LOWELL AREA SCHOOLS
Kent and Ionia Counties, Michigan

Annual Financial Report

For the year ended June 30, 2020

Hungerford Nichols CPAs + Advisors
Where good ideas add up

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INDEPENDENT AUDITOR'S REPORT

October 26, 2020

The Board of Education
Lowell Area Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lowell Area Schools (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lowell Area Schools as of June 30, 2020, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and respective Required Supplementary Information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lowell Area Schools' basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note K to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* for the fiscal year ended June 30, 2020. Our opinion is not modified in respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020 on our consideration of Lowell Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Lowell Area Schools' internal control over financial reporting and compliance.

Hungerford Nichols

Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lowell Area Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

  - *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

  - *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Statements

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position, and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are presented as follows:

Governmental activities: The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

New Accounting Pronouncement Implemented

The District implemented Governmental Accounting Standard Board (GASB) Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2020. This Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. It is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. See Note K for additional details.

Condensed District-wide Financial Information

The Statement of Net Position provides financial information on the District as a whole.

	2020	2019
Assets		
Current assets	$ 33,941,323	$ 11,836,219
Net capital assets	42,946,148	36,779,395
Total Assets	**76,887,471**	**48,615,614**
Deferred Outflows of Resources	**26,959,954**	**25,496,701**
Liabilities		
Current liabilities	8,971,393	8,124,591
Long-term liabilities	72,817,816	44,357,849
Net pension liability	70,774,915	63,276,216
Net OPEB liability	15,537,581	16,936,430
Total Liabilities	**168,101,705**	**132,695,086**
Deferred Inflows of Resources	**8,598,692**	**8,680,673**
Net Position		
Net investment in capital assets	(10,703,315)	(8,920,902)
Restricted	1,615,521	(61,862)
Unrestricted (deficit)	(63,765,178)	(58,280,680)
Total Net Position	**$ (72,852,972)**	**$ (67,263,444)**

The Statement of Activities presents changes in net position for operating results:

	2020	2019
Program Revenues		
Charges for services	$ 1,131,796	$ 1,281,010
Operating grants	11,371,033	10,691,482
General Revenues		
Property taxes	10,248,967	9,875,780
State school aid, unrestricted	26,476,156	26,531,940
Interest and investment earnings	526,196	46,367
Other	1,289,492	22,954
Total Revenues	51,043,640	48,449,533
Expenses		
Instruction	25,770,297	24,874,689
Supporting services	20,780,145	17,160,125
Community services	329,438	478,835
Food service	1,448,819	1,402,613
Other	616,960	67,719
Interest on long-term debt	8,300,169	8,068,012
Total Expenses	57,245,828	52,051,993
Decrease in net position	(6,202,188)	(3,602,460)
Net Position, Beginning of Year, as restated	(66,650,784)	(63,660,984)
Net Position, End of Year	$ (72,852,972)	$ (67,263,444)

Financial Analysis of the District as a Whole

Total expenses exceeded revenues by $6,202,188, decreasing total net position from a deficit of $66,650,784, as restated per Note K of the financial statements, to a deficit of $72,852,972. Unrestricted net assets decreased by $5,484,498 to a deficit of $63,765,178 at June 30, 2020. The District's net pension liability, including deferred outflows and inflows of resources, increased by $5,541,960. The net OPEB liability, including deferred outflows and inflows of resources, decreased by $1,019,063.

The District's financial position is the product of many factors. The state aid foundation increased this year by $240 per pupil. However, in August of 2020, after the school year was closed, the State of Michigan announced a $175 per pupil reduction in funding due to the economic concerns caused by COVID-19. Student enrollment decreased slightly for a second year in a row. Of note, new home construction has significantly increased in the area. It is projected that the District's student population will increase in the upcoming years. The funding increase, combined with retirements in certified staff, replaced at a lessor wage, resulted in a bit of a stabilization for lower student enrollment. In anticipation of this, the District purchased and renovated a vacant parochial school for the purpose of relocating the pre-school program, allowing for projected growth at the elementary level. The funds for this project were approved by the Board of Education to be taken from the General Fund, with full knowledge this action would produce a deficit budget for this fiscal year. Funds had been set aside from previous surplus years for this project. The District continues to use approved sinking fund revenue to address issues that would have been allocated out of general fund dollars. With the passage of a county-wide millage for general operating purposes, the District, minus the one-time pre-school renovation project, continues to show a positive trend of revenues exceeding expenditures. Local property values rose, resulting in a slight Headlee rollback, however increased property values, along with new home construction and local business growth and expansion of facilities, is a good economic sign for the community and District. Overall, the District believes it is quite stable.

The District continues to utilize the School Bond Loan Revolving Fund to meet its bonded debt obligations. In the 2015-16 school year, the District refunded two bond issues, and converted existing School Bond Loan debt into fixed-rate debt. The combined actions will save local tax payers over $3.0 million in interest payments over the remaining period for those bond issues. Although bond debt principal and interest payments have been greater than collections, a property tax increase of just over 4% for 2018, and an increase of just over 4% for 2019 and the final balloon payment for bonded debt ending this year, the District will no longer need to borrow to meet bonded debt obligations. It is anticipated the School Bond Loan will be paid back by the end of the 2026 fiscal year. For the 2020-21 school year, economic concerns and unknown additional costs due to COVID-19, creates an unchartered financial vision for the District. The projected increase in State funding and CARES Act revenues will help stabilize the upcoming year, however early conservative projections leads to an initial budget anticipated to end with a slight deficit for the year. The District has adequate reserves to address a temporary economic downturn, however cost saving measures are being discussed and will be implemented to protect District reserves for the future.

The District's total revenues increased 5.35% to $51.0 million. Property taxes and state aid accounted for most of the District's revenue, contributing 71.9% of the total. Another 24.4% came from state and federal aid for specific programs, and the remainder from fees charged for services, interest earnings and miscellaneous sources.

Per the Statement of Activities, the total cost of all programs and services increased 9.98% to $57.2 million, with expenses remaining stable in all function areas. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students amounting to 50.0% of total costs. The District's administrative and business activities accounted for 6.7% of total costs. Operation and maintenance costs accounted for another 9.1% of total costs.

The District continues to monitor the State economy and District budget and demographics in an attempt to protect academic programs and opportunities during challenging economic times. Regular updates on the budget and District finances were provided to the Board of Education, community groups, staff, and parents.

- At each monthly Board meeting and at the monthly Board workshop meetings, budget information was shared. The Board was kept updated on the changing economy and the impact on the current year budget as well as the impact on the following year budget.

- The District fully complies with the State Transparency Reporting requirements and posts on the District web site all budgetary and other financial information.

- The Superintendent and/or designees continue to communicate throughout the year with parents and community members to share information vital to their understanding of the operations of the District.

- Information is also shared throughout the year through Family Links (parent support groups), the Lowell Area Schools website, a school newsletter distributed to families living within the Lowell community, and monthly to the Lowell Chamber of Commerce.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Lowell Area Schools' funds are described as follows:

Major Funds

<u>General Fund</u>
The General Fund is the District's primary operating fund. The General Fund had total revenues of $40,774,668, and total expenditures of $41,695,443. It ended the fiscal year with a fund balance of $5,133,138, a decrease of $890,775 from the June 30, 2019 balance.

Capital Projects Fund
The 2019 Construction Capital Projects Fund accounts for bond proceeds used to finance voter approved building construction and school improvement projects. During the fiscal year the fund had revenues totaling $498,047, bond proceeds and premium of $26,400,505, and expenditures totaling $5,061,145. The fund balance at year end was $21,837,407.

1990 Debt Service Fund
The 1990 Debt Service Fund is also a major fund. The activity in this fund is included in the discussion of Debt Service Funds, on a combined basis, on the following page.

Nonmajor Funds

Special Revenue Funds
The District operates two Special Revenue Funds. One is for the food service program and the other is for the school/student activities. Total revenues for the Special Revenue Funds were $2,450,345, with total expenditures of $2,267,194, and total other financing uses of $30,000. The ending fund balances in the Special Revenue Funds totaled $1,153,062, up from $999,911, as restated per Note K of the financial statements, at June 30, 2019.

Debt Service Funds
The District operates six Debt Service Funds. One of the Debt Service Funds, the 1990 Debt Service Fund, is shown as one of the Major Funds of the District. Total revenues for the funds were $6,425,626, total other financing sources were $5,209,891 (which included school bond loan proceeds of $4,967,302 and transfers in of $242,589). Total expenditures were $11,400,834, and other financing uses were $242,589. The ending fund balances in the Debt Service Funds totaled $153,776, down from $161,682 at June 30, 2019.

Capital Projects Fund
There is one nonmajor Capital Projects Fund incorporated into the financial statements of the District, the Building and Site (Sinking) Fund. During the fiscal year the fund had revenues totaling $894,954, and expenditures totaling $1,081,554. The ending fund balance was $636,242 at June 30, 2020 down from $822,842 at June 30, 2019.

Fiduciary Funds
The Flexible Benefits Fund and the Scholarship Fund are operated as Trust and Custodial Funds of the District. The assets of these funds are being held for the benefit of the District's students and employees. Balances on hand at June 30, 2020 totaled $1,402,774.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times after the June, 2019 adoption. Amendments were needed due to:

- Changes were adopted in December, 2019 to adjust for student enrollment, staffing adjustments, program adjustments, additional local grant awards, and anticipated revenue/expenditure changes.

- In June, 2020 changes were adopted to account for the final annual adjustments of revenue, general supplies, and expenditures anticipated at fiscal year-end. This did not take into account a State reduction in funding after the close of the fiscal school year.

- The District's final amended budget for the General Fund anticipated that expenditures would exceed revenues by $301,222. The final budget shows expenditures exceeded revenues by $890,775, again primarily due to a proration in State funding that took place after the close of the school fiscal year in August.

- The District budgeted for and anticipated a small deficit budget for this fiscal year. This was due to the purchase of an existing structure to be renovated and utilized as a stand-alone pre-school facility. Renovation went well and the facility was opened for students in January, 2020. The Board of Education authorized the release and un-committing of the set aside reserves for this project.

- In May, 2019, the community approved a $52 million Capital Bond for significant district-wide improvements. Construction began in February, 2020 and is projected to continue until December, 2022.

Capital Asset and Debt Administration

Capital Assets

By the end of 2020, the District had invested $85.5 million in a broad range of capital assets, including land, school buildings, athletic facilities, school buses, and furniture and equipment (More detailed information about capital assets can be found in Note E in the notes to basic financial statements.) Total depreciation expense for the year was $2.12 million.

At June 30, 2020, the District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles, and furniture and equipment was $42.9 million. This represents a net increase of $6.17 million from the previous year-end.

Land	$ 1,441,546
Land improvements	1,366,461
Buildings and additions	32,069,236
Furniture and equipment	1,110,991
Vehicles	1,333,640
Construction in progress	5,624,274
Total Capital Assets	$ 42,946,148

Long-term Obligations

At year end, the District had $76.4 million in general obligation bonds and other long-term debt outstanding – a net increase of $29.8 million from last year.

- The District issues $26.4 million in general obligation bonds and bond premium during the fiscal year.
- The District borrowed $5.5 million from the State School Bond Loan Fund to meet current debt service obligations.
- The District continued to pay down its debt, retiring $2.0 million of outstanding bonds and school bond loan debt.

As of June 30, 2020, the District's outstanding Unlimited Tax General Obligation Bonds have the bond ratings of "Aaa" / "AA" with a negative outlook by Moody's Investors Service and Standard and Poor's, respectively. These bond ratings reflect that the District's Unlimited Tax General Obligation Bonds are fully qualified for the Michigan School Bond Loan Fund Program, a State constitutional credit enhancement program. The underlying bond ratings for such bond issues is "A3" / "A", respectively, without regard to such participation in the Michigan School Bond Loan Fund Program. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. The District's other obligations include early retirement incentive, compensated absences, and accumulated vacation days. We present more detailed information about our long-term liabilities in Note F in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

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

- The voters within the District approved a Building and Sinking Fund Millage in November of 2013. This is a seven (7) year millage collection of one (1) mill annually, adjusted per the Headlee Act, to primarily support the repairs needed with our facilities. These funds have shown the ability to help reduce the growing presssure on the General Fund to make required improvements to roofs and parking areas. Due to competitive pricing, multiple other smaller projects have been able to be incorporated providing longer sustainability to the physical structure of the District. This millage was renewed in 2020, alleviating stress off the General Fund for future years in keeping up with facility improvements.

- State funding for the 2020-21 school year has, at the time of this writing, yet to be decided. It was anticipated School Aid budgets will be available in July. However, the Covid-19 economic impact delayed State budgets beyond that time, resulting in much more speculation as budgets were developed and mandatorily approved by June 30.

- Prior to Covid-19, the economy had shown to be stable, yet it is believed that it was slowing. It is anticipated the State will continue to be cautious with the overall budget and remain conservative in funding growth for schools. Proposals on how to identify resources for road funding at the State budget level have included links to School funding and will be monitored for negative impact on the State School Aid.

- In 2017, Kent County passed a one-mill county-wide millage for a ten-year period. Revenues generated have greatly stabilized a positive outlook for the District's financial picture, subject to significant State Aid reductions. Staffing added was based on targeted areas that could be reduced if this revenue is not renewed in the future.

- In May of 2019, the community approved a $52 million bond for capital improvements. The projects approved include additional classrooms, renovations, HVAC updates/additions, and added athletic facilities that the general fund was not able to support without drastic programming reductions. It is expected that these monies will not increase the current tax levy and will provide the district with capacity for growth. Long-term savings will be seen in utility costs due to some of these upgrades.

- Enrollment projections indicate a stable to a slight upswing in students. Higher than normal new housing start-ups and multi-family units are projected and this growth is being monitored closely to determine the impact of projected student growth to actual student growth. The District is concerned with the impact of closing schools early this school year due to Covid-19 and the impact it may have in families choosing to home-school students for the upcoming school year, thus raising a concern for declining enrollments for the upcoming school year.

- Employee retirement costs paid into the Michigan Public Schools Employee Retirement System (MPSERS), controlled by the State, continues to be a cause for concern into the future. Prior year legislative groups have addressed this unfunded liability, the fact remains there are less people paying into this system and more people receiving benefits each year, as state-wide decline in students have dictated retirees are not replaced locally on a one-to-one basis. For every dollar paid to employees throughout the year, the District pays a percentage into MPSERS. Addressing the unfunded MPSERS liability is necessary; however, it does reduce the overall available funds to all districts, as this funding dedicates a portion of school aid directly to this item.

- The District continues to optimize revenue and reduce expenditures with collaboration and partnerships, whenever possible and financially beneficial. Collaboration and partnerships are used in areas such as special education transportation, regional special education programming, and shared support services for cost effectiveness and revenue opportunities. Collaboration also occurs via the Coca Cola Consortium, pooling for the self-funding of health insurances, and pooling for the self-funding of property/casualty insurances.

- Employment recruitment and retention is a concern. Maintaining quality support staff and substitutes at all positions is becoming difficult, for many reasons. Current wages and benefits cannot match the offerings of private sector employers, uncertainty due to Covid-19 pandemic, and the pool of available, quality workers is diminished. The District is having to increase its total employment wage/benefit package to recruit and retain staff. If the economy does not return to prior year levels, the increased wage/benefit packages may put pressure on future District's budgets, absent State funding growth.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Lowell Area Schools, 300 High Street, Lowell, Michigan 49331 via e-mail utilizing the Contact Us feature on the Lowell Area Schools website at Lowellschools.com. This can be found under the "Our District" heading.

BASIC FINANCIAL STATEMENTS

LOWELL AREA SCHOOLS
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash equivalents and investments (Note B)	$ 27,833,725
Accounts receivable	27,000
Due from other governmental units (Note C)	5,852,746
Inventory	44,691
Prepaid expenses	183,161
Capital assets not being depreciated (Note E)	7,065,820
Capital assets being depreciated, net (Note E)	35,880,328
Total Assets	76,887,471
Deferred Outflows of Resources	
Loss on advance bond refundings, net	444,826
Deferred pension amounts	21,224,095
Deferred OPEB amounts	5,291,033
Total Deferred Outflows of Resources	26,959,954
Liabilities	
Accounts payable	1,508,144
Due to other governmental units	1,230,859
Accrued interest payable	327,559
Salaries payable	2,179,913
Unearned revenue	108,782
Long-term liabilities (Note F):	
Due within one year	3,616,136
Due in more than one year	72,817,816
Net pension liability	70,774,915
Net OPEB liability	15,537,581
Total Liabilities	168,101,705
Deferred Inflows of Resources	
Deferred pension amounts	2,608,796
Deferred OPEB amounts	5,989,896
Total Deferred Inflows of Resources	8,598,692
Net Position	
Net investment in capital assets	(10,703,315)
Restricted for:	
Capital outlay	636,242
Debt service	(173,783)
Food service	549,624
Student/school activities	603,438
Unrestricted (deficit)	(63,765,178)
Total Net Position	$ (72,852,972)

See accompanying notes to basic financial statements.

LOWELL AREA SCHOOLS
Statement of Activities
For the year ended June 30, 2020

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants	
Governmental Activities				
Instruction	$ 25,770,297	$ 118,960	$ 9,504,483	$ (16,146,854)
Supporting services	20,780,145	427,083	877,199	(19,475,863)
Community services	329,438	-	69,357	(260,081)
Food service	1,448,819	585,753	894,693	31,627
Other	616,960	-	-	(616,960)
Interest on long-term debt	8,300,169	-	25,301	(8,274,868)
Total Governmental Activities	$ 57,245,828	$ 1,131,796	$ 11,371,033	(44,742,999)
	General Revenues			
	Taxes:			
	Property taxes, levied for general operations			2,981,781
	Property taxes, levied for debt service			6,380,399
	Property taxes, levied for capital improvements			886,787
	State school aid, unrestricted			26,476,156
	Interest and investment earnings			526,196
	Other			1,289,492
	Total General Revenues			38,540,811
	Change in Net Position			(6,202,188)
	Net Position - Beginning of Year, as restated (Note K)			(66,650,784)
	Net Position - End of Year			$ (72,852,972)

See accompanying notes to basic financial statements.

LOWELL AREA SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	1990 Debt Service	2019 Construction
Assets			
Cash equivalents and investments (Note B)	$ 2,997,214	$ -	$ 22,865,811
Accounts receivable	27,000	-	-
Due from other governmental units	5,795,741	-	-
Inventory	24,575	-	-
Prepaid expenditures	83,161	-	-
Total Assets	$ 8,927,691	$ -	$ 22,865,811
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 337,929	$ -	$ 1,028,404
Due to other governmental units	1,230,284	-	-
Salaries payable	2,179,913	-	-
Unearned revenue	46,427	-	-
Total Liabilities	3,794,553	-	1,028,404
Fund Balances			
Nonspendable	107,736	-	-
Restricted	-	-	21,837,407
Unassigned	5,025,402	-	-
Total Fund Balances	5,133,138	-	21,837,407
Total Liabilities and Fund Balances	$ 8,927,691	$ -	$ 22,865,811

See accompanying notes to basic financial statements.

Nonmajor	Total
$ 1,970,700	$ 27,833,725
-	27,000
57,005	5,852,746
20,116	44,691
100,000	183,161
$ 2,147,821	$ 33,941,323
$ 141,811	$ 1,508,144
575	1,230,859
-	2,179,913
62,355	108,782
204,741	5,027,698
120,116	227,852
1,822,964	23,660,371
-	5,025,402
1,943,080	28,913,625
$ 2,147,821	$ 33,941,323

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LOWELL AREA SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total governmental fund balances		$ 28,913,625
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $85,538,389 and accumulated depreciation is $42,592,241.		42,946,148
Bond refunding losses are not expensed but are amortized over the life of the new bond issue.		444,826
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	$ (50,220,000)	
Bond premium, unamortized	(5,625,753)	
School bond loan fund	(20,085,943)	
Compensated absences	(502,256)	(76,433,952)
Accrued interest is not included as a liability in governmental funds.		(327,559)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(70,774,915)	
Deferred outflows	21,224,095	
Deferred inflows	(2,608,796)	(52,159,616)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(15,537,581)	
Deferred outflows	5,291,033	
Deferred inflows	(5,989,896)	(16,236,444)
Total Net Position - Governmental Activities		$ (72,852,972)

See accompanying notes to basic financial statements.

LOWELL AREA SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2020

	General Fund	1990 Debt Service	2019 Construction
Revenues			
Local sources	$ 3,847,473	$ 5,021,016	$ 498,047
Non-educational entity sources	69,357	-	-
State sources	32,584,599	19,843	-
Federal sources	1,216,502	-	-
Interdistrict sources	3,056,737	-	-
Total Revenues	40,774,668	5,040,859	498,047
Expenditures			
Current:			
Instruction	24,074,079	-	-
Supporting services	17,361,054	-	-
Community services	237,256	-	-
Food service	-	-	-
Capital outlay	23,054	-	4,859,970
Debt service:			
Principal repayment	-	1,644,587	-
Interest and fiscal charges	-	7,695,413	-
Bond issuance costs	-	-	119,707
Underwriter's discount	-	-	81,468
Total Expenditures	41,695,443	9,340,000	5,061,145
Deficiency of Revenues Over Expenditures	(920,775)	(4,299,141)	(4,563,098)
Other Financing Sources (Uses)			
School bond loan issued	-	4,164,877	-
Proceeds from issuance of bonds	-	-	22,320,000
Bond premium	-	-	4,080,505
Transfers in	30,000	129,000	-
Transfers out	-	(113,589)	-
Total Other Financing Sources	30,000	4,180,288	26,400,505
Net Change in Fund Balances	(890,775)	(118,853)	21,837,407
Fund Balances,			
Beginning of Year, as restated (Note K)	6,023,913	118,853	-
Fund Balances, End of Year	$ 5,133,138	$ -	$ 21,837,407

See accompanying notes to basic financial statements.

Nonmajor	Total
$ 3,829,915	$ 13,196,451
-	69,357
81,437	32,685,879
818,714	2,035,216
-	3,056,737
4,730,066	51,043,640
-	24,074,079
978,918	18,339,972
-	237,256
1,230,956	1,230,956
1,138,874	6,021,898
350,000	1,994,587
1,710,834	9,406,247
-	119,707
-	81,468
5,409,582	61,506,170
(679,516)	(10,462,530)
802,425	4,967,302
-	22,320,000
-	4,080,505
113,589	272,589
(159,000)	(272,589)
757,014	31,367,807
77,498	20,905,277
1,865,582	8,008,348
$ 1,943,080	$ 28,913,625

LOWELL 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, 2020

Net change in fund balances - total governmental funds			$ 20,905,277
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:			
	Capital outlays	$ 8,286,375	
	Depreciation expense	(2,117,190)	6,169,185
In the Statement of Activities, only the loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold/retired.			(2,432)
Bond premium is amortized over the life of the new bond issue in the Statement of Activities.			(3,963,028)
Losses on advanced bond refundings are amortized over the life of the new bond issue in the Statement of Activities.			(31,719)
Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Position.			(27,786,413)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not effect the Statement of Activities:			
Repayment of bonds			1,994,587
Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid.			1,106,078
In the Statement of Net Position, accumulated sick/vacation pay and compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of the benefits earned ($324,064) exceeded the amounts used/paid ($253,238).			(70,826)
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.			(5,541,960)
The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.			1,019,063
Total change in net position - governmental activities			$ (6,202,188)

See accompanying notes to basic financial statements.

LOWELL AREA SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 3,835,018	$ 3,847,264	$ 3,847,473	$ 209
Non-educational entity sources	-	49,356	69,357	20,001
State sources	32,350,865	33,227,050	32,584,599	(642,451)
Federal sources	951,061	1,207,819	1,216,502	8,683
Interdistrict sources	3,042,447	3,051,015	3,056,737	5,722
Total Revenues	40,179,391	41,382,504	40,774,668	(607,836)
Expenditures				
Current:				
Instruction:				
Basic programs	19,772,534	20,167,772	20,162,770	5,002
Added needs	3,812,857	3,911,307	3,911,309	(2)
Supporting services:				
Pupil services	1,880,157	1,994,226	1,988,619	5,607
Instructional staff services	1,857,157	1,944,112	1,944,638	(526)
General administrative services	623,099	590,738	591,568	(830)
School administrative services	2,211,656	2,359,665	2,362,324	(2,659)
Business services	841,531	891,841	892,333	(492)
Operation and maintenance services	5,176,950	5,208,276	5,190,538	17,738
Pupil transportation services	2,783,804	2,536,148	2,541,747	(5,599)
Central services	1,160,623	1,076,984	1,076,457	527
Other supporting services	631,092	772,830	772,830	-
Community services	205,539	236,774	237,256	(482)
Site improvement services	-	23,053	23,054	(1)
Total Expenditures	40,956,999	41,713,726	41,695,443	18,283
Deficiency of Expenditures Over Revenues	(777,608)	(331,222)	(920,775)	(589,553)
Other Financing Sources				
Transfers in	-	30,000	30,000	-
Net Change in Fund Balances	(777,608)	(301,222)	(890,775)	(589,553)
Fund Balances, Beginning of Year	6,023,913	6,023,913	6,023,913	-
Fund Balances, End of Year	$ 5,246,305	$ 5,722,691	$ 5,133,138	$ (589,553)

See accompanying notes to basic financial statements.

LOWELL AREA SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Private Purpose Trust Funds	Custodial Funds
Assets		
Cash equivalents and investments (Note B)	$ 1,390,306	$ 12,468
Liabilities	-	-
Net Position		
Restricted for:		
Individuals and organizations	$ 1,390,306	$ 12,468

See accompanying notes to basic financial statements.

LOWELL AREA SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2020

	Private Purpose Trust Fund	Custodial Funds
Additions		
Contributions:		
Donations	$ 38,310	$ -
Members	-	29,023
Total contributions	38,310	29,023
Interest earnings:		
Interest on investments	25,048	4
Total Additions	63,358	29,027
Deductions		
Endowment activities - scholarships	36,799	-
Distributions to members	-	29,257
Total Deductions	36,799	29,257
Net Increase (Decrease) in Fiduciary Net Position	26,559	(230)
Net Position, Beginning of Year	1,363,747	12,698
Net Position, End of Year	$ 1,390,306	$ 12,468

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Lowell Area Schools ("the District") was organized under the School Code of the State of Michigan, and services a population of approximately 3,768 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-wide and Fund Financial Statements

District-wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities.*

The Statement of Net Position is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District's net position is reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund, the 1990 Debt Service Fund, and the 2019 Construction Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate schedules.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

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.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The only School Service Funds maintained by the District are the Food Service and Student/School Activity Special Revenue Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code. The Capital Projects Funds also include capital project activities funded with sinking fund millage. The District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Trust Funds—Trust Fund net position and results of operations are not included in the district-wide financial statements. Trust funds are reported using the economic resources measurement focus. The District presently maintains a private purpose scholarship fund for the benefit of students.

Custodial Funds—The Custodial Fund accounts for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The District maintains a Flexible Spending Fund to account for the collection and disbursement of monies held for employees for the use of health related costs.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Lowell Area Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget.

A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Lowell Area Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Chief Financial Officer to establish proposed operating budgets for the fiscal year commencing the following July 1.

- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.

- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.

- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.

- The original General and Special Revenue Fund budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).

- Budgets for the General and Special Revenue Fund were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventories and Prepaid Items

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include land, land improvements, buildings and additions, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed $5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Furniture and equipment	3-10 years
Vehicles	5-10 years

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

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

10. Early Retirement Incentive, Accumulated Vacation Pay and Sick Leave

Early retirement incentive, accumulated vacation pay and sick leave at June 30, 2020 have been computed and recorded in the basic financial statements of the District. Employees who leave the District are entitled to reimbursement for a portion of their unused vacation and sick days. At June 30, 2020, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) accumulated vacation pay, and sick leave amounted to $43,695 and $458,561, respectively.

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

12. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establish standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three such items that qualify for reporting in this category: the deferred charge on a previous year's bond refunding, the deferred outflows relating to the recognition of net pension liability on the financial statements and the deferred outflows relating to the recognition of the OPEB liability on the financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as in inflow of resources (revenue) until that time. The District has two types of items that qualifies for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of OPEB liability on the financial statements.

14. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

15. Fund Balance

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).

- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.

- Assigned – resources that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes.

- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2020, Lowell Area Schools had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally charted bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

- Commercial paper rated at the time of purchase within the two highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.

- Securities issued or guaranteed by agencies or instrumentalities of the United States government.

- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Cash Equivalents

Balances at June 30, 2020 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	$ 27,833,725
Fiduciary Funds:	
Trust and Agency Funds	1,402,774
	$ 29,236,499

Depositories actively used by the District during the year are detailed as follows:

1. Huntington National Bank

Cash equivalents consist of bank public funds checking accounts.

June 30, 2020 balances are detailed as follows:

Cash equivalents	$ 11,287,042

Custodial Credit Risk Related to Cash Equivalents
Custodial credit risk is the risk that in the event of bank failure, the District's cash equivalents may not be returned to the District. Protection of District cash equivalents is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was $ 11,287,042 and the bank balance was $11,659,521. Of the bank balance, $403,776 was covered by federal depository insurance and $11,255,745 was uninsured and uncollateralized.

Investments Measured at Fair Value

	June 30, 2020	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments by Fair Value Level		
Debt Securities:		
U.S. Treasury Securities	$ 17,949,457	$ 17,949,457

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy (and State law) requires that commercial paper be rated within the two highest classifications established by not less than two standard rating services at the time of purchase. Mutual fund investments must have a par share value intended to maintain a net asset value of at least $1.00 per share. The weighted average maturity (WAM), in years, for the Fixed Income U.S. Treasury Securities is 0.5645.

Interest Rate Risk
The District minimizes 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 funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements and by investing operating funds primarily in shorter term investments under 365 days. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than 18 months from the date of purchase. Reserve funds may be invested in securities exceeding 18 months if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds.

Concentration of Credit Risk
The District minimizes 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. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security. Excluding U.S. Government guaranteed investments, and mutual fund and pooled investments, no single investment exceeded 5% of total investments at June 30, 2020.

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

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a “blended count” of District pupil membership in February 2019 and October 2019. The 2019-20 "Foundation Allowance" for Lowell Area Schools was $8,111 for 3,768 "Full Time Equivalent" students, generating $31,745,494 in State aid payments to the District of which $5,220,959 was paid to the District in July and August 2020 and included in “Due From Other Governmental Units” of the General Fund and Food Service Special Revenue Fund of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy by the City of Lowell and the Townships of Ada, Bowne, Cannon, Cascade, Grattan, Lowell, Vergennes, Boston, Campbell and Keene, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Kent and Ionia, through their Delinquent Tax Revolving Fund, advance all delinquent real property taxes at March 1 to the District each year prior to June 30.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill “Local Enhancement Millage” which must be shared between all local districts in each respective county intermediate district.

Lowell Area Schools' electors had previously (November 8, 2016) approved an 18 mill operating millage extension. Due to Headlee rollbacks only 17.8723 mills of non-homestead property tax was levied in the District for 2019.

In 2019-20, the District levied 7.0 mills for debt service purposes, and 0.9755 mills for building and site, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRE.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted “Local Enhancement Millage” nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the County of Kent with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2020, the District's property tax revenues were reduced by approximately $125,590 under these agreements.

Note D – Transfers

Transfers between funds during the year ended June 30, 2020 were as follows:

Major Fund	**Transfers In**	**Transfers Out**
General Fund:		
Special Revenue Funds:		
Food Service Fund	$ 30,000	$ -
Debt Service Fund:		
1990 Debt Service Fund:		
2015 Debt Service Fund	26,000	22,894
2016 A Debt Service Fund	18,000	15,850
2016 B Debt Service Fund	62,000	54,593
2016 C Debt Service Fund	23,000	20,252
Total Major Funds	159,000	113,589
Nonmajor Funds		
Special Revenue Funds:		
Food Service Fund:		
General Fund	-	30,000
Debt Service Fund:		
2015 Debt Service Fund:		
1990 Debt Service Fund	22,894	26,000
2016 A Debt Service Fund:		
1990 Debt Service Fund	15,850	18,000
2016 B Debt Service Fund:		
1990 Debt Service Fund	54,593	62,000
2016 C Debt Service Fund:		
1990 Debt Service Fund	20,252	23,000
Total Nonmajor Funds	113,589	159,000
Total All Funds	$ 272,589	$ 272,589

Note E – Capital Assets

	Balances July 1, 2019	Additions	Deductions	Balances June 30, 2020
Capital assets not being depreciated:				
Land	$ 1,441,546	$ -	$ -	$ 1,441,546
Construction in progress	383,773	5,624,274	383,773	5,624,274
Total capital assets not being depreciated	1,825,319	$ 5,624,274	$ 383,773	7,065,820
Capital assets being depreciated:				
Land improvements	2,620,915	$ 311,385	$ -	2,932,300
Buildings and additions	66,873,664	1,928,248	-	68,801,912
Furniture and equipment	2,636,465	526,887	-	3,163,352
Vehicles	3,417,324	279,354	121,673	3,575,005
Total capital assets being depreciated	75,548,368	$ 3,045,874	$ 121,673	78,472,569
Less accumulated depreciation for:				
Land improvements	1,469,167	$ 96,672	$ -	1,565,839
Buildings and additions	35,265,321	1,467,355	-	36,732,676
Furniture and equipment	1,760,721	291,640	-	2,052,361
Vehicles	2,099,083	261,523	119,241	2,241,365
Total accumulated depreciation	40,594,292	$ 2,117,190	$ 119,241	42,592,241
Total capital assets being depreciated, net	34,954,076			35,880,328
Net Capital Assets	$ 36,779,395			$ 42,946,148

Depreciation expense was charged to the District activities as follows:

Governmental activities:	
Instruction	$ 1,412,162
Supporting services	507,302
Community services	51,723
Food service	146,003
	$ 2,117,190

Note F – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2020 are summarized as follows:

	Debt Outstanding July 1, 2019	Debt Added	Debt Retired	Debt Outstanding June 30, 2020
General obligation bonds:				
October 6, 1992	$ 1,644,587	$ -	$ 1,644,587	$ -
February 12, 2015	6,635,000	-	-	6,635,000
March 16, 2016	1,520,000	-	160,000	1,360,000
May 5. 2016	8,675,000	-	190,000	8,485,000
May 5. 2016	11,420,000	-	-	11,420,000
July 16, 2019	-	22,320,000	-	22,320,000
Bond premium	1,662,725	4,080,505	117,477	5,625,753
State school bond loan	14,619,530	5,466,413	-	20,085,943
Accumulated vacation pay	43,359	140,068	139,732	43,695
Accumulated sick leave	388,071	183,996	113,506	458,561
	$ 46,608,272	$ 32,190,982	$ 2,365,302	$ 76,433,952

Long-term debt at June 30, 2020 is comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
Serial Bonds:				
$7,610K 2015 Refunding:				
Annual maturities of $620K to $700K	May 1, 2030	3.00 - 4.00	$ 6,635,000	$ 685,000
$2,000K 2016A Refunding:				
Annual maturities of $145K to $160K	May 1, 2029	2.10	1,360,000	160,000
$8,675K 2016B Refunding:				
Annual maturities of $215K to $645K	May 1, 2037	4.00	8,485,000	215,000
$11,420K 2016C Refunding:				
Annual maturities of $2,280K to $2,285K	May 1, 2037	1.930 - 2.777	11,420,000	2,280,000
$22,230K 2019 Bldg & Site Series I:				
Annual maturities of $150K to $1,375K	May 1, 2049	5.00	22,320,000	-
Bond premium			5,625,753	117,477
Other Obligations				
State school bond loan			20,085,943	-
Accumulated vacation pay			43,695	43,659
Accumulated sick pay			458,561	115,000
			$ 76,433,952	$ 3,616,136

The District is required to obtain loans from the Michigan School Bond Loan Fund (the "fund) for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, the District borrowed $4,967,302 from the Fund and $499,111 of accrued interest was added to the District's liability to the Fund. The District did not repay principal or interest to the Fund during the fiscal year. At June 30, 2020, the District owed the Fund a total of $20,085,943.

The annual requirements to pay principal and interest on long-term bonds and installment purchase agreements outstanding are as follows:

Year Ending June 30	Principal	Interest	Total
2021	$ 3,340,000	$ 1,965,349	$ 5,305,349
2022	3,530,000	2,038,835	5,568,835
2023	3,590,000	1,966,467	5,556,467
2024	3,655,000	1,886,879	5,541,879
2025	3,720,000	1,799,139	5,519,139
2026	1,495,000	1,703,885	3,198,885
2027	1,550,000	1,669,435	3,219,435
2028	1,610,000	1,632,440	3,242,440
2029	1,670,000	1,592,795	3,262,795
2030	1,610,000	1,575,500	3,185,500
2031	1,205,000	1,702,350	2,907,350
2032	1,255,000	1,703,450	2,958,450
2033	1,315,000	1,712,000	3,027,000
2034	1,375,000	1,692,500	3,067,500
2035	1,435,000	1,700,200	3,135,200
2036	1,490,000	1,707,800	3,197,800
2037	1,525,000	1,698,200	3,223,200
2038	990,000	1,712,200	2,702,200
2039	1,040,000	1,722,600	2,762,600
2040	1,090,000	1,731,000	2,821,000
2041	1,140,000	1,726,500	2,866,500
2042	1,195,000	1,724,500	2,919,500
2043	1,250,000	1,719,750	2,969,750
2044	1,300,000	1,707,250	3,007,250
2045	1,345,000	1,687,250	3,032,250
2046	1,375,000	1,650,000	3,025,000
2047	1,375,000	1,581,250	2,956,250
2048	1,375,000	1,512,500	2,887,500
2049	1,375,000	1,443,750	2,818,750
	$ 50,220,000	$ 49,665,775	$ 99,885,775

Note G – Retirement Plan

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (the "System"), is a cost sharing, multiple employer, state-wide, defined benefit public employee retirement system 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 the 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.

The System is administered by the Office of Retirement Services (ORS within the Michigan Department of Technology, Management and 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.

The System's financial statements are available at www.michigan.gov/orsschools.

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

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

Membership

At September 30, 2019, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	194,374
Survivor benefits	18,588
Disability benefits	5,975
Total	**218,937**
Inactive plan members entitled to but not yet receiving benefits:	**18,279**
Active plan members:	
Vested	96,319
Non-vested	81,362
Total	**177,681**
Total plan members	**414,897**

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 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.

Pension Reform 2010

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

Pension Reform 2012

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

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

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

Option 2 members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

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

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

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

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a Defined Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Pension Reform of 2017

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

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012 and is shown below:

Option 1: FAC x total years of service x 1.5%
Option 2: FAC x 30 years of service x 1.5% + FAC x years of service beyond 30 x 1.25%
Option 3: FAC x years of service as of transition date x 1.5% + FAC x years of service after transition date x 1.25%
Option 4: FAC as of transition date x years of service as of transition date x 1.5%

A MIP member who became a member of MPSERS prior to July 1, 2010 may retire at:

- age 46 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service; or
- age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Pension Plus member may retire at age 60 with 10 or more years of credited service.

A Pension Plus 2 member may retire at age 60 with 10 or more years of credited service. Section 81c(5) of PA 300 as amended requires the regular retirement age to be increased in whole year increments based on the results of mortality analysis five-year actuarial experience studies performed after October 1, 2019 and the actuarial funding status of the plan. If the regular retirement age for Pension Plus 2 members is increased in accordance with this provision, members within five years of retirement from the effective date of the increase are automatically exempted and the retirement board may additionally authorize those between five and eight years of the then current retirement age to be exempted.

A Basic Plan member may retire at:

- age 55 with 30 or more years of service; or
- age 60 with 10 or more years of service.

There is no mandatory retirement age.

Early Retirement

A MIP or Basic member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension, but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc.).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by 2% for each year retired; first year 100%, next year 102%, etc.).

Pension Payment Options

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

Straight Life Pension – the Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of the retiree's death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiaries.

Survivor Options - Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount ("pop-up" provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Equated Plan – The Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree's pension to decrease at age 62 by approximately the same amount as that person's Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan (MIP) member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

Contributions and Funded Status

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 the 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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarized pension contribution rate in effect for the plan fiscal year 2019.

Pension Contribution Rates:

Plan Name	**Member**	**District**
Basic	0.0 – 4.0%	18.25%
Member Investment Plan (MIP)	3.0 – 7.0%	18.25%
Pension Plus	3.0 – 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2020, inclusive of the MSPERS UAAL Stabilization, totaled $6,028,050.

MPSERS Plan Net Pension Liability (in thousands)

Total Pension Liability	$ 84,643,399
Plan Fiduciary Net Position	50,857,170
Net Pension Liability	$ 33,786,229
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.08%
Net Pension Liability as a Percentage of Covered Employee Payroll	377.13%
Total Covered Payroll	$ 8,958,777

Proportionate Share of Reporting Unit's Net Pension Liability

At June 30, 2020, the District reported a liability of $70,774,915 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The 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 the pension contributions required from all applicable employers during the measurement period. At September 30, 2019 the District's proportion was 0.21371407%, which was an increase from 0.21048708% at September 30, 2018.

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

For the year ended June 30, 2020, the District recognized pension expense of $11,509,860. At June 30, 2020, the 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
Difference between expected and actual experience	$ 317,236	$ 295,125
Changes of assumptions	13,857,778	—
Net difference between projected and actual earnings on pension plan investment earnings	—	2,268,216
Changes in proportion and differences between District contributions and proportionate share of contributions	1,378,686	45,455
District contributions subsequent to the measurement date*	5,670,395	—
Total	$ 21,224,095	$ 2,608,796

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Year ended June 30	Amount
2021	$ 5,204,796
2022	4,075,000
2023	2,622,080
2024	1,043,028

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, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	6.80%
Pension Plus Plan (Hybrid):	6.80%
Pension Plus 2:	6.00%
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living Adjustments:	3% annual non-compounded for MIP members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4977 for non-university employers or 1.0000 for university employers]

- Recognition period for assets in years: 5.0000

- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at (www.michigan.gov/orsschools).

Long-Term Expected Rate of Return on Investments

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, 2019 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0%	8.6%
International Equity Pools	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate & Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.4%
Short-term Investment Pools	2.0%	0.8%
Total	**100.0%**	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changed amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine the 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 those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the 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 point higher:

	1% Decrease 5.8%/5.8%/5.0%	Current Single Discount Rate Assumption 6.8%/6.8%/6.0%	1% Increase 7.8%/7.8%/7.0%
District's proportionate share of the net pension liability	$ 92,011,917	$ 70,774,915	$ 53,168,708

Michigan Public School Employees Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System September 30, 2019 Comprehensive Annual Financial Report, available here: (www.michigan.gov/orsschools).

Payables to the Michigan Public School Employee Retirement System (MPSERS)

Payables to the pension plan totaling $840,823 at June 30, 2020 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note H – Other Postemployment Benefits

Plan Description

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

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

Plan Participants

At September 30, 2019, the System's membership consisted of the following:

Eligible participants:	
Retirees and survivors	198,380
Vested plan members:	
Active	197,982
Non-active	2,458
Participants receiving benefits:	
Health	152,757
Dental/Vision	165,542

Benefits Provided

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

Retiree Healthcare Reform of 2012

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions 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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2019:

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the District were $1,556,394 for the year ended September 30, 2019.

Net OPEB Liability (in thousands)

Total OPEB Liability	$ 14,161,627
Plan Fiduciary Net Position	6,892,099
Net OPEB Liability	$ 7,269,528
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	48.67%
Net OPEB Liability as a Percentage of Covered Employee Payroll	81.14%
Total Covered Payroll	$ 8,958,777

At June 30, 2020, the District reported a liability of $15,537,581 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net OPEB liability 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, 2019 the District's proportion was 0.21646874%, which was an increase from 0.21306495% at September 30, 2018.

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

For the year ended June 30, 2020, the District recognized OPEB expense of $518,265. At June 30, 2020, the 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
Difference between expected and actual experience	$ —	$ 5,701,178
Changes of assumptions	3,366,679	—
Net difference between projected and actual earnings on OPEB plan investment earnings	—	270,206
Changes in proportion and differences between District contributions and proportionate share of contributions	508,606	18,512
District contributions subsequent to the measurement date*	1,415,748	—
Total	$ 5,291,033	$ 5,989,896

* This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

Year ended June 30	Amount
2021	$ (602,499)
2022	(602,499)
2023	(467,628)
2024	(286,518)
2025	(155,467)

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, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded 3.5% Year 12
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

Opt Out Assumptions	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 retires 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 one or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, 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: [5.7101 for non-university employers or 1.1641 for university employers].

- Recognition period for assets in years: 5.0000

- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

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, 2019, are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0%	8.6%
International Equity Pools	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate & Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.4%
Short-term Investment Pools	2.0%	0.8%
Total	**100.0%**	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. 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 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
District's proportionate share of the net OPEB liability	$ 19,059,178	$ 15,537,581	$ 12,580,417

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

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as what the District's proportionate share of the net OPEB liability 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
District's proportionate share of the net OPEB liability	$ 12,455,047	$ 15,537,581	$ 19,058,760

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling $175,401 at June 30, 2020 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note I – Risk Management and Benefits

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for property loss, errors and omissions, workers' compensation, health benefits, and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in fiscal 2019-20, and as of year ended June 30, 2020, there were no material pending claims against the District.

Note J – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of $63,765,178 and a total net position deficit of $72,852,972, as of June 30, 2020. These deficit net positions result primarily from the net pension liability of $52,159,616, and net OPEB liability of $16,236,444 (including deferred outflows and inflows of resources).

Note K – New Accounting Pronouncement Adopted

Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities*, was adopted by the District during the fiscal year ended June 30, 2020. This Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. It is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. Changes in fund balance and net position required by the Statement increased the beginning balance by $612,660 at July 1, 2019.

Note L – Risk and Uncertainties

During the fiscal year Michigan school districts were closed in response to the COVID-19 pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. it is uncertain as to the full magnitude that the pandemic will have on the District’s financial condition and its access to state, federal and local funding. The Board and Management is actively monitoring the situation

On March 27, 2020 the Coronavirus Aid Relief, and Economic Security Act (“CARES Act”) was enacted to provide payment to State, Local, and Tribal governments navigating the impact of the COVID-19 outbreak. The US Department of Treasury distributed these funds to the State of Michigan for distribution to local governmental units. During the 2019-20 fiscal year, the District received $210,815 in Elementary and Secondary School Emergency Relief (ESSER) funds. In July and August 2020, the District received $1,365,388 in CARES funding that will be recognized in the 20-21 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

LOWELL AREA SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2020

	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
District's proportion of the net pension liability	0.21371407%	0.21048708%	0.20798328%
District's proportionate share of the net pension liability	$ 70,774,915	$ 63,276,216	$ 53,897,309
District's covered-employee payroll	$ 18,919,218	$ 18,139,412	$ 17,609,042
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	374.09%	348.83%	306.08%
Plan fiduciary net position as a percentage of the total pension liability	60.08%	62.12%	63.96%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
0.20385344%	0.20152264%	0.20340981%
$ 50,859,765	$ 49,221,959	$ 44,583,803
$ 17,765,935	$ 16,920,859	$ 17,292,694
286.28%	290.90%	257.82%
63.01%	62.92%	66.15%

LOWELL AREA SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2020

	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
District's proportion of the net OPEB liability	0.21646874%	0.21306495%	0.20867350%
District's proportionate share of the net OPEB liability	$ 15,537,581	$ 16,936,430	$ 18,479,021
District's covered-employee payroll	$ 18,919,218	$ 18,139,412	$ 17,609,042
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	82.13%	93.37%	104.94%
Plan fiduciary net position as a percentage of the total OPEB liability	48.67%	43.10%	36.53%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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LOWELL AREA SCHOOLS
Required Supplementary Information
Schedule of District Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2020

	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
Contractually required contribution	$ 6,028,050	$ 5,691,235	$ 5,389,602
Contributions in relation to the contractually required contribution	6,028,050	5,691,235	5,389,602
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 19,516,878	$ 18,913,541	$ 18,211,181
Contributions as a percentage covered employee payroll	30.89%	30.09%	29.60%

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
$ 5,237,576	$ 5,234,966	$ 5,436,682
5,237,576	5,234,966	5,436,682
$ -	$ -	$ -
$ 17,476,499	$ 17,425,510	$ 17,375,266
29.97%	30.04%	31.29%

LOWELL AREA SCHOOLS
Required Supplementary Information
Schedule of District's OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2020

	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
Contractually required contribution	$ 1,556,394	$ 1,494,758	$ 1,348,807
Contributions in relation to the contractually required contribution	1,556,394	1,494,758	1,348,807
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 19,516,878	$ 18,913,541	$ 18,211,181
Contributions as a percentage of covered employee payroll	7.97%	7.90%	7.41%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2019-20.

Changes of assumptions: There were no changes of benefit assumptions in 2019-20.

Note B – Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2019-20.

Changes of assumptions: There were no changes of benefit assumptions in 2019-20.

SUPPLEMENTARY INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

LOWELL AREA SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2020 and 2019

	2020	2019
Assets		
Cash equivalents and investments	$ 2,997,214	$ 4,024,861
Accounts receivable	27,000	14,672
Due from other governmental units	5,795,741	6,157,579
Inventory	24,575	8,833
Prepaid expenditures	83,161	59,700
Total Assets	$ 8,927,691	$ 10,265,645
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 337,929	$ 419,886
Due to other governmental units	1,230,284	1,547,399
Salaries payable	2,179,913	2,139,410
Unearned revenue	46,427	135,037
Total Liabilities	3,794,553	4,241,732
Fund Balances		
Nonspendable	107,736	68,533
Committed for capital outlay	-	1,250,000
Unassigned	5,025,402	4,705,380
Total Fund Balances	5,133,138	6,023,913
Total Liabilities and Fund Balances	$ 8,927,691	$ 10,265,645

LOWELL AREA SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2020 and 2019

	2020	2019
Local sources:		
Property taxes:		
Current property taxes	$ 2,978,224	$ 2,945,864
Delinquent and other property taxes	306	(4,441)
Interest on delinquent taxes	3,251	3,610
	2,981,781	2,945,033
Revenue from student activities:		
Athletic event fees	153,122	202,350
Athletic donations	9,594	10,000
	162,716	212,350
Other local revenue:		
Community enrichment fees	3,617	5,221
Preschool fees	118,960	152,764
Transportation reimbursements	12,192	25,163
Third party testing	46,650	60,400
Universal service fund	168,851	48,130
Beverage consortium commissions	4,448	4,777
Copy center charges	69,575	76,852
Rental of school facilities	31,993	74,635
Donations	98,055	50,558
Sale of school property	4,201	9,716
Insurance claims/reimbursements	36,674	40,683
Refunds of expenditures	94,816	27,020
Miscellaneous	12,944	26,237
	702,976	602,156
Total local sources	3,847,473	3,759,539
Non-educational entity sources	69,357	43,475
State sources:		
State aid	31,804,576	31,581,207
Special education - itinerants	68,094	66,326
Special education - transportation	711,929	640,187
Total state sources	32,584,599	32,287,720
Federal sources:		
Title I	255,067	307,555
Title II A	75,988	119,067
Title III	-	6,319
Title IV	17,777	25,884
ESSER grant	210,815	-
I.D.E.A. program	644,172	642,166
Medicaid - outreach	12,683	6,569
Total federal sources	1,216,502	1,107,560

(Continued)

LOWELL AREA SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2020 and 2019

	2020	2019
Interdistrict sources:		
Special education - county	$ 2,755,909	$ 2,710,367
Medicaid fee for service	176,432	181,698
GSRP	68,863	71,414
Educatius program	3,000	14,400
Other	52,533	60,886
Total interdistrict sources	3,056,737	3,038,765
Total Revenues	$ 40,774,668	$ 40,237,059

LOWELL AREA SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	$ 5,201,914	$ 4,962,543
Employee benefits	3,685,345	3,511,992
Purchased services	96,723	91,940
Supplies	181,297	168,795
Capital outlay	-	830
	9,165,279	8,736,100
Middle school:		
Salaries	2,497,815	2,497,228
Employee benefits	1,767,993	1,746,904
Purchased services	55,149	37,410
Supplies	122,789	80,359
	4,443,746	4,361,901
High school:		
Salaries	3,506,414	3,418,085
Employee benefits	2,456,216	2,359,128
Purchased services	83,968	73,522
Supplies	134,985	137,397
Capital outlay	18,446	-
Payments to other districts	205,365	132,839
	6,405,394	6,120,971
Preschool:		
Salaries	84,289	-
Employee benefits	45,245	-
Purchased services	9,244	-
Supplies	4,422	-
	143,200	-
Summer school:		
Salaries	3,878	5,987
Employee benefits	1,222	1,759
Supplies	51	1,074
	5,151	8,820
Total basic programs	20,162,770	19,227,792
Added needs:		
Special education:		
Salaries	1,463,154	1,397,043
Employee benefits	963,207	889,561
Purchased services	14,346	26,690
Supplies	17,248	10,601
Capital outlay	4,129	-
Payments to other districts	126,828	127,217
	2,588,912	2,451,112

(Continued)

LOWELL AREA SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Compensatory education:		
Salaries	$ 709,502	$ 710,022
Employee benefits	477,888	469,128
Purchased services	5,765	47,186
Supplies	6,722	10,270
	1,199,877	1,236,606
Vocational education:		
Salaries	74,842	73,617
Employee benefits	41,135	39,414
Supplies	6,543	11,821
	122,520	124,852
Total added needs	3,911,309	3,812,570
Total instruction	24,074,079	23,040,362
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	419,014	403,103
Employee benefits	305,048	291,170
Purchased services	204	204
Supplies	2,924	4,040
	727,190	698,517
Occupational therapist services:		
Salaries	69,589	60,344
Employee benefits	40,250	36,855
Purchased services	1,271	2,275
Supplies	3,085	442
Capital Outlay	7,567	-
Payments to other districts	111,799	99,709
	233,561	199,625
Psychological services:		
Purchased services	1,806	2,041
Supplies	1,405	2,243
Payments to other districts	186,716	179,582
	189,927	183,866
Speech pathology services:		
Salaries	38,576	37,983
Employee benefits	28,218	24,090
Purchased services	1,350	2,113
Supplies	1,316	1,819
Payments to other districts	389,317	342,567
	458,777	408,572
Social worker services:		
Purchased services	5,864	445
Supplies	376	235
Payments to other districts	295,703	301,692
	301,943	302,372

(Continued)

LOWELL AREA SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Teacher consultant services:		
Salaries	$ 44,001	$ 44,592
Employee benefits	33,220	30,447
	77,221	75,039
Total pupil services	1,988,619	1,867,991
Instructional staff services:		
Improvement of instruction:		
Salaries	419,579	394,717
Employee benefits	275,484	263,526
Purchased services	102,196	79,443
Supplies	228,730	123,368
Miscellaneous	110	3,106
	1,026,099	864,160
Library:		
Salaries	203,650	196,536
Employee benefits	114,045	110,366
Purchased services	8,961	10,210
Supplies	84,417	49,004
	411,073	366,116
Technology:		
Supplies	780	840
Capital outlay	129,947	183,777
	130,727	184,617
Supervision and direction of instruction:		
Salaries	138,575	138,372
Employee benefits	98,483	104,232
Purchased services	1,943	2,555
Supplies	1,897	612
Miscellaneous	610	175
	241,508	245,946
Other instructional staff services:		
Salaries	75,995	73,763
Employee benefits	54,559	52,529
Supplies	4,473	7,460
Miscellaneous	204	204
	135,231	133,956
Total instructional staff services	1,944,638	1,794,795
General administrative services:		
Board of education:		
Purchased services	72,201	88,162
Supplies	5,215	4,924
Miscellaneous	30,281	20,338
	107,697	113,424

(Continued)

LOWELL AREA SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Executive administration:		
Salaries	$ 294,743	$ 271,503
Employee benefits	160,257	171,419
Purchased services	22,199	26,975
Supplies	5,082	3,952
Capital outlay	-	3,350
Miscellaneous	1,590	2,000
	483,871	479,199
Total general administrative services	591,568	592,623
School administrative services:		
Office of the principal:		
Salaries	1,378,159	1,216,162
Employee benefits	942,251	823,570
Purchased services	21,013	22,076
Supplies	16,652	13,690
Miscellaneous	4,249	4,314
Total school administrative services	2,362,324	2,079,812
Business services:		
Fiscal services:		
Salaries	433,683	357,380
Employee benefits	264,725	245,756
Purchased services	33,187	39,170
Supplies	83,985	90,270
Miscellaneous	1,377	2,569
	816,957	735,145
Internal services:		
Salaries	5,936	5,512
Employee benefits	1,997	1,794
	7,933	7,306
Other business services:		
Miscellaneous	67,443	56,769
Total business services	892,333	799,220
Operation and maintenance services:		
Operation and maintenance:		
Salaries	880,529	862,700
Employee benefits	660,995	626,987
Purchased services	1,131,535	1,108,867
Supplies	888,633	894,988
Capital outlay	1,533,282	800,858
Miscellaneous	150	222
	5,095,124	4,294,622
Security services:		
Salaries	28,664	34,011
Employee benefits	10,641	12,458
Purchased services	56,034	76,307
Supplies	75	102
	95,414	122,878
Total operation and maintenance services	5,190,538	4,417,500

(Continued)

LOWELL AREA SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Pupil transportation services:		
Pupil transportation:		
Salaries	$ 814,534	$ 790,662
Employee benefits	554,969	542,055
Purchased services	215,038	162,195
Supplies	167,975	218,573
Capital outlay	270,543	265,221
Payments to other districts	518,315	969,009
Miscellaneous	373	307
Total pupil transportation services	2,541,747	2,948,022
Central services:		
Planning and evaluation:		
Salaries	11,000	11,000
Employee benefits	759	639
Supplies	1,155	1,147
	12,914	12,786
Personnel services:		
Salaries	107,977	103,327
Employee benefits	75,069	71,804
Purchased services	8,634	2,500
Supplies	6,414	5,280
Miscellaneous	150	140
	198,244	183,051
Technology services:		
Salaries	158,025	150,687
Employee benefits	111,427	103,385
Purchased services	85,808	188,490
Supplies	100,533	219,265
Capital outlay	409,506	66,105
Miscellaneous	-	147
	865,299	728,079
Total central services	1,076,457	923,916
Other supporting services:		
Athletics:		
Salaries	387,549	378,566
Employee benefits	159,004	150,653
Purchased services	60,093	76,538
Supplies	132,103	121,138
Capital outlay	34,081	12,907
Total other supporting services	772,830	739,802
Total supporting services	17,361,054	16,163,681
Community services:		
Community services direction:		
Purchased services	37,603	36,772

(Continued)

LOWELL AREA SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Community recreation:		
Salaries	$ 55,825	$ 54,150
Employee benefits	35,299	33,195
Purchased services	894	3,994
Supplies	11,452	8,775
Capital outlay	24,036	31,494
	127,506	131,608
Custody and care of children:		
Salaries	-	117,130
Employee benefits	-	61,646
Purchased services	-	10,499
Supplies	-	4,243
	-	193,518
Non-public school pupils:		
Salaries	11,592	-
Employee benefits	4,360	-
Purchased services	715	-
Supplies	7,400	-
	24,067	-
Other community services:		
Salaries	21,350	29,520
Employee benefits	26,530	30,124
Supplies	200	504
Total other community services	48,080	60,148
Total community services	237,256	422,046
Facilities acquisition, construction and improvements:		
Site improvement services:		
Purchased services	-	6,960
Architecture and engineering services:		
Purchased services	18,875	61,061
Building acquisition and contrition services:		
Capital outlay	4,179	214,650
Total facilities acquisition, construction and improvements	23,054	282,671
Total Expenditures	$ 41,695,443	$ 39,908,760

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

LOWELL AREA SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020

	Special Revenue		
	Food Service	Student/School Activity	2015
Assets			
Cash equivalents and investments	$ 470,574	$ 606,968	$ 31,676
Due from other governmental units	57,005	-	-
Inventory	20,116	-	-
Prepaid expenditures	100,000	-	-
Total Assets	$ 647,695	$ 606,968	$ 31,676
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 35,141	$ 3,530	$ -
Due to other governmental units	575	-	-
Unearned revenue	62,355	-	-
Total Liabilities	98,071	3,530	-
Fund balances			
Nonspendable	120,116	-	-
Restricted	429,508	603,438	31,676
Total Fund Balances	549,624	603,438	31,676
Total Liabilities and Fund Balances	$ 647,695	$ 606,968	$ 31,676

Debt Funds				Capital Projects	
2016A	2016B	2016 SBLF Refunding	2019	Building and Site	Total
$ 23,085	$ 70,178	$ 28,833	$ 4	$ 739,382	$ 1,970,700
-	-	-	-	-	57,005
-	-	-	-	-	20,116
-	-	-	-	-	100,000
$ 23,085	$ 70,178	$ 28,833	$ 4	$ 739,382	$ 2,147,821
$ -	$ -	$ -	$ -	$ 103,140	$ 141,811
-	-	-	-	-	575
-	-	-	-	-	62,355
-	-	-	-	103,140	204,741
-	-	-	-	-	120,116
23,085	70,178	28,833	4	636,242	1,822,964
23,085	70,178	28,833	4	636,242	1,943,080
$ 23,085	$ 70,178	$ 28,833	$ 4	$ 739,382	$ 2,147,821

LOWELL AREA SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2020

	Special Revenue		
	Food Service	Student/School Activity	2015
Revenues			
Local sources:			
Property taxes	$ -	$ -	$ 282,566
Interest earnings	203	-	435
Food sales	585,753	-	-
Other local sources	-	969,696	-
Total local sources	585,956	969,696	283,001
State sources	75,979	-	1,121
Federal sources	818,714	-	-
Total Revenues	1,480,649	969,696	284,122
Expenditures			
Current:			
Supporting services	-	978,918	-
Food service	1,230,956	-	-
Capital outlay	57,320	-	-
Debt service:			
Principal repayment	-	-	-
Interest and fiscal charges	-	-	259,050
Total Expenditures	1,288,276	978,918	259,050
Excess (Deficiency) of Revenues Over Expenditures	192,373	(9,222)	25,072
Other Financing Sources (Uses)			
School bond loan issued	-	-	-
Transfers in	-	-	22,894
Transfers out	(30,000)	-	(26,000)
Total Other Financing Sources (Uses)	(30,000)	-	(3,106)
Net Change in Fund Balances	162,373	(9,222)	21,966
Fund Balances, Beginning of Year, as restated (Note K)	387,251	612,660	9,710
Fund Balances, End of Year	$ 549,624	$ 603,438	$ 31,676

Debt Funds				Capital Projects	
2016A	2016B	2016 SBLF Refunding	2019	Building and Site	Total
$ 209,642	$ 592,469	$ 291,672	$ -	$ 886,787	$ 2,263,136
655	1,302	417	4	8,167	11,183
-	-	-	-	-	585,753
-	147	-	-	-	969,843
210,297	593,918	292,089	4	894,954	3,829,915
831	2,349	1,157	-	-	81,437
-	-	-	-	-	818,714
211,128	596,267	293,246	4	894,954	4,730,066
-	-	-	-	-	978,918
-	-	-	-	-	1,230,956
-	-	-	-	1,081,554	1,138,874
160,000	190,000	-	-	-	350,000
32,420	347,500	269,439	802,425	-	1,710,834
192,420	537,500	269,439	802,425	1,081,554	5,409,582
18,708	58,767	23,807	(802,421)	(186,600)	(679,516)
-	-	-	802,425	-	802,425
15,850	54,593	20,252	-	-	113,589
(18,000)	(62,000)	(23,000)	-	-	(159,000)
(2,150)	(7,407)	(2,748)	802,425	-	757,014
16,558	51,360	21,059	4	(186,600)	77,498
6,527	18,818	7,774	-	822,842	1,865,582
$ 23,085	$ 70,178	$ 28,833	$ 4	$ 636,242	$ 1,943,080

LOWELL AREA SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2020

	Budget	Actual	Variance
Revenues			
Local sources:			
Interest earnings	$ 187	$ 203	$ 16
Food sales	585,753	585,753	-
Total local sources	585,940	585,956	16
State sources	75,978	75,979	1
Federal sources	818,999	818,714	(285)
Total Revenues	1,480,917	1,480,649	(268)
Expenditures			
Current:			
Food service	1,291,265	1,288,276	2,989
Excess of Revenues Over Expenditures	189,652	192,373	2,721
Other Financing Uses			
Transfers out	(30,000)	(30,000)	-
Net Change in Fund Balances	159,652	162,373	2,721
Fund Balances, Beginning of Year	387,251	387,251	-
Fund Balances, End of Year	$ 546,903	$ 549,624	$ 2,721

LOWELL AREA SCHOOLS
Student/School Activity Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2020

	Budget	Actual	Variance
Revenues			
Local sources	$ 969,421	$ 969,696	$ 275
Expenditures			
Supporting services:			
Other student/school activity	978,558	978,918	(360)
Net Change in Fund Balances	(9,137)	(9,222)	(85)
Fund Balances, Beginning of Year, as restated (Note K)	612,660	612,660	-
Fund Balances, End of Year	$ 603,523	$ 603,438	$ (85)

SPECIAL REVENUE FUNDS

Food Service – to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Student/School Activity – to account for monies received from student and school activities for use in providing services for school and student groups.

LOWELL AREA SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2020 and 2019

	2020	2019
Assets		
Cash equivalents and investments	$ 470,574	$ 324,278
Accounts receivable	-	2,836
Due from other governmental units	57,005	10,792
Inventory	20,116	17,603
Prepaid expenditures	100,000	80,000
Total Assets	$ 647,695	$ 435,509
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 35,141	$ 13,651
Due to other governmental units	575	741
Unearned revenue	62,355	33,866
Total Liabilities	98,071	48,258
Fund Balances		
Nonspendable	120,116	97,603
Restricted	429,508	289,648
Total Fund Balances	549,624	387,251
Total Liabilities and Fund Balances	$ 647,695	$ 435,509

LOWELL AREA SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2020 and 2019

	2020	2019
Revenues		
Local sources:		
Food sales:		
Children's lunches	$ 333,859	$ 435,653
Adult lunches	13,681	17,589
Ala carte	211,423	240,649
Catering	26,724	40,547
Miscellaneous	66	1,861
Total food sales	585,753	736,299
Interest earnings:		
Interest on investments	203	864
Total local sources	585,956	737,163
State sources	75,979	60,101
Federal sources	818,714	660,642
Total Revenues	1,480,649	1,457,906
Expenditures		
Current:		
Food service:		
Salaries	29,736	35,169
Employee benefits	20,030	22,750
Purchased services	553,977	612,137
Supplies	627,213	692,938
Capital outlay	57,320	154,354
Total Expenditures	1,288,276	1,517,348
Excess (Deficiency) of Revenues Over Expenditures	192,373	(59,442)
Other Financing Uses		
Transfers out	(30,000)	(30,000)
Net Change in Fund Balances	162,373	(89,442)
Fund Balances, Beginning of Year	387,251	476,693
Fund Balances, End of Year	$ 549,624	$ 387,251

LOWELL AREA SCHOOLS
Student/School Activity Special Revenue Fund
Comparative Balance Sheet
June 30, 2020 and 2019

	2020	2019
Assets		
Cash equivalents and investments	$ 606,968	$ 612,660
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 3,530	$ -
Fund Balances		
Restricted	603,438	612,660
Total Liabilities and Fund Balances	$ 606,968	$ 612,660

LOWELL AREA SCHOOLS
Student/School Activity Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2020 and 2019

	2020	2019
Revenues		
Local sources:		
Other student activity	$ 969,696	$ 1,080,248
Expenditures		
Current:		
Supporting services	978,918	1,124,573
Net Change in Fund Balances	(9,222)	(44,325)
Fund Balances, Beginning of Year, as restated (Note K)	612,660	656,985
Fund Balances, End of Year	$ 603,438	$ 612,660

DEBT SERVICE FUNDS

To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

LOWELL AREA SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2020

	1990	2015	2016 A
Assets			
Cash equivalents and investments	$ -	$ 31,676	$ 23,085
Liabilities and Fund Balances			
Liabilities	$ -	$ -	$ -
Fund Balances			
Restricted	-	31,676	23,085
Total Liabilities and Fund Balances	$ -	$ 31,676	$ 23,085

2016 B	2016 SBLF Refunding	2019	Totals 2020	Totals 2019
$ 70,178	$ 28,833	$ 4	$ 153,776	$ 161,682
$ -	$ -	$ -	$ -	$ -
70,178	28,833	4	153,776	161,682
$ 70,178	$ 28,833	$ 4	$ 153,776	$ 161,682

LOWELL AREA SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2020

	1990	2015	2016 A
Revenues			
Local sources:			
Property taxes:			
Current property taxes	$ 4,983,468	$ 281,401	$ 208,779
Industrial facilities taxes	16,180	913	678
Delinquent and other property taxes	514	30	22
Interest on delinquent taxes	3,888	222	163
	5,004,050	282,566	209,642
Interest earnings:			
Interest on investments	16,966	435	655
Other local sources:			
Refund of expenditures	-	-	-
Total local sources	5,021,016	283,001	210,297
State sources	19,843	1,121	831
Total Revenues	5,040,859	284,122	211,128
Expenditures			
Debt service:			
Principal repayment	1,644,587	-	160,000
Interest and fiscal charges:			
Interest expense	7,695,413	258,550	31,920
Paying agent fees	-	500	500
Taxes abated and written off	-	-	-
Total Expenditures	9,340,000	259,050	192,420
Excess (Deficiency) of Revenues Over Expenditures	(4,299,141)	25,072	18,708
Other Financing Sources (Uses)			
School bond loan issued	4,164,877	-	-
Transfers in	129,000	22,894	15,850
Transfers out	(113,589)	(26,000)	(18,000)
Total Other Financing Sources (Uses)	4,180,288	(3,106)	(2,150)
Net Change in Fund Balances	(118,853)	21,966	16,558
Fund Balances, Beginning of Year	118,853	9,710	6,527
Fund Balances, End of Year	$ -	$ 31,676	$ 23,085

2016 B	2016 SBLF Refunding	2019	Totals 2020	Totals 2019
$ 590,029	$ 290,473	$ -	$ 6,354,150	$ 6,056,302
1,915	943	-	20,629	13,999
64	30	-	660	4,981
461	226	-	4,960	4,737
592,469	291,672	-	6,380,399	6,080,019
1,302	417	4	19,779	38,800
147	-	-	147	-
593,918	292,089	4	6,400,325	6,118,819
2,349	1,157	-	25,301	29,634
596,267	293,246	4	6,425,626	6,148,453
190,000	-	-	1,994,587	1,982,135
347,000	268,939	802,425	9,404,247	7,945,634
500	500	-	2,000	2,750
-	-	-	-	10,263
537,500	269,439	802,425	11,400,834	9,940,782
58,767	23,807	(802,421)	(4,975,208)	(3,792,329)
-	-	802,425	4,967,302	3,805,000
54,593	20,252	-	242,589	78,654
(62,000)	(23,000)	-	(242,589)	(78,654)
(7,407)	(2,748)	802,425	4,967,302	3,805,000
51,360	21,059	4	(7,906)	12,671
18,818	7,774	-	161,682	149,011
$ 70,178	$ 28,833	$ 4	$ 153,776	$ 161,682

CAPITAL PROJECTS FUNDS

Building and Site – to account for property tax revenues and interest earnings used to finance District building improvements projects.

2019 Construction Capital Project Fund – to account for bond proceeds used to finance building construction and school improvement projects.

LOWELL AREA SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2020 and 2019

	2020	2019
Assets		
Cash equivalents and investments	$ 739,382	$ 973,383
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 103,140	$ 150,541
Fund Balances		
Restricted	636,242	822,842
Total Liabilities and Fund Balances	$ 739,382	$ 973,383

LOWELL AREA SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2020 and 2019

	2020	2019
Revenues		
Local sources:		
Property taxes:		
Current property taxes	$ 882,625	$ 845,613
Industrial facilities taxes	2,867	1,957
Delinquent and other property taxes	604	2,494
Interest on delinquent taxes	691	664
Total property taxes	886,787	850,728
Interest earnings:		
Interest on investments	8,167	6,703
Total Revenues	894,954	857,431
Expenditures		
Facilities acquisition:		
Building improvements	1,081,554	374,406
Net Change in Fund Balances	(186,600)	483,025
Fund Balances, Beginning of Year	822,842	339,817
Fund Balances, End of Year	$ 636,242	$ 822,842

Lowell Area Schools
2019 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2020 and 2019

	2020	2019
Assets		
Cash equivalents, deposits and investments	$ 22,865,811	$ -
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 1,028,404	$ -
Fund Balances		
Restricted	21,837,407	-
Total Liabilities and Fund Balances	$ 22,865,811	$ -

Lowell Area Schools
2019 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2020 and 2019

	2020	2019
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	$ 498,047	$ -
Expenditures		
Capital outlay:		
Site improvement	435,450	-
Architect fees	2,513,785	-
Construction manager fees	177,931	
Building improvements	1,732,804	-
Debt service:		
Bond issuance costs	119,707	-
Underwriters discount	81,468	-
Total Expenditures	5,061,145	-
Deficiency of Revenues Over Expenditures	(4,563,098)	-
Other Financing Sources		
Proceeds from issuance of bonds	22,320,000	-
Bond premium	4,080,505	-
Total Other Financing Sources	26,400,505	-
Net Change in Fund Balances	21,837,407	-
Fund Balances, Beginning of Year	-	-
Fund Balances, End of Year	$ 21,837,407	$ -