunistic Pools	10%	6.9%
Short Term Investment Pools	2%	1.4%
	100%	

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

Rate of Return

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

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Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
\$ 30,334,278	\$ 20,691,716	\$ 12,662,428

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 13 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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 with 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 Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. 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 Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Contributions

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

Employer OPEB 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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

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The schedule below summarizes OPEB contribution rates in effect for plan year 2024.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.31%
Personal Healthcare Fund (PHF)	0.0%	7.06%

Required contributions to the OPEB plan from the School District were \$683,134 for the year ended September 30, 2024.

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

At June 30, 2025, the School District reported an asset of \$3,537,605 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 liability or asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2023. The School District's proportion 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 OPEB contributions required from all applicable employers during the measurement period. At September 30, 2024, the School District's proportion was 0.0822 percent, which was a decrease of 0.0043 percent from its proportion measured as of September 30, 2023.

For the plan year ending September 30, 2024, the School District recognized OPEB expense of (\$1,273,667) for the measurement period. For the reporting period ending June 30, 2025, the School District recognized total OPEB contribution expense of \$158,645.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$(3,748,781)	\$(3,748,781)
Changes of assumptions	772,664	(88,811)	683,853
Net difference between projected and actual earnings on OPEB plan investments	-	(669,709)	(669,709)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	362,512	(412,843)	(50,331)
Total to be recognized in future	1,135,176	(4,920,144)	(3,784,968)
School District contributions subsequent to the measurement date	59,111	-	59,111
Total	\$ 1,194,287	\$(4,920,144)	\$(3,725,857)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as an addition to the OPEB asset in the year ended June 30, 2026.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year
 (To Be Recognized in Future OPEB Expenses)

2025	\$(1,200,281)
2026	(734,508)
2027	(690,686)
2028	(693,320)
2029	(394,933)
Thereafter	<u>(71,240)</u>
	<u><u>\$(3,784,968)</u></u>

Actuarial 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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2023
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%

- Healthcare Cost Trend Rate: Pre-65: 7.25% Year 1 graded to 3.5% Year 15; Post-65: 6.50% Year 1 graded to 3.5% Year 15
- 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.
 - Active: PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

- Opt Out Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total OPEB liability or asset 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 is 6.2834.

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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 Return on Plan Assets

The long-term expected rate of return on 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 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 OPEB plan's target asset allocation as of September 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25%	5.3%
Private Equity Pools	16%	9.0%
International Equity	15%	6.5%
Fixed Income Pools	13%	2.0%
Real Estate and Infrastructure Pools	10%	7.1%
Absolute Return Pools	9%	5.2%
Real Return/Opportunistic Pools	10%	6.9%
Short Term Investment Pools	2%	1.4%
	<u>100%</u>	

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

Rate of Return

For the plan year ended September 30, 2024, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 15.45%. 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 OPEB liability or asset. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability or asset.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability or Asset to Changes in the Discount Rate

The following presents the School District's proportionate share of the net OPEB liability or asset calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB liability or asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ (2,733,891)	\$ (3,537,605)	\$ (4,232,502)

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2025

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability or Asset to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability or asset calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability or asset would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ (4,232,509)	\$ (3,537,605)	\$ (2,792,325)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2024 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District

Note 14 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year.

Note 15 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The taxes abated for the General Fund operating millage is considered by the State of Michigan when determining the School District's section 22 funding of the State School Aid Act.

For the fiscal year ended June 30, 2025, the School District's property tax revenues were reduced by \$18,037 under these programs.

There are no significant abatements made by the School District.

Note 16 - Changes Within the Financial Reporting Entity

During the year ended June 30, 2025, the School District restated net position as the result of adopting GASB Statement No. 101, *Compensated Absences*. As a result, the following change was necessary to be made in the financial statements:

	Governmental Activities
Net position at June 30, 2024, as previously reported	\$ (17,674,590)
Adjustments	
Change in beginning compensated absences	(534,848)
Net position at June 30, 2024, as adjusted	\$ (18,209,438)

Ovid-Elsie Area Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 1,325,678	\$ 1,345,550	\$ 1,428,883	\$ 83,333
State sources	15,563,843	16,021,505	15,912,230	(109,275)
Federal sources	424,581	293,320	290,175	(3,145)
Interdistrict sources	<u>1,490,926</u>	<u>1,435,679</u>	<u>1,613,136</u>	<u>177,457</u>
Total revenues	<u>18,805,028</u>	<u>19,096,054</u>	<u>19,244,424</u>	<u>148,370</u>
Expenditures				
Instruction				
Basic programs	7,391,205	7,195,146	7,154,514	(40,632)
Added needs	2,962,954	3,130,031	3,127,908	(2,123)
Supporting services				
Pupil	1,061,999	1,023,798	981,985	(41,813)
Instructional staff	1,652,077	1,483,426	1,427,633	(55,793)
General administration	359,568	459,633	438,047	(21,586)
School administration	1,195,659	1,195,931	1,208,359	12,428
Business	190,500	244,451	371,086	126,635
Operations and maintenance	2,186,628	2,107,342	2,177,465	70,123
Pupil transportation services	1,075,290	1,132,179	1,146,356	14,177
Central	124,330	28,408	27,861	(547)
Athletic activities	499,233	618,483	601,621	(16,862)
Community services	14,195	8,535	6,309	(2,226)
Capital outlay	-	181,719	245,752	64,033
Debt service				
Principal	143,904	143,904	146,005	2,101
Interest and fiscal charges	<u>25,401</u>	<u>22,686</u>	<u>24,064</u>	<u>1,378</u>
Total expenditures	<u>18,882,943</u>	<u>18,975,672</u>	<u>19,084,965</u>	<u>109,293</u>
Excess (deficiency) of revenues over expenditures	<u>(77,915)</u>	<u>120,382</u>	<u>159,459</u>	<u>39,077</u>

Ovid-Elsie Area Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Proceeds from issuance of leases	\$ -	\$ -	\$ 120,160	\$ 120,160
Insurance recoveries	-	92,805	92,805	-
Transfers in	50,000	48,245	47,810	(435)
Transfers out	-	(200,000)	(200,000)	-
	<u>50,000</u>	<u>(58,950)</u>	<u>60,775</u>	<u>119,725</u>
Net change in fund balances	(27,915)	61,432	220,234	158,802
Fund balance - beginning	<u>4,487,015</u>	<u>4,487,015</u>	<u>4,487,015</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,459,100</u>	<u>\$ 4,548,447</u>	<u>\$ 4,707,249</u>	<u>\$ 158,802</u>

Ovid-Elsie Area Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. School District's proportion of the net pension liability (%)	0.08450%	0.09020%	0.08655%	0.08379%	0.08482%	0.08434%	0.08500%	0.08544%	0.08774%	0.08971%
B. School District's proportionate share of the net pension liability	\$ 20,691,716	\$ 29,185,932	\$ 32,550,200	\$ 19,838,158	\$ 29,137,609	\$ 27,929,890	\$ 25,553,097	\$ 22,140,639	\$ 21,889,232	\$ 21,911,049
C. School District's covered payroll	\$ 8,705,431	\$ 8,652,586	\$ 9,110,080	\$ 7,507,083	\$ 7,582,872	\$ 7,366,061	\$ 7,227,139	\$ 7,082,993	\$ 7,321,058	\$ 7,480,824
D. School District's proportionate share of the net pension liability as a percentage of its covered payroll	237.69%	337.31%	357.30%	264.26%	384.26%	379.17%	353.57%	312.59%	298.99%	292.90%
E. Plan fiduciary net position as a percentage of total pension liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2024.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2024.

Ovid-Elsie Area Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. Statutorily required contributions	\$ 3,231,496	\$ 3,249,989	\$ 2,945,791	\$ 2,515,964	\$ 2,331,045	\$ 2,240,470	\$ 2,314,619	\$ 2,003,977	\$ 1,998,729	\$ 1,730,572
B. Contributions in relation to statutorily required contributions	<u>3,231,496</u>	<u>3,249,989</u>	<u>2,945,791</u>	<u>2,515,964</u>	<u>2,331,045</u>	<u>2,240,470</u>	<u>2,314,619</u>	<u>2,003,977</u>	<u>1,998,729</u>	<u>1,730,572</u>
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. School District's covered payroll	\$ 8,760,258	\$ 8,625,340	\$ 8,719,919	\$ 8,682,685	\$ 7,567,177	\$ 7,587,200	\$ 7,321,886	\$ 7,176,523	\$ 7,112,740	\$ 7,359,097
E. Contributions as a percentage of covered payroll	36.89%	37.68%	33.78%	28.98%	30.80%	29.53%	31.61%	27.92%	28.10%	23.52%

Ovid-Elsie Area Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. School District's proportion of the net OPEB liability (asset) (%)	0.082200%	0.086500%	0.093490%	0.082980%	0.085370%	0.084160%	0.084890%	8.540000%		
B. School District's proportionate share of the net OPEB liability (asset)	\$ (3,537,605)	\$ (489,524)	\$ 1,980,308	\$ 1,266,512	\$ 4,573,578	\$ 6,041,109	\$ 6,748,084	\$ 7,562,134		
C. School District's covered payroll	\$ 8,705,431	\$ 8,652,586	\$ 9,110,080	\$ 7,507,083	\$ 7,582,872	\$ 7,366,061	\$ 7,227,139	\$ 7,082,993		
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-40.64%	-5.66%	21.74%	16.87%	60.31%	82.01%	93.37%	106.76%		
E. Plan fiduciary net position as a percentage of total OPEB liability (asset)	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%		

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2024.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2024.

Ovid-Elsie Area Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. Statutorily required contributions	\$ 158,645	\$ 674,099	\$ 712,192	\$ 615,960	\$ 603,171	\$ 577,879	\$ 551,036	\$ 664,836		
B. Contributions in relation to statutorily required contributions	<u>158,645</u>	<u>674,099</u>	<u>712,192</u>	<u>615,960</u>	<u>603,171</u>	<u>577,879</u>	<u>551,036</u>	<u>664,836</u>		
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
D. School District's covered payroll	\$ 8,760,258	\$ 8,625,340	\$ 8,719,919	\$ 8,682,685	\$ 7,567,177	\$ 7,587,200	\$ 7,321,886	\$ 7,176,523		
E. Contributions as a percentage of covered payroll	1.81%	7.82%	8.17%	7.09%	7.97%	7.62%	7.53%	9.26%		

Ovid-Elsie Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service	Student Activities	Capital Projects	
Assets				
Cash	\$ 486,789	\$ 413,596	\$ 905,892	\$ 1,806,277
Accounts receivable	116	-	-	116
Due from other funds	1,471	199	-	1,670
Due from other governmental units	5,779	-	-	5,779
Inventory	5,300	-	-	5,300
Prepaid items	5,595	-	-	5,595
	<u>\$ 505,050</u>	<u>\$ 413,795</u>	<u>\$ 905,892</u>	<u>\$ 1,824,737</u>
Total assets				
Liabilities				
Accounts payable	\$ -	\$ 9,553	\$ 80,000	\$ 89,553
Due to other funds	45,522	20,661	35,952	102,135
Accrued expenditures	53	-	-	53
Accrued salaries payable	694	-	-	694
	<u>46,269</u>	<u>30,214</u>	<u>115,952</u>	<u>192,435</u>
Total liabilities				
Fund Balances				
Non-spendable				
Inventory	5,300	-	-	5,300
Prepaid items	5,595	-	-	5,595
Restricted for				
Food service	447,886	-	-	447,886
Committed	-	383,581	-	383,581
Assigned	-	-	789,940	789,940
	<u>458,781</u>	<u>383,581</u>	<u>789,940</u>	<u>1,632,302</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 505,050</u>	<u>\$ 413,795</u>	<u>\$ 905,892</u>	<u>\$ 1,824,737</u>

Ovid-Elsie Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	<u>Special Revenue Funds</u>		Capital Projects	Total Nonmajor Governmental Funds
	Food Service	Student Activities		
Revenues				
Local sources	\$ 30,737	\$ 510,461	\$ 19,979	\$ 561,177
State sources	258,424	-	-	258,424
Federal sources	700,390	-	-	700,390
	<u>989,551</u>	<u>510,461</u>	<u>19,979</u>	<u>1,519,991</u>
Expenditures				
Current				
Education				
Supporting services	-	486,359	-	486,359
Food services	955,873	-	-	955,873
Capital outlay	-	-	282,779	282,779
	<u>955,873</u>	<u>486,359</u>	<u>282,779</u>	<u>1,725,011</u>
Total expenditures				
	<u>955,873</u>	<u>486,359</u>	<u>282,779</u>	<u>1,725,011</u>
Excess (deficiency) of revenues over expenditures	<u>33,678</u>	<u>24,102</u>	<u>(262,800)</u>	<u>(205,020)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	200,000	200,000
Transfers out	(47,810)	-	-	(47,810)
	<u>(47,810)</u>	<u>-</u>	<u>200,000</u>	<u>152,190</u>
Total other financing sources (uses)				
	<u>(47,810)</u>	<u>-</u>	<u>200,000</u>	<u>152,190</u>
Net change in fund balances	(14,132)	24,102	(62,800)	(52,830)
Fund balances - beginning	<u>472,913</u>	<u>359,479</u>	<u>852,740</u>	<u>1,685,132</u>
Fund balances - ending	<u>\$ 458,781</u>	<u>\$ 383,581</u>	<u>\$ 789,940</u>	<u>\$ 1,632,302</u>

Ovid-Elsie Area Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2025

Year Ending June 30,	2014 School Building and Site Bonds	2016 Refunding Bonds	2019 Refunding Bonds	2019 School Building and Site Bonds	Total
2026	\$ 500,000	\$ 1,055,000	\$ 1,610,000	\$ 240,000	\$ 3,405,000
2027	520,000	1,045,000	1,715,000	245,000	3,525,000
2028	545,000	1,035,000	-	245,000	1,825,000
2029	560,000	1,030,000	-	245,000	1,835,000
2030	-	1,030,000	-	245,000	1,275,000
2031	-	1,020,000	-	245,000	1,265,000
2032	-	1,010,000	-	245,000	1,255,000
2033	-	-	-	250,000	250,000
2034	-	-	-	250,000	250,000
2035	-	-	-	250,000	250,000
2036	-	-	-	250,000	250,000
2037	-	-	-	250,000	250,000
2038	-	-	-	250,000	250,000
2039	-	-	-	250,000	250,000
2040	-	-	-	250,000	250,000
2041	-	-	-	255,000	255,000
2042	-	-	-	255,000	255,000
2043	-	-	-	255,000	255,000
Total	<u>\$ 2,125,000</u>	<u>\$ 7,225,000</u>	<u>\$ 3,325,000</u>	<u>\$ 4,475,000</u>	<u>\$ 17,150,000</u>
Principal payments due the first day of	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	
Interest rate	4.00%	4.00%	2.45% - 2.55%	4.00%	
Original issue	<u>\$ 5,195,000</u>	<u>\$ 7,225,000</u>	<u>\$ 7,510,000</u>	<u>\$ 6,855,000</u>	