



**LOWELL AREA SCHOOLS**  
**Kent and Ionia Counties, Michigan**

Annual Financial Report

For the year ended June 30, 2023

**LOWELL AREA SCHOOLS**  
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For the year ended June 30, 2023

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

September 21, 2023

The Board of Education  
Lowell Area Schools

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowell Area Schools as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lowell Area Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lowell Area Schools, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

#### *Changes in Accounting Principle*

As discussed in Note L to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* and No. 101 *Compensated Absences* for the fiscal year June 30, 2023. 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 September 21, 2023, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lowell Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lowell Area Schools' internal control over financial reporting and compliance.



Certified Public Accountants  
Grand Rapids, Michigan

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



As management of 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, 2023. 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 Pronouncements Implemented**

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This Statement enhances the relevance and consistency of information about governments' subscription-based information technology arrangements. In addition, the District implemented GASB Statement No. 101, *Compensated Absences* during the fiscal year ended June 30, 2023. This Statement will provide a more consistent application for recognizing liabilities related to compensated absences, which is expected to potentially eliminate comparability issues between governments that offer different types of leave and enhance the relevance and reliability of information for compensated absences. See Note L for additional information.

### **Condensed District-wide Financial Information**

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

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets	\$ 24,211,829	\$ 29,551,372
Net capital assets	<u>81,817,710</u>	<u>75,844,475</u>
<b>Total Assets</b>	<b><u>106,029,539</u></b>	<b><u>105,395,847</u></b>
<b>Deferred Outflows of Resources</b>	<b><u>30,396,191</u></b>	<b><u>16,552,265</u></b>
<b>Liabilities</b>		
Current liabilities	12,349,949	11,398,263
Long-term liabilities	84,538,631	89,245,339
Net pension liability	81,803,775	50,739,508
Net OPEB liability	<u>4,647,890</u>	<u>3,261,071</u>
<b>Total Liabilities</b>	<b><u>183,340,245</u></b>	<b><u>154,644,181</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>10,177,312</u></b>	<b><u>29,544,647</u></b>
<b>Net Position</b>		
Net investment in capital assets	(420,761)	(3,740,626)
Restricted	3,175,904	2,644,943
Unrestricted (deficit)	<u>(59,846,970)</u>	<u>(61,145,033)</u>
<b>Total Net Position</b>	<b><u>\$ (57,091,827)</u></b>	<b><u>\$ (62,240,716)</u></b>



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

	<u>2023</u>	<u>2022</u>
<b>Program Revenues</b>		
Charges for services	\$ 1,335,221	\$ 723,996
Operating grants	18,133,438	15,499,357
<b>General Revenues</b>		
Property taxes	12,038,738	11,409,610
State school aid, unrestricted	28,380,967	26,723,245
Interest and investment earnings	284,959	13,650
Other	1,494,882	1,498,421
<b>Total Revenues</b>	<u>61,668,205</u>	<u>55,868,279</u>
<b>Expenses</b>		
Instruction	31,227,583	25,711,666
Supporting services	20,351,432	16,736,615
Community services	284,040	236,495
Food service	1,908,646	2,106,468
Other	8,157	31,719
Interest on long-term debt	2,739,458	2,749,366
<b>Total Expenses</b>	<u>56,519,316</u>	<u>47,572,329</u>
Increase (decrease) in net position	5,148,889	8,295,950
<b>Net Position</b> , Beginning of Year	<u>(62,240,716)</u>	<u>(70,536,666)</u>
<b>Net Position</b> , End of Year	<u><u>\$ (57,091,827)</u></u>	<u><u>\$ (62,240,716)</u></u>

### **Financial Analysis of the District as a Whole**

Total revenues exceeded expenses by \$5,148,889, increasing total net position from a deficit of \$62,240,716, to a deficit of \$57,091,827. Unrestricted net position increased by \$1,298,063 to a deficit of \$59,846,970 at June 30, 2023. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$3,063,124. The net OPEB liability, including deferred outflows and inflows of resources, decreased by \$3,379,846.

The District's total revenues increased 10.4% to \$61.67 million. Property taxes and state aid accounted for most of the District's revenue, contributing 65.5% of the total. Another 29.4% 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 18.8% to \$56.52 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 62.3% of total costs. The District's administrative and business activities accounted for 7.2% of total costs. Operation and maintenance costs accounted for another 9% of total costs.



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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 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 the reader 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 following the governmental funds' statements explain 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.



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## **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**

#### General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$49,644,492, total other financing sources of \$153,288, and total expenditures of \$49,255,794. The fund balance at year end was \$7,329,663, up from \$6,787,677 at June 30, 2022.

#### 2021 Construction Fund

The 2021 Construction 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 \$172,222 and expenditures totaling \$7,330,367. The fund balance at year end was \$6,532,352, down from \$13,690,497 at June 30, 2022.

### **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 student/school activities. Total revenues for the Special Revenue Funds were \$3,113,388, other financing sources of \$4,140, total expenditures of \$3,188,602, and total other financing uses of \$20,000. The ending fund balances in the Special Revenue Funds totaled \$1,639,951, down from \$1,726,484 at June 30, 2022.

#### Debt Service Funds

The District operates seven Debt Service Funds. Total revenues for the funds were \$7,673,796 and total expenditures were \$7,144,495. The ending fund balances in the Debt Service Funds totaled \$1,321,962, up from \$792,661 at June 30, 2022.

#### Capital Projects Fund

There is one nonmajor Capital Projects Fund incorporated into the financial statements of the District, the 2020 Building and Site (Sinking) Fund. During the fiscal year the fund had revenues totaling \$1,066,368, and expenditures totaling \$991,412. The ending fund balance was \$700,919 at June 30, 2023 up from \$625,963 at June 30, 2022.

#### Fiduciary Funds

The Flexible Benefits Fund and the Scholarship Fund are operated as Trust and Custodial Funds of the District, respectively. The assets of these funds are being held for the benefit of the District's students and employees. The net position for these funds at year end totaled \$1,459,370 at June 30, 2023, up from \$1,444,248 at June 30, 2022.



**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget two times after the June 2022 adoption. Amendments were needed due to:

- Changes were adopted in February 2023 to adjust for student enrollment, staffing adjustments, program adjustments, additional local grant awards, and anticipated revenue/expenditure changes.
- In June 2023, changes were adopted to account for the final annual adjustments of revenue, general supplies, and expenditures anticipated at fiscal year-end.
- The District’s final amended budget for the General Fund anticipated that revenues and other financing sources would exceed expenditures and other financing uses by \$9,147. The variance between actual revenues/expenditures and the original revenue/expenditures budget is a result of additional federal grants, state aid per pupil increase, and state categorical funding.
- In May 2019, the community approved a \$52 million Capital Bond for significant district-wide improvements. Construction began in February 2020. In May 2021, the District sold the second series of construction fund dollars to continue with the construction projects. The majority of construction is expected to be completed by the first day of school in August 2023.

**Capital Asset and Debt Administration**

**Capital Assets**

By the end of 2023, the District had invested \$132.5 million in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, 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 \$3.8 million.

At June 30, 2023, the District’s investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles, and furniture and equipment was \$81.8 million. This represents a net increase of \$6.0 million from the previous year-end.

Land	\$ 1,441,546
Land improvements	2,441,231
Buildings and additions	56,138,168
Furniture and equipment	1,122,495
Vehicles	1,554,358
Leased furniture and equipment	264,537
Subscription-based IT arrangements	297,580
Construction in progress	<u>18,557,795</u>
<b>Total Capital Assets</b>	<b><u><u>\$ 81,817,710</u></u></b>



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## **Long-term Obligations**

At year end, the District had \$89.7 million in general obligation bonds and other long-term liabilities outstanding – a net decrease of \$4.5 million from last year.

- The District continued to pay down its debt, retiring \$4.7 million of outstanding bonds and other long-term obligations.

As of June 30, 2023, the District's outstanding Unlimited Tax General Obligation Bonds have the bond ratings of "AA" with a stable outlook by Standard and Poor's. This bond rating reflects 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 "AA+" 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 pressure 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 2023-2024 school year was approved after the 2023-2024 budget was approved. The District will be amending the budget in the fall to incorporate the State funding and district enrollment.
- State investments in education continue to climb, including increases in the per pupil foundation allowance, special education, at-risk and homeless supports, mental health and security priorities, and learning loss categoricals. Federal grants to address the impacts of Covid-19 are entering their final year. The district is mindful that many of the state and federal funds are one-time dollars that will require a reduction in services after their expiration, and one-time expenditures are prioritized for these funding sources where feasible.
- 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.





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- 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. 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.
  - Employee retirement costs paid into the Michigan Public Schools Employees' 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.

#### **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](http://Lowellschools.com). This can be found under the "Our District" heading.

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## **BASIC FINANCIAL STATEMENTS**

**LOWELL AREA SCHOOLS**  
**Statement of Net Position**  
**June 30, 2023**

	Governmental Activities
<b>Assets</b>	
Cash equivalents and investments (Note B)	\$ 15,561,091
Accounts receivable	89,738
Due from other governmental units (Note C)	8,284,158
Inventory	82,289
Prepaid expenses	194,553
Capital assets not being depreciated (Note E)	19,999,341
Capital assets being depreciated and amortized, net (Note E)	61,818,369
<b>Total Assets</b>	106,029,539
<b>Deferred Outflows of Resources</b>	
Loss on advance bond refundings, net	349,669
Deferred pension amounts	23,560,169
Deferred OPEB amounts	6,486,353
<b>Total Deferred Outflows of Resources</b>	30,396,191
<b>Liabilities</b>	
Accounts payable	1,064,866
Due to other governmental units	2,176,230
Accrued interest payable	482,387
Salaries payable	2,529,040
Unearned revenue	921,387
Long-term liabilities (Note F):	
Due within one year	5,176,039
Due in more than one year	84,538,631
Net pension liability	81,803,775
Net OPEB liability	4,647,890
<b>Total Liabilities</b>	183,340,245
<b>Deferred Inflows of Resources</b>	
Deferred pension amounts	529,927
Deferred OPEB amounts	9,647,385
<b>Total Deferred Inflows of Resources</b>	10,177,312
<b>Net Position</b>	
Net investment in capital assets	(420,761)
Restricted for:	
Capital projects	700,919
Debt service	839,575
Food service	776,483
Student/school activities	858,927
Unrestricted (deficit)	(59,846,970)
<b>Total Net Position</b>	\$ (57,091,827)

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Statement of Activities**  
**For the year ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
<b>Governmental Activities</b>				
Instruction	\$ 31,227,583	\$ 211,681	\$ 15,932,839	\$ (15,083,063)
Supporting services	20,351,432	323,872	1,045,390	(18,982,170)
Community services	284,040	-	70,714	(213,326)
Food service	1,908,646	799,668	1,065,692	(43,286)
Interest on long-term debt	2,739,458	-	18,803	(2,720,655)
Other	8,157	-	-	(8,157)
<b>Total Governmental Activities</b>	<u>\$ 56,519,316</u>	<u>\$ 1,335,221</u>	<u>\$ 18,133,438</u>	<u>(37,050,657)</u>
<b>General Revenues</b>				
Taxes:				
				3,394,727
				7,587,210
				1,056,801
				28,380,967
				284,959
				<u>1,494,882</u>
				<b>Total General Revenues</b>
				<u>42,199,546</u>
				<b>Change in Net Position</b>
				5,148,889
				<b>Net Position - Beginning of Year</b>
				<u>(62,240,716)</u>
				<b>Net Position - End of Year</b>
				<u>\$ (57,091,827)</u>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	General Fund	2021 Construction	Nonmajor	Total
<b>Assets</b>				
Cash equivalents and investments (Note B)	\$ 4,858,423	\$ 7,101,727	\$ 3,600,941	\$ 15,561,091
Accounts receivable	89,738	-	-	89,738
Due from other funds	-	8,676	31,246	39,922
Due from other governmental units	8,260,132	-	24,026	8,284,158
Inventory	58,130	-	24,159	82,289
Prepaid expenditures	94,553	-	100,000	194,553
<b>Total Assets</b>	<b><u>\$ 13,360,976</u></b>	<b><u>\$ 7,110,403</u></b>	<b><u>\$ 3,780,372</u></b>	<b><u>\$ 24,251,751</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 468,088	\$ 554,639	\$ 42,139	\$ 1,064,866
Due to other funds	16,510	23,412	-	39,922
Due to other governmental units	2,176,230	-	-	2,176,230
Salaries payable	2,529,040	-	-	2,529,040
Unearned revenue	841,445	-	79,942	921,387
<b>Total Liabilities</b>	<b><u>6,031,313</u></b>	<b><u>578,051</u></b>	<b><u>122,081</u></b>	<b><u>6,731,445</u></b>
<b>Fund Balances</b>				
Nonspendable	152,683	-	124,159	276,842
Restricted	-	6,532,352	3,534,132	10,066,484
Unassigned	7,176,980	-	-	7,176,980
<b>Total Fund Balances</b>	<b><u>7,329,663</u></b>	<b><u>6,532,352</u></b>	<b><u>3,658,291</u></b>	<b><u>17,520,306</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 13,360,976</u></b>	<b><u>\$ 7,110,403</u></b>	<b><u>\$ 3,780,372</u></b>	<b><u>\$ 24,251,751</u></b>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2023**

<b>Total governmental fund balances</b>		\$ 17,520,306
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 \$132,473,583 and accumulated depreciation is \$50,655,873.		81,817,710
Bond refunding losses are not expensed but are amortized over the life of the new bond issue.		349,669
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	\$ (78,795,000)	
Bond premium, unamortized	(10,196,978)	
Lease liabilities	(111,088)	
Subscription-based IT arrangements	(17,426)	
Compensated absences	(594,178)	(89,714,670)
Accrued interest is not included as a liability in governmental funds.		(482,387)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(81,803,775)	
Deferred outflows of resources	23,560,169	
Deferred inflows of resources	(529,927)	(58,773,533)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(4,647,890)	
Deferred outflows of resources	6,486,353	
Deferred inflows of resources	(9,647,385)	(7,808,922)
<b>Total Net Position - Governmental Activities</b>		<u><u>\$ (57,091,827)</u></u>

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, 2023**

	General Fund	2021 Construction	Nonmajor	Total
<b>Revenues</b>				
Local sources	\$ 4,214,582	\$ 172,222	\$ 10,769,057	\$ 15,155,861
Non-educational entity sources	70,714	-	-	70,714
State sources	38,765,383	-	118,420	38,883,803
Federal sources	3,222,047	-	966,075	4,188,122
Interdistrict sources	3,371,766	-	-	3,371,766
<b>Total Revenues</b>	<b>49,644,492</b>	<b>172,222</b>	<b>11,853,552</b>	<b>61,670,266</b>
<b>Expenditures</b>				
Current:				
Instruction	29,613,595	-	-	29,613,595
Supporting services	19,193,551	-	1,189,309	20,382,860
Community services	201,331	-	-	201,331
Food service	-	-	1,999,293	1,999,293
Capital outlay	-	7,327,435	991,412	8,318,847
Other transactions	5,225	2,932	-	8,157
Debt service:				
Principal repayment	232,476	-	4,140,000	4,372,476
Interest and fiscal charges	9,616	-	3,004,495	3,014,111
<b>Total Expenditures</b>	<b>49,255,794</b>	<b>7,330,367</b>	<b>11,324,509</b>	<b>67,910,670</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>388,698</b>	<b>(7,158,145)</b>	<b>529,043</b>	<b>(6,240,404)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	8,712	-	4,140	12,852
Inception of lease	124,576	-	-	124,576
Transfers in	20,000	-	-	20,000
Transfers out	-	-	(20,000)	(20,000)
<b>Total Other Financing Sources (Uses)</b>	<b>153,288</b>	<b>-</b>	<b>(15,860)</b>	<b>137,428</b>
<b>Net Change in Fund Balances</b>	<b>541,986</b>	<b>(7,158,145)</b>	<b>513,183</b>	<b>(6,102,976)</b>
<b>Fund Balances, Beginning of Year</b>	<b>6,787,677</b>	<b>13,690,497</b>	<b>3,145,108</b>	<b>23,623,282</b>
<b>Fund Balances, End of Year</b>	<b>\$ 7,329,663</b>	<b>\$ 6,532,352</b>	<b>\$ 3,658,291</b>	<b>\$ 17,520,306</b>

See accompanying notes to basic financial statements.



**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, 2023**

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**Net change in fund balances - total governmental funds** \$ (6,102,976)

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	\$ 9,762,209	
	Depreciation expense	<u>(3,774,061)</u>	5,988,148

In the Statement of Activities, only the gain 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. (14,913)

Bond premium is amortized over the life of the new bond issue in the Statement of Activities. 319,087

Losses on advanced bond refundings are amortized over the life of the new bond issue in the Statement of Activities. (31,719)

Upon inception of subscription-based IT arrangements and lease transactions, other financing sources were recognized in the governmental funds, but increased long-term liabilities in the Statement of Net Position. (155,069)

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 general obligation bonds	4,140,000	
Repayment of lease liabilities	219,409	
Repayment of subscription-based IT arrangements	<u>13,067</u>	4,372,476

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. 17,778

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 exceeded the amount used/paid by \$35,817. (35,817)

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds. (2,587,952)

See accompanying notes to basic financial statements.

**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, 2023**

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The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	<u>\$ 3,379,846</u>
<b>Total change in net position - governmental activities</b>	<u><u>\$ 5,148,889</u></u>

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, 2023**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 4,098,192	3,989,079	\$ 4,214,582	\$ 225,503
Non-educational entity sources	-	70,242	70,714	472
State sources	34,466,185	38,538,470	38,765,383	226,913
Federal sources	3,293,301	3,405,192	3,222,047	(183,145)
Interdistrict sources	3,002,000	3,444,392	3,371,766	(72,626)
<b>Total Revenues</b>	<u>44,859,678</u>	<u>49,447,375</u>	<u>49,644,492</u>	<u>197,117</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	22,698,138	25,363,864	25,147,121	216,743
Added needs	4,223,907	4,327,787	4,466,474	(138,687)
Supporting services:				
Pupil services	2,740,461	3,046,239	3,083,136	(36,897)
Instructional staff services	1,507,369	2,081,003	2,093,545	(12,542)
General administrative services	613,071	647,223	629,709	17,514
School administrative services	2,609,063	2,792,876	2,706,669	86,207
Business services	692,974	745,617	726,507	19,110
Operation and maintenance services	4,505,279	4,887,494	5,070,057	(182,563)
Pupil transportation services	2,763,379	2,983,045	2,758,839	224,206
Central services	1,004,526	1,337,175	1,215,219	121,956
Other supporting services	774,952	916,386	909,870	6,516
Community services	197,198	209,934	201,331	8,603
Other transactions	-	-	5,225	(5,225)
Debt Service				
Principal repayment	205,921	239,545	232,476	7,069
Interest expense	6,793	9,616	9,616	-
<b>Total Expenditures</b>	<u>44,543,031</u>	<u>49,587,804</u>	<u>49,255,794</u>	<u>332,010</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>316,647</u>	<u>(140,429)</u>	<u>388,698</u>	<u>529,127</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	5,000	8,712	3,712
Inception of lease	-	124,576	124,576	-
Transfers in	-	20,000	20,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>149,576</u>	<u>153,288</u>	<u>3,712</u>
<b>Net Change in Fund Balances</b>	316,647	9,147	541,986	532,839
<b>Fund Balances, Beginning of Year</b>	<u>6,787,677</u>	<u>6,787,677</u>	<u>6,787,677</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 7,104,324</u>	<u>\$ 6,796,824</u>	<u>\$ 7,329,663</u>	<u>\$ 532,839</u>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2023**

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	Private Purpose Trust Funds	Custodial Funds
<b>Assets</b>		
Cash equivalents and investments (Note B)	\$ 1,445,230	\$ 14,140
<b>Liabilities</b>	-	-
<b>Net Position</b>		
Restricted for:		
Individuals and organizations	\$ 1,445,230	\$ 14,140

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, 2023**

	Private Purpose Trust Fund	Custodial Funds
<b>Additions</b>		
Contributions:		
Donations	\$ 24,851	\$ -
Members	-	20,000
Total contributions	24,851	20,000
Interest earnings:		
Interest on investments	41,140	89
<b>Total Additions</b>	<b>65,991</b>	<b>20,089</b>
<b>Deductions</b>		
Endowment activities - scholarships	59,100	-
Distributions to members	-	11,858
<b>Total Deductions</b>	<b>59,100</b>	<b>11,858</b>
<b>Net Increase (Decrease) in Fiduciary Net Position</b>	<b>6,891</b>	<b>8,231</b>
<b>Net Position, Beginning of Year</b>	<b>1,438,339</b>	<b>5,909</b>
<b>Net Position, End of Year</b>	<b>\$ 1,445,230</b>	<b>\$ 14,140</b>

See accompanying notes to basic financial statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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## **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 3,504 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 resources 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*.



**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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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 and the 2021 Construction Capital Projects Fund are the District's major funds. Nonmajor 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 separately.

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 are the fiduciary fund financial statements. 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.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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*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 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 March 29, 2017. 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.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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**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 Funds 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.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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**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 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, furniture and equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives. Leased technology and equipment and subscription-based IT arrangements are amortized using the straight-line method over the shorter of the following estimated useful life or contract term:

Land improvements	10 - 20 years
Buildings and additions	10 - 50 years
Furniture and equipment	3 - 10 years
Vehicles	4 - 10 years
Leased technology and equipment	3 - 10 years
Subscription-based IT arrangements	3 - 8 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.

**LOWELL AREA SCHOOLS**  
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**10. Accumulated Vacation Pay and Sick Leave**

Early retirement incentive, accumulated vacation pay and sick leave at June 30, 2023 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, 2023, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) accumulated vacation pay, and sick leave amounted to \$50,296 and \$543,882, 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 establishes 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.

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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 of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of the net 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 an 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 net OPEB liability on the financial statements.

### **14. Net Position**

Net position represents the difference between assets including deferred outflows of resources and liabilities including deferred inflows of resources. 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).

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- 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, 2023, 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, Deposits, 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.

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- 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 chartered 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 and Investments**

Balances at June 30, 2023 related to cash equivalents and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 15,561,091
Fiduciary Funds:	
Trust and Agency Funds	<u>1,459,370</u>
	<u>\$ 17,020,461</u>

**Cash Equivalents**

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

1. Huntington National Bank
2. Fifth Third Bank

Cash equivalents consist of bank public funds checking accounts.

June 30, 2023 balances are detailed as follows:

Cash equivalents	\$ 12,025,274
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*Custodial Credit Risk Related to Bank Deposits*

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District deposit is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents was \$12,025,274 and the bank balance was \$13,367,571. Of the bank balance, \$1,819,472 was covered by federal depository insurance and \$11,548,099 was uninsured and uncollateralized.

**Investments**

As of June 30, 2023, the District had the following investments:

Governmental activities:	
U.S. Treasury Bills - mature 2023	\$ 3,988,120
Trust and Agency Funds:	
U.S. Treasury Bills - mature 2023	992,830
Municipal Bond	<u>14,237</u>
	<u>\$ 4,995,187</u>

*Fair Market Value Measurement*

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

Level 1: Quoted prices in the active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing and investment and would be based on the best information available. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments by Fair Value Level	June 30, 2023	Fair Value Measurement Using Other Significant Observable Inputs (Level 2)
U.S. Treasury Securities	\$ 4,980,950	\$ 4,980,950
Municipal Bond	<u>14,237</u>	<u>14,237</u>
	<u>\$ 4,995,187</u>	<u>\$ 4,995,187</u>

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District's policies to minimize investment risk are as follows:

*Credit Risk Related to Investments*

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. The weighted average maturity (WAM), in years, for the Fixed Income U.S. Treasury Securities and Municipal Bond is 0.0899.

*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, 2023.

*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 2022 and October 2022. The 2022-23 "Foundation Allowance" for Lowell Area Schools was \$9,150 for 3,505 "Full Time Equivalent" students, generating \$38,549,461 in State aid payments to the District of which \$7,052,269 was paid to the District in July and August 2023 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

**LOWELL AREA SCHOOLS**  
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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 17.0241 mills of non-homestead property tax was levied in the District for 2022.

In 2022-23, the District levied 7.0 mills for debt service purposes, and 0.9766 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, 2023, the District’s property tax revenues were reduced by approximately \$200,822 under these agreements.

**LOWELL AREA SCHOOLS**  
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**Note D – Interfund Receivables/Payables and Transfers**

Due from (to) other funds outstanding at June 30, 2023 were as follows:

	<b>Due From</b>	<b>Due To</b>
<b>Major Funds</b>		
General Fund:		
Special Revenue Fund:		
Food Service Special Revenue Fund	\$ -	\$ 7,834
Capital Project Fund:		
2021 Construction Fund	-	8,676
2021 Construction Fund:		
General Fund	8,676	-
Building and Site Sinking Fund	-	23,412
	8,676	39,922
<b>Total Major Funds</b>	<b>8,676</b>	<b>39,922</b>
<b>Nonmajor Funds</b>		
Special Revenue Fund:		
Food Service Fund:		
General Fund	7,834	-
Capital Project Fund:		
Building and Site Sinking Fund:		
2021 Construction Fund	23,412	-
	31,246	-
<b>Total Nonmajor Funds</b>	<b>31,246</b>	<b>-</b>
<b>Total All Funds</b>	<b>\$ 39,922</b>	<b>\$ 39,922</b>

Transfers between funds during the year ended June 30, 2023 were as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Fund</b>		
General Fund:		
Special Revenue Funds:		
Food Service Fund	\$ 20,000	\$ -
	20,000	-
<b>Total Major Funds</b>	<b>20,000</b>	<b>-</b>
<b>Nonmajor Funds</b>		
Special Revenue Funds:		
Food Service Fund:		
General Fund	-	20,000
	-	20,000
<b>Total Nonmajor Funds</b>	<b>-</b>	<b>20,000</b>
<b>Total All Funds</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>

Transfers made during the year ended June 30, 2023 were for indirect cost all allocations from the Food Service Fund to the General Fund.

**LOWELL AREA SCHOOLS**  
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**Note E – Capital Assets**

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Balances July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 1,441,546	\$ -	\$ -	\$ 1,441,546
Construction in progress	12,258,443	8,371,501	2,072,149	18,557,795
Total capital assets not being depreciated	<u>13,699,989</u>	<u>\$ 8,371,501</u>	<u>\$ 2,072,149</u>	<u>19,999,341</u>
Capital assets being depreciated:				
Land improvements	3,675,529	\$ 700,280	\$ -	4,375,809
Buildings and additions	97,675,526	1,446,988	-	99,122,514
Furniture and equipment	3,497,758	538,962	43,871	3,992,849
Vehicles	3,965,583	332,583	377,119	3,921,047
Intangible right-to-use assets:				
Leased technology and equipment	617,979	124,576	-	742,555
Subscription-based IT arrangements	-	319,468	-	319,468
Total capital assets being depreciated and amortized	<u>109,432,375</u>	<u>\$ 3,462,857</u>	<u>\$ 420,990</u>	<u>112,474,242</u>
Less accumulated depreciation for:				
Land improvements	1,769,896	\$ 164,682	\$ -	1,934,578
Buildings and additions	40,349,289	2,635,057	-	42,984,346
Furniture and equipment	2,613,567	293,110	36,323	2,870,354
Vehicles	2,297,646	438,797	369,754	2,366,689
Less accumulated amortization for:				
Leased technology and equipment	257,491	220,527	-	478,018
Subscription-based IT arrangements	-	21,888	-	21,888
Total accumulated depreciation and amortization	<u>47,287,889</u>	<u>\$ 3,774,061</u>	<u>\$ 406,077</u>	<u>50,655,873</u>
Total capital assets being depreciated and amortized, net	<u>62,144,486</u>			<u>61,818,369</u>
<b>Net Capital Assets</b>	<u><u>\$ 75,844,475</u></u>			<u><u>\$ 81,817,710</u></u>

Depreciation expense was charged to the District activities as follows:

Governmental activities:	
Instruction	\$ 2,457,216
Supporting services	1,029,951
Community services	86,891
Food service	200,003
	<u>\$ 3,774,061</u>

**LOWELL AREA SCHOOLS**  
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**Note F – Long-term Obligations**

Changes in long-term obligations for the year ended June 30, 2023 are summarized as follows:

	<b>Debt Outstanding July 1, 2022</b>	<b>Debt Added</b>	<b>Debt Retired</b>	<b>Debt Outstanding June 30, 2023</b>
General obligation bonds:				
February 12, 2015	\$ 5,250,000	\$ -	\$ 690,000	\$ 4,560,000
March 16, 2016	1,045,000	-	155,000	890,000
May 5, 2016	8,030,000	-	285,000	7,745,000
May 5, 2016	6,855,000	-	2,285,000	4,570,000
July 16, 2019	22,170,000	-	175,000	21,995,000
January 14, 2021	19,390,000	-	550,000	18,840,000
May 4, 2021	20,195,000	-	-	20,195,000
Bond premium	10,516,065	-	319,087	10,196,978
Lease liability	205,921	124,576	219,409	111,088
Subscription-based IT arrangements	-	30,493	13,067	17,426
Accumulated vacation pay *	62,555	-	12,259	50,296
Accumulated sick leave *	495,806	48,076	-	543,882
	<b>\$ 94,215,347</b>	<b>\$ 203,145</b>	<b>\$ 4,703,822</b>	<b>\$ 89,714,670</b>

*\*Net change only reported, consistent with GASB Statement No. 101 implementation. See Note L.*

**LOWELL AREA SCHOOLS**  
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Long-term obligations at June 30, 2023 are comprised of the following:

	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>	<b>Amount Due Within One Year</b>
<b>General Obligation Bonds</b>				
\$7,610K 2015 Refunding:				
Annual maturities of \$620K to \$680K	May 1, 2030	4.00	\$ 4,560,000	\$ 680,000
\$2,000K 2016A Refunding:				
Annual maturities of \$145K to \$155K	May 1, 2029	2.10	890,000	155,000
\$8,675K 2016B Refunding:				
Annual maturities of \$335K to \$645K	May 1, 2037	4.00	7,745,000	335,000
\$11,420K 2016 SBLF Refunding:				
Annual maturity of \$2,285K	May 1, 2037	2.577 - 2.777	4,570,000	2,285,000
\$22,230K 2019 Bldg & Site Series I:				
Annual maturities of \$200K to \$1,375K	May 1, 2049	5.00	21,995,000	200,000
\$19,710K 2021 SBLF Refunding:				
Annual maturities of \$790K to \$2,685K	May 1, 2030	0.625 - 1.621	18,840,000	790,000
\$20,195K 2021 Bldg & Site Series II:				
Annual maturities of \$180K to \$1,775K	May 1, 2049	2.00 - 5.00	20,195,000	180,000
Bond premium			10,196,978	435,673
<b>Lease Liability</b>				
\$124,576 Copier Lease				
Annual maturities of \$11,512 to \$23,135	December 1, 2027	4.80	111,088	23,135
<b>Subscription-Based IT Arrangements</b>				
\$30,493 iBoss Software Subscription				
Annual maturities of \$5,195 to \$12,231	September 11, 2024	4.80	17,426	12,231
<b>Other Obligations</b>				
Accumulated vacation pay			50,296	10,000
Accumulated sick leave			543,882	70,000
			<u>\$ 89,714,670</u>	<u>\$ 5,176,039</u>

**LOWELL AREA SCHOOLS**  
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The annual requirements to pay principal and interest on long-term bonds, subscription-based IT arrangements, and lease liabilities outstanding are as follows:

Years Ending	General Obligation Bonds		Subscription-Based IT Arrangements		Lease Liability		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 4,625,000	\$ 2,894,329	\$ 12,231	\$ 836	\$ 23,135	\$ 4,828	\$ 7,560,359
2025	4,945,000	2,773,051	5,195	249	24,270	3,692	7,751,457
2026	5,285,000	2,641,829	-	-	25,461	2,501	7,954,791
2027	5,605,000	2,544,557	-	-	26,710	1,252	8,177,519
2028	5,955,000	2,436,414	-	-	11,512	139	8,403,065
2029	4,445,000	2,308,955	-	-	-	-	6,753,955
2030	4,445,000	2,196,974	-	-	-	-	6,641,974
2031	1,710,000	2,079,300	-	-	-	-	3,789,300
2032	1,775,000	2,005,200	-	-	-	-	3,780,200
2033	1,860,000	1,922,750	-	-	-	-	3,782,750
2034	1,930,000	1,836,000	-	-	-	-	3,766,000
2035	2,020,000	1,745,950	-	-	-	-	3,765,950
2036	2,110,000	1,659,300	-	-	-	-	3,769,300
2037	2,200,000	1,568,700	-	-	-	-	3,768,700
2038	1,900,000	1,473,950	-	-	-	-	3,373,950
2039	1,985,000	1,388,850	-	-	-	-	3,373,850
2040	2,070,000	1,300,000	-	-	-	-	3,370,000
2041	2,175,000	1,196,500	-	-	-	-	3,371,500
2042	2,285,000	1,087,750	-	-	-	-	3,372,750
2043	2,400,000	973,500	-	-	-	-	3,373,500
2044	2,520,000	853,500	-	-	-	-	3,373,500
2045	2,645,000	727,500	-	-	-	-	3,372,500
2046	2,780,000	595,250	-	-	-	-	3,375,250
2047	2,915,000	456,250	-	-	-	-	3,371,250
2048	3,060,000	310,500	-	-	-	-	3,370,500
2049	3,150,000	157,500	-	-	-	-	3,307,500
	<u>\$ 78,795,000</u>	<u>\$41,134,359</u>	<u>\$ 17,426</u>	<u>\$ 1,085</u>	<u>\$ 111,088</u>	<u>\$ 12,412</u>	<u>\$120,071,370</u>



**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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## **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 (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 at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### ***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 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 based on when the employee became a member. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full year and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. Certain employees have the option to participate in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions. The System also provides disability and survivor benefits to DB plan members.

Benefit terms provide for annual cost of living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

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.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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***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 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, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the plan fiscal year ended September 30, 2022.

<b>Plan Name</b>	<b>Pension Contribution Rates:</b>		
	<b>Plan Status</b>	<b>Member</b>	<b>District</b>
Basic	Closed	0.0 – 4.0 %	20.14%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	20.14%
Pension Plus	Closed	3.0 – 6.4 %	17.22%
Pension Plus 2	Open	6.2%	19.93%
Defined Contribution	Open	0.0%	13.73%

The District’s contributions to MPSERS under all pension plans for the year ended June 30, 2023, inclusive of the MSPERS UAAL Stabilization, totaled \$8,017,937.

***Proportionate Share of Reporting Unit’s Net Pension Liability***

At June 30, 2023, the District reported a liability of \$81,803,775 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the District’s proportion was 0.21751279%, which was an increase from 0.21431309% at September 30, 2021.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
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***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2023, the District recognized pension expense of \$10,467,742. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 818,323	\$ 182,905
Changes of assumptions	14,056,820	—
Net difference between projected and actual earnings on pension plan investments	191,830	—
Changes in proportion and differences between District contributions and proportionate share of contributions	1,055,622	347,022
District contributions subsequent to the measurement date*	7,437,574	—
<b>Total</b>	<b>\$ 23,560,169</b>	<b>\$ 529,927</b>

\* 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, 2024.

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

<b>Years Ending June 30</b>	<b>Amount</b>
2024	\$ 4,608,943
2025	3,328,814
2026	2,872,173
2027	4,782,738

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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***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, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	6.00% net of investment expenses
Pension Plus Plan (Hybrid):	6.00% net of investment expenses
Pension Plus 2:	6.00% net of investment expenses
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, 2018 valuation. The total pension liability as of September 30, 2022 is based on the results of an actuarial valuation date of September 30, 2021 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: [4.3922 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at ([www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)).

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

***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, 2022 are summarized in the following table:

<b>Investment Category</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity Pools	15.0%	6.7%
Fixed Income Pools	13.0%	(0.2)%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short-term Investment Pools	2.0%	(0.5)%
<b>Total</b>	<b>100.0%</b>	

\*Long-term rates of return are net of administrative expenses and 2.2% inflation.

***Rate of Return***

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.18)%. 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 6.0% was used to measure the total pension liability (6.0% for the Pension Plus Plan , 6.0% for the Pension Plus 2 Plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.0% (6.0% 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 these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
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***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 6.0%, 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:

	<b>1% Decrease 5.0%</b>	<b>Current Single Discount Rate Assumption 6.0%</b>	<b>1% Increase 7.0%</b>
District’s proportionate share of the net pension liability	\$ 107,950,592	\$ 81,803,775	\$ 60,257,619

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

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Michigan Public School Employees’ Retirement System September 30, 2022 Annual Comprehensive Financial Report, available here: ([www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)).

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

Payables to the pension plan totaling \$1,172,872 at June 30, 2023 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 (MPERS 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](http://www.michigan.gov/orsschools).

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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***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 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 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, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2022.

**OPEB Contribution Rates:**

Benefit Structure	Member	District
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0 %	7.23%

Required contributions to the OPEB plan from the District were \$1,716,769 for the year ended June 30, 2023.

***Proportionate Share of Reporting Unit's Net OPEB Liability***

At June 30, 2023, the District reported a liability of 4,647,890 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022 the District's proportion was 0.21944065%, which was an increase from 0.21364767% at September 30, 2021.

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

For the year ended June 30, 2023, the District recognized OPEB credit of \$1,658,025. At June 30, 2023, 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	\$ —	\$ 9,103,437
Changes of assumptions	4,142,814	337,332
Net difference between projected and actual earnings on OPEB plan investments	363,269	—
Changes in proportion and differences between District contributions and proportionate share of contributions	494,411	206,616
District contributions subsequent to the measurement date*	1,485,859	—
<b>Total</b>	<b>\$ 6,486,353</b>	<b>\$ 9,647,385</b>

\* 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, 2024.



**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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

<b>Years Ending June 30</b>	<b>Amount</b>
2024	\$ (1,628,989)
2025	(1,495,354)
2026	(1,386,051)
2027	(112,823)
2028	(36,917)
Thereafter	13,243

***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, 2021
Actuarial Cost Method:	Entry Age, Normal
Asset Valuation Method:	Fair Value
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	Pre-65 - 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65 – 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
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.

**LOWELL AREA SCHOOLS**  
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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 retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for 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, 2018 valuation. The total OPEB liability as of September 30, 2022 is based on the results of an actuarial valuation date of September 30, 2021 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: [6.2250 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://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 were provided for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

<b>Investment Category</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity Pools	15.0%	6.7%
Fixed Income Pools	13.0%	(0.2)%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short-term Investment Pools	2.0%	(0.5)%
<b>Total</b>	<b>100.0%</b>	

\* Long-term rates of return are net of administrative expenses and 2.2% inflation.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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***Rate of Return***

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (4.99)%. 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 6.0% 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 6.0%. 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 6.00 percent, 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:

	<b>1% Decrease 5.0%</b>	<b>Current Discount Rate 6.0%</b>	<b>1% Increase 7.0%</b>
District's proportionate share of the net OPEB liability	\$ 7,796,389	\$ 4,647,890	\$ 1,996,464

***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 well 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:

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of the net OPEB liability	\$ 1,946,314	\$ 4,647,890	\$ 7,680,463

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
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***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS Annual Comprehensive Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

***Payables to the OPEB Plan***

Payables to the OPEB plan totaling \$197,243 at June 30, 2023 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 Employee 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 2022-23, and as of year ended June 30, 2023, there were no material pending claims against the District.

**Note J – Stewardship, Compliance and Accountability**

The District has an unrestricted net position deficit of \$59,846,970 and a total net position deficit of \$57,091,827 as of June 30, 2023. These deficit net positions result primarily from the net pension liability of \$59,248,705, and net OPEB liability of \$7,808,922 (including deferred outflows and inflows of resources).

**Note K– Commitments**

On May 4, 2021, the District issued \$20,195,000 of general obligation 2021 Construction bonds whose proceeds are being used for land improvements, building renovations and additions, and furniture and equipment purchases. At June 30, 2023, unspent balances committed to these construction projects totaled \$6,532,352, which are expected to be fully expended by the year ended June 30, 2024.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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**Note L – New Accounting Pronouncement Adopted**

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* was adopted by the District during the fiscal year ending June 30, 2023. This statement enhances the relevance and consistency of information about governments' SBITAs by requiring recognition of right-to-use subscription assets and a corresponding subscription liability. During the current year, the District recognized right-to-use subscription assets totaling \$319,468 and subscription liabilities of \$30,493. Net position as of July 1, 2022 was not required to be restated as a result of implementing the Statement.

Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* was adopted by the District during the fiscal year ended June 30, 2023. This statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability. In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

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## **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, 2023**

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	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
District's proportion of the net pension liability	0.21751279%	0.21431309%	0.21618847%
District's proportionate share of the net pension liability	\$ 81,803,775	\$ 50,739,508	\$ 74,263,091
District's covered-employee payroll	\$ 21,713,371	\$ 20,148,150	\$ 19,296,503
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	376.74%	251.83%	384.85%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%

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.



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<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
0.21371407%	0.21048708%	0.20798328%	0.20385344%	0.20152264%	0.20340981%
\$ 70,774,915	\$ 63,276,216	\$ 53,897,309	\$ 50,859,765	\$ 49,221,959	\$ 44,583,803
\$ 18,919,218	\$ 18,139,412	\$ 17,609,042	\$ 17,765,935	\$ 16,920,859	\$ 17,292,694
374.09%	348.83%	306.08%	286.28%	290.90%	257.82%
60.08%	62.12%	63.96%	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, 2023**

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	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
District's proportion of the net OPEB liability	0.21944065%	0.21364767%	0.21759435%
District's proportionate share of the net OPEB liability	\$ 4,647,890	\$ 3,261,071	\$ 11,657,110
District's covered-employee payroll	\$ 21,713,371	\$ 20,148,150	\$ 19,296,503
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	21.41%	16.19%	60.41%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%	59.44%

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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<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
0.21646874%	0.21306495%	0.20867350%
\$ 15,537,581	\$ 16,936,430	\$ 18,479,021
\$ 18,919,218	\$ 18,139,412	\$ 17,609,042
82.13%	93.37%	104.94%
48.67%	43.10%	36.53%

**LOWELL AREA SCHOOLS**  
**Required Supplementary Information**  
**Schedule of District Pension Contributions**  
**MPSERS Cost-sharing Multiple-employer Plan**  
**June 30, 2023**

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	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>
Contractually required contribution	\$ 8,017,937	\$ 7,337,745	\$ 6,524,875	\$ 6,028,050
Contributions in relation to the contractually required contribution	<u>8,017,937</u>	<u>7,337,745</u>	<u>6,524,875</u>	<u>6,028,050</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,848,477	\$ 20,250,404	\$ 19,167,932	\$ 19,516,878
Contributions as a percentage of covered employee payroll	36.70%	36.24%	34.04%	30.89%

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.

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<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
\$ 5,691,235	\$ 5,389,602	\$ 5,237,576	\$ 5,234,966	\$ 5,436,682
<u>5,691,235</u>	<u>5,389,602</u>	<u>5,237,576</u>	<u>5,234,966</u>	<u>5,436,682</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,913,541	\$ 18,211,181	\$ 17,476,499	\$ 17,425,510	\$ 17,375,266
30.09%	29.60%	29.97%	30.04%	31.29%

**LOWELL AREA SCHOOLS**  
**Required Supplementary Information**  
**Schedule of District OPEB Contributions**  
**MPSERS Cost-sharing Multiple-employer Plan**  
**June 30, 2023**

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	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
Contractually required contribution	\$ 1,716,769	\$ 1,589,697	\$ 1,550,773
Contributions in relation to the contractually required contribution	<u>1,716,769</u>	<u>1,589,697</u>	<u>1,550,773</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,848,477	\$ 20,250,404	\$ 19,167,932
Contributions as a percentage of covered employee payroll	7.86%	7.85%	8.09%

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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<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
\$ 1,556,394	\$ 1,494,758	\$ 1,348,807
<u>1,556,394</u>	<u>1,494,758</u>	<u>1,348,807</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 19,516,878	\$ 18,913,541	\$ 18,211,181
7.97%	7.90%	7.41%

**LOWELL AREA SCHOOLS**  
**Notes to Required Supplementary Information**  
**June 30, 2023**

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**Note A – Net Pension Liability and Contributions**

**Changes of benefit terms:** There were no changes of benefit terms in 2022-23.

**Changes of assumptions:** There were no changes of benefit assumptions in 2022-23.

**Note B – Net OPEB Liability and Contributions**

**Changes of benefit terms:** There were no changes of benefit terms in 2022-23.

**Changes of assumptions:** There were no changes of benefit assumptions in 2022-23.



## **SUPPLEMENTARY INFORMATION**

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## **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, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash equivalents	\$ 4,858,423	\$ 3,314,426
Accounts receivable	89,738	77,101
Due from other governmental units	8,260,132	8,193,540
Inventory	58,130	19,129
Prepaid expenditures	94,553	113,081
	<b>Total Assets</b>	<b>Total Assets</b>
	<b>\$ 13,360,976</b>	<b>\$ 11,717,277</b>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 468,088	\$ 364,339
Due to other funds	16,510	-
Due to other governmental units	2,176,230	1,648,820
Salaries payable	2,529,040	2,390,041
Unearned revenue	841,445	526,400
	<b>Total Liabilities</b>	<b>Total Liabilities</b>
	<b>6,031,313</b>	<b>4,929,600</b>
 <b>Fund Balances</b>		
Nonspendable	152,683	132,210
Unassigned	7,176,980	6,655,467
	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>
	<b>7,329,663</b>	<b>6,787,677</b>
	<b>Total Liabilities and Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>
	<b>\$ 13,360,976</b>	<b>\$ 11,717,277</b>

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedules of Revenues**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Local sources:		
Property taxes:		
Current property taxes	\$ 3,387,026	\$ 3,284,717
Delinquent and other property taxes	4,615	36,655
Interest on delinquent taxes	3,086	3,464
	3,394,727	3,324,836
 Earnings on investments	 28,259	 -
Revenue from student activities:		
Athletic event fees	219,280	211,739
Athletic donations	10	-
	219,290	211,739
 Revenue from community service activities:		
Preschool fees	211,681	192,818
Third party testing	-	8,325
	211,681	201,143
 Other local revenue:		
Community enrichment fees	3,972	3,720
Transportation reimbursements	18,796	8,580
Universal service fund	3,605	39,712
Beverage consortium commissions	3,003	3,875
Copy center charges	67,489	72,565
Rental of school facilities	37,838	38,003
Donations	9,450	57,457
Insurance claims/reimbursements	73,505	60,850
Refunds of expenditures	107,528	57,924
Miscellaneous	35,439	64,812
	360,625	407,498
Total local sources	4,214,582	4,145,216
 Non-educational entity sources	 70,714	 22,662
State sources:		
State aid	38,060,028	33,446,784
Special education - itinerants	97,646	76,862
Special education - transportation	402,626	396,725
Special education - millage incentive	111,659	109,402
Early literacy grant	34,663	33,997
ORS forfeiture credit	11,739	18,834
Mental health and support services	36,303	26,529
Future educator stipends	9,600	-
Bus driver safety	1,119	1,775
Virtual learning	-	2,515
Total state sources	38,765,383	34,113,423

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedules of Revenues**  
**For the years ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Federal sources:		
Title I	\$ 275,003	\$ 260,903
Title II A	76,256	79,898
Title III	6,564	7,718
Title IV	21,284	20,097
Education stabilization fund	1,811,881	1,531,125
I.D.E.A. program	830,507	793,794
Medicaid - outreach	10,003	12,464
Child care relief grant	113,969	89,329
MDHHS health resource advocate (HRA)	76,040	-
American rescue plan	540	-
Total federal sources	<u>3,222,047</u>	<u>2,795,328</u>
Interdistrict sources:		
Special education - county	3,051,845	2,763,624
Medicaid fee for service	285,998	332,768
GSRP	8,551	14,439
Reimbursement for services provided	5,372	-
Education program	20,000	16,000
Total interdistrict sources	<u>3,371,766</u>	<u>3,126,831</u>
<b>Total Revenues</b>	<u><u>\$ 49,644,492</u></u>	<u><u>\$ 44,203,460</u></u>

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedules of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 5,706,885	\$ 5,625,793
Employee benefits	5,857,509	4,195,329
Purchased services	170,738	154,324
Supplies	202,415	202,553
Capital outlay	260,425	4,726
	12,197,972	10,182,725
Middle school:		
Salaries	2,881,831	2,713,783
Employee benefits	2,231,168	2,075,808
Purchased services	119,653	79,729
Supplies	106,669	87,330
	5,339,321	4,956,650
High school:		
Salaries	3,867,556	3,707,487
Employee benefits	2,908,074	2,787,920
Purchased services	120,988	114,943
Supplies	180,893	150,670
Capital outlay	60,380	112,219
Payments to other districts	50,725	61,156
	7,188,616	6,934,395
Preschool:		
Salaries	156,380	129,780
Employee benefits	81,338	68,559
Purchased services	7,188	8,623
Supplies	7,392	4,994
	252,298	211,956
Summer school:		
Salaries	97,824	163,147
Employee benefits	34,088	49,547
Purchased services	7,020	-
Supplies	29,982	46,904
	168,914	259,598
Total basic programs	25,147,121	22,545,324
Added needs:		
Special education:		
Salaries	1,778,257	1,567,834
Employee benefits	1,265,417	1,121,484
Purchased services	11,877	19,941
Supplies	23,114	12,664
Payments to other districts	34,754	117,470
	3,113,419	2,839,393
Compensatory education:		
Salaries	677,747	641,138
Employee benefits	458,770	435,761
Purchased services	55,975	336
Supplies	6,804	5,517
	1,199,296	1,082,752

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedules of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Vocational education:		
Salaries	\$ 86,329	\$ 78,931
Employee benefits	61,951	44,336
Supplies	3,233	5,588
	153,759	128,855
Total added needs	4,466,474	4,051,000
Total instruction	29,613,595	26,596,324
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	459,530	426,704
Employee benefits	504,716	336,316
Purchased services	932	204
Supplies	1,777	1,843
	966,955	765,067
Occupational therapist services:		
Salaries	41,318	33,931
Employee benefits	23,123	18,491
Purchased services	82,195	478
Supplies	2,985	1,715
Payments to other districts	187,693	92,168
	337,314	146,783
Psychological services:		
Salaries	60,104	23,149
Benefits	56,196	18,401
Purchased services	2,501	1,383
Supplies	1,860	2,618
Payments to other districts	221,392	206,758
	342,053	252,309
Speech pathology services:		
Salaries	-	614
Employee benefits	-	424
Purchased services	887	729
Supplies	1,403	1,469
Payments to other districts	450,217	424,732
	452,507	427,968
Social worker services:		
Salaries	132,755	122,933
Employee benefits	115,998	106,529
Purchased services	33,416	15,070
Supplies	1,383	340
Payments to other districts	370,232	370,927
	653,784	615,799
Teacher consultant services:		
Salaries	182,752	165,063
Employee benefits	147,571	115,196
	330,323	280,259

(Continued)



**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedules of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Other pupil support services:		
Supplies	\$ 200	\$ -
Total pupil services	3,083,136	2,488,185
Instructional staff services:		
Improvement of instruction:		
Salaries	525,606	411,896
Employee benefits	467,558	270,418
Purchased services	89,247	73,919
Supplies	66,423	100,957
Miscellaneous	285	135
	1,149,119	857,325
Library:		
Salaries	239,315	222,966
Employee benefits	151,847	135,786
Purchased services	2,605	6,807
Supplies	123,270	46,597
Capital outlay	-	10,035
	517,037	422,191
Technology:		
Supplies	-	989
Capital outlay	-	53,320
	-	54,309
Supervision and direction of instruction:		
Salaries	147,762	140,094
Employee benefits	118,484	111,466
Purchased services	841	912
Supplies	435	1,215
Miscellaneous	378	450
	267,900	254,137
Other instructional staff services:		
Salaries	84,873	83,960
Employee benefits	67,988	65,801
Purchased services	1,587	204
Supplies	5,041	4,330
	159,489	154,295
Total instructional staff services	2,093,545	1,742,257
General administrative services:		
Board of education:		
Salaries	2,100	-
Employee benefits	161	-
Purchased services	65,614	92,561
Supplies	5,651	3,479
Miscellaneous	22,839	21,845
	96,365	117,885

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedules of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Executive administration:		
Salaries	\$ 280,110	\$ 273,237
Employee benefits	207,988	195,855
Purchased services	39,677	55,956
Supplies	4,444	5,525
Miscellaneous	1,125	3,301
	533,344	533,874
Total general administrative services	629,709	651,759
School administrative services:		
Office of the principal:		
Salaries	1,443,381	1,364,785
Employee benefits	1,224,459	975,780
Purchased services	17,092	19,997
Supplies	17,108	13,542
Miscellaneous	4,629	3,725
Total school administrative services	2,706,669	2,377,829
Business services:		
Fiscal services:		
Salaries	289,878	407,633
Employee benefits	229,358	238,961
Purchased services	34,219	35,615
Supplies	77,302	109,911
Miscellaneous	2,583	13,017
	633,340	805,137
Internal services:		
Salaries	6,872	5,959
Purchased services	16,137	-
Employee benefits	2,468	2,083
	25,477	8,042
Other business services:		
Miscellaneous	67,690	22,423
Total business services	726,507	835,602
Operation and maintenance services:		
Operation and maintenance:		
Salaries	1,143,041	980,664
Employee benefits	1,038,367	738,039
Purchased services	1,276,151	1,158,963
Supplies	1,213,847	1,115,673
Capital outlay	235,109	535,079
Miscellaneous	150	150
	4,906,665	4,528,568
Security services:		
Salaries	42,807	30,436
Employee benefits	23,046	17,126
Purchased services	94,399	80,749
Supplies	3,140	7
	163,392	128,318
Total operation and maintenance services	5,070,057	4,656,886

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedules of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Pupil transportation services:		
Pupil transportation:		
Salaries	\$ 780,633	\$ 775,856
Employee benefits	740,940	577,792
Purchased services	195,536	319,503
Supplies	243,636	249,657
Capital outlay	332,583	304,857
Payments to other districts	465,201	556,178
Miscellaneous	310	310
Total pupil transportation services	2,758,839	2,784,153
Communication services:		
Purchased services	6,900	-
Personnel services:		
Salaries	136,786	130,319
Employee benefits	104,963	92,127
Purchased services	1,965	1,809
Supplies	9,930	11,189
Miscellaneous	470	150
	254,114	235,594
Technology services:		
Salaries	175,230	169,888
Employee benefits	129,462	124,610
Purchased services	131,527	80,387
Supplies	157,723	148,069
Capital outlay	360,263	97,104
	954,205	620,058
Total central services	1,215,219	855,652
Other supporting services:		
Athletics:		
Salaries	416,207	392,264
Employee benefits	168,986	155,672
Purchased services	114,798	83,414
Supplies	112,874	99,307
Capital outlay	97,005	-
Total other supporting services	909,870	730,657
Total supporting services	19,193,551	17,122,980
Community services:		
Community services direction:		
Purchased services	64,821	57,343
Supplies	1,489	-
	66,310	57,343

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedules of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Community recreation:		
Salaries	\$ 62,705	\$ 58,598
Employee benefits	39,065	39,226
Purchased services	1,960	2,340
Supplies	3,816	5,512
Capital outlay	-	8,564
	107,546	114,240
Non-public school pupils:		
Salaries	19,966	10,000
Employee benefits	7,509	3,046
	27,475	13,046
Other community services:		
Salaries	-	2,975
Employee benefits	-	2,367
Supplies	-	18
Total other community services	-	5,360
Total community services	201,331	189,989
Other transactions	5,225	-
Debt service:		
Principal repayment	232,476	212,714
Interest and fiscal charges	9,616	-
Total debt service	242,092	212,714
<b>Total Expenditures</b>	<b>\$ 49,255,794</b>	<b>\$ 44,122,007</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

**LOWELL AREA SCHOOLS**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2023**

	Special Revenue		Debt Funds		
	Food Service	Student/School Activity	2015	2016A	2016B
<b>Assets</b>					
Cash equivalents and investments	\$735,526	\$ 863,510	\$165,083	\$ 33,048	\$115,854
Due from other funds	7,834	-	-	-	-
Due from other governmental units	24,026	-	-	-	-
Inventory	24,159	-	-	-	-
Prepaid expenditures	100,000	-	-	-	-
<b>Total Assets</b>	<b>\$891,545</b>	<b>\$ 863,510</b>	<b>\$165,083</b>	<b>\$ 33,048</b>	<b>\$115,854</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 35,120	\$ 4,583	\$ -	\$ -	\$ -
Unearned revenue	79,942	-	-	-	-
<b>Total Liabilities</b>	<b>115,062</b>	<b>4,583</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>					
Nonspendable	124,159	-	-	-	-
Assigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>776,483</b>	<b>858,927</b>	<b>165,083</b>	<b>33,048</b>	<b>115,854</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$891,545</b>	<b>\$ 863,510</b>	<b>\$165,083</b>	<b>\$ 33,048</b>	<b>\$115,854</b>

2016 SBLF Refunding	Debt Funds		2021	Capital Projects	Total
	2019	2021 SBLF Refunding		Building and Site Sinking	
\$ 473,332	\$ 228,777	\$ 136,908	\$ 168,960	\$ 679,943	\$3,600,941
-	-	-	-	23,412	31,246
-	-	-	-	-	24,026
-	-	-	-	-	24,159
-	-	-	-	-	100,000
<u>\$ 473,332</u>	<u>\$ 228,777</u>	<u>\$ 136,908</u>	<u>\$ 168,960</u>	<u>\$ 703,355</u>	<u>\$3,780,372</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,436	\$ 42,139
-	-	-	-	-	79,942
-	-	-	-	2,436	122,081
-	-	-	-	-	124,159
-	-	-	-	-	-
<u>473,332</u>	<u>228,777</u>	<u>136,908</u>	<u>168,960</u>	<u>700,919</u>	<u>3,658,291</u>
<u>\$ 473,332</u>	<u>\$ 228,777</u>	<u>\$ 136,908</u>	<u>\$ 168,960</u>	<u>\$ 703,355</u>	<u>\$3,780,372</u>

**LOWELL AREA SCHOOLS**  
**Combining Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**For the year ended June 30, 2023**

	Special Revenue		Debt Funds	
	Food Service	Student/School Activity	2015	2016A
<b>Revenues</b>				
Local sources:				
Property taxes	\$ -	\$ -	\$ 953,820	\$ 184,260
Interest earnings	7,128	-	9,572	2,005
Food sales	799,668	-	-	-
Other local sources	-	1,240,900	-	-
<b>Total local sources</b>	<b>806,796</b>	<b>1,240,900</b>	<b>963,392</b>	<b>186,265</b>
State sources	99,617	-	2,364	457
Federal sources	966,075	-	-	-
<b>Total Revenues</b>	<b>1,872,488</b>	<b>1,240,900</b>	<b>965,756</b>	<b>186,722</b>
<b>Expenditures</b>				
Current:				
Supporting services	-	1,189,309	-	-
Food service	1,999,293	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal repayment	-	-	690,000	155,000
Interest and fiscal charges	-	-	210,500	22,445
<b>Total Expenditures</b>	<b>1,999,293</b>	<b>1,189,309</b>	<b>900,500</b>	<b>177,445</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(126,805)</b>	<b>51,591</b>	<b>65,256</b>	<b>9,277</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	4,140	-	-	-
Transfers out	(20,000)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(15,860)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(142,665)</b>	<b>51,591</b>	<b>65,256</b>	<b>9,277</b>
<b>Fund Balances, Beginning of Year</b>	<b>919,148</b>	<b>807,336</b>	<b>99,827</b>	<b>23,771</b>
<b>Fund Balances, End of Year</b>	<b>\$ 776,483</b>	<b>\$ 858,927</b>	<b>\$ 165,083</b>	<b>\$ 33,048</b>



2016B	Debt Funds			Capital Projects		Total
	2016 SBLF Refunding	2019	2021 SBLF Refunding	2021	Building and Site Sinking	
\$650,332	\$2,623,008	\$1,322,343	\$ 823,754	\$1,029,693	\$1,056,801	\$8,644,011
5,481	28,690	8,754	7,936	5,345	9,567	84,478
-	-	-	-	-	-	799,668
-	-	-	-	-	-	1,240,900
655,813	2,651,698	1,331,097	831,690	1,035,038	1,066,368	10,769,057
1,612	6,500	3,277	2,041	2,552	-	118,420
-	-	-	-	-	-	966,075
657,425	2,658,198	1,334,374	833,731	1,037,590	1,066,368	11,853,552
-	-	-	-	-	-	1,189,309
-	-	-	-	-	-	1,999,293
-	-	-	-	-	991,412	991,412
285,000	2,285,000	175,000	550,000	-	-	4,140,000
321,702	176,422	1,062,903	235,473	975,050	-	3,004,495
606,702	2,461,422	1,237,903	785,473	975,050	991,412	11,324,509
50,723	196,776	96,471	48,258	62,540	74,956	529,043
-	-	-	-	-	-	4,140
-	-	-	-	-	-	(20,000)
-	-	-	-	-	-	(15,860)
50,723	196,776	96,471	48,258	62,540	74,956	513,183
65,131	276,556	132,306	88,650	106,420	625,963	3,145,108
<u>\$115,854</u>	<u>\$ 473,332</u>	<u>\$ 228,777</u>	<u>\$ 136,908</u>	<u>\$ 168,960</u>	<u>\$ 700,919</u>	<u>\$3,658,291</u>

**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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Local sources:			
Interest earnings	\$ 6,000	\$ 7,128	\$ 1,128
Food sales	<u>770,509</u>	<u>799,668</u>	<u>29,159</u>
Total local sources	776,509	806,796	30,287
State sources	50,272	99,617	49,345
Federal sources	<u>682,141</u>	<u>966,075</u>	<u>283,934</u>
<b>Total Revenues</b>	<u>1,508,922</u>	<u>1,872,488</u>	<u>363,566</u>
<b>Expenditures</b>			
Current:			
Food service	<u>1,820,654</u>	<u>1,999,293</u>	<u>(178,639)</u>
<b>Excess (Deficiency) of Revenues         Over Expenditures</b>	<u>(311,732)</u>	<u>(126,805)</u>	<u>(184,927)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	-	4,140	(4,140)
Transfers out	<u>-</u>	<u>(20,000)</u>	<u>20,000</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(15,860)</u>	<u>15,860</u>
<b>Net Change in Fund Balances</b>	(311,732)	(142,665)	(169,067)
<b>Fund Balances, Beginning of Year</b>	<u>919,148</u>	<u>919,148</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 607,416</u></u>	<u><u>\$ 776,483</u></u>	<u><u>\$ (169,067)</u></u>

**LOWELL AREA SCHOOLS**  
**Student/School Activity Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the year ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Local sources	<u>\$ 1,170,000</u>	<u>\$ 1,240,900</u>	<u>\$ 70,900</u>
<b>Expenditures</b>			
Supporting services:			
Other student/school activity	<u>1,155,000</u>	<u>1,189,309</u>	<u>(34,309)</u>
<b>Net Change in Fund Balance</b>	15,000	51,591	36,591
<b>Fund Balance, Beginning of Year</b>	<u>807,336</u>	<u>807,336</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 822,336</u></u>	<u><u>\$ 858,927</u></u>	<u><u>\$ 36,591</u></u>

## **SPECIAL REVENUE FUNDS**

Food Service – to account for monies received from food service activities and federal subsidies for use in administering the school nutrition 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 Sheets**  
**June 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash equivalents	\$ 735,526	\$ 946,189
Due from other funds	7,834	-
Due from other governmental units	24,026	2,200
Inventory	24,159	21,592
Prepaid expenditures	100,000	100,000
<b>Total Assets</b>	<b>\$ 891,545</b>	<b>\$ 1,069,981</b>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 35,120	\$ 58,051
Due to other governmental units	-	9,086
Unearned revenue	79,942	83,696
<b>Total Liabilities</b>	<b>115,062</b>	<b>150,833</b>
<b>Fund Balances</b>		
Nonspendable	124,159	121,592
Restricted	652,324	797,556
<b>Total Fund Balances</b>	<b>776,483</b>	<b>919,148</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 891,545</b>	<b>\$ 1,069,981</b>

**LOWELL AREA SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
<b>Revenues</b>		
Local sources:		
Food sales:		
Student lunches	\$ 484,829	\$ -
Adult lunches	15,433	12,760
Ala carte	244,875	186,238
Catering	48,321	35,887
Miscellaneous	6,210	741
Total food sales	799,668	235,626
Interest earnings:		
Interest on investments	7,128	905
Total local sources	806,796	236,531
State sources	99,617	65,892
Federal sources	966,075	2,088,416
<b>Total Revenues</b>	1,872,488	2,390,839
<b>Expenditures</b>		
Current:		
Food service:		
Purchased services	760,308	737,053
Supplies	953,216	968,574
Capital outlay	285,769	464,064
<b>Total Expenditures</b>	1,999,293	2,169,691
<b>Excess (Deficiency) of Revenues       Over Expenditures</b>	(126,805)	221,148
<b>Other Financing Sources (Uses)</b>		
Proceeds from sale of capital assets	4,140	-
Transfers out	(20,000)	(20,000)
<b>Total Other Financing Sources (Uses)</b>	(15,860)	(20,000)
<b>Net Change in Fund Balances</b>	(142,665)	201,148
<b>Fund Balances, Beginning of Year</b>	919,148	718,000
<b>Fund Balances, End of Year</b>	\$ 776,483	\$ 919,148

**LOWELL AREA SCHOOLS**  
**Student/School Activity Special Revenue Fund**  
**Comparative Balance Sheets**  
**June 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash equivalents and investments	\$ 863,510	\$ 806,723
Interest receivable	-	677
<b>Total Assets</b>	<b>\$ 863,510</b>	<b>\$ 807,400</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 4,583	\$ 64
<b>Fund Balance</b>		
Restricted	858,927	807,336
<b>Total Liabilities and Fund Balance</b>	<b>\$ 863,510</b>	<b>\$ 807,400</b>

**LOWELL AREA SCHOOLS**  
**Student/School Activity Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures and Changes in Fund Balance**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
<b>Revenues</b>		
Local sources:		
Other student activity	\$ 1,240,900	\$ 1,143,509
 <b>Expenditures</b>		
Current:		
Supporting services		
Other student/school activity	1,189,309	1,002,960
<b>Net Change in Fund Balance</b>	51,591	140,549
<b>Fund Balance, Beginning of Year</b>	807,336	666,787
<b>Fund Balance, End of Year</b>	\$ 858,927	\$ 807,336



## **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, 2023 with comparative totals as of June 30, 2022**

	2015	2016 A	2016 B
<b>Assets</b>			
Cash equivalents	\$ 165,083	\$ 33,048	\$ 115,854
Interest receivable	-	-	-
	<b>Total Assets</b>	<b>Total Assets</b>	<b>Total Assets</b>
	\$ 165,083	\$ 33,048	\$ 115,854
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>	\$ -	\$ -	\$ -
<b>Fund Balance</b>			
Restricted	165,083	33,048	115,854
	<b>Total Liabilities and Fund Balance</b>	<b>Total Liabilities and Fund Balance</b>	<b>Total Liabilities and Fund Balance</b>
	\$ 165,083	\$ 33,048	\$ 115,854

2016 SBLF Refunding	2019	2021 SBLF Refunding	2021	Totals	
				2023	2022
\$ 473,332	\$ 228,777	\$ 136,908	\$ 168,960	\$ 1,321,962	\$ 792,190
-	-	-	-	-	471
<u>\$ 473,332</u>	<u>\$ 228,777</u>	<u>\$ 136,908</u>	<u>\$ 168,960</u>	<u>\$ 1,321,962</u>	<u>\$ 792,661</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
473,332	228,777	136,908	168,960	1,321,962	792,661
<u>\$ 473,332</u>	<u>\$ 228,777</u>	<u>\$ 136,908</u>	<u>\$ 168,960</u>	<u>\$ 1,321,962</u>	<u>\$ 792,661</u>

**LOWELL AREA SCHOOLS**  
**Debt Service Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended June 30, 2023 with comparative totals for the year ended June 30, 2022**

	<u>2015</u>	<u>2016 A</u>	<u>2016 B</u>
<b>Revenues</b>			
Local sources:			
Property taxes:			
Current property taxes	\$ 952,889	\$ 184,081	\$ 649,697
Industrial facilities taxes	4	1	3
Delinquent and other property taxes	3	-	2
Interest on delinquent taxes	924	178	630
	<u>953,820</u>	<u>184,260</u>	<u>650,332</u>
Interest earnings:			
Interest on cash equivalents	9,572	2,005	5,481
	<u>963,392</u>	<u>186,265</u>	<u>655,813</u>
State sources	2,364	457	1,612
	<u>965,756</u>	<u>186,722</u>	<u>657,425</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
Debt service:			
Principal repayment	690,000	155,000	285,000
Interest and fiscal charges:			
Interest expense	210,000	21,945	321,200
Paying agent fees	500	500	502
	<u>900,500</u>	<u>177,445</u>	<u>606,702</u>
<b>Total Expenditures</b>			
<b>Net Change in Fund Balance</b>	65,256	9,277	50,723
<b>Fund Balance, Beginning of Year</b>	<u>99,827</u>	<u>23,771</u>	<u>65,131</u>
<b>Fund Balance, End of Year</b>	<u>\$ 165,083</u>	<u>\$ 33,048</u>	<u>\$ 115,854</u>

2016 SBLF Refunding	2019	2021 SBLF Refunding	2021	Totals	
				2023	2022
\$2,620,447	\$1,321,052	\$ 822,950	\$1,028,687	\$7,579,803	\$ 7,041,722
12	6	4	5	35	36,439
9	4	2	4	24	2,714
<u>2,540</u>	<u>1,281</u>	<u>798</u>	<u>997</u>	<u>7,348</u>	<u>5,277</u>
2,623,008	1,322,343	823,754	1,029,693	7,587,210	7,086,152
<u>28,690</u>	<u>8,754</u>	<u>7,936</u>	<u>5,345</u>	<u>67,783</u>	<u>772</u>
2,651,698	1,331,097	831,690	1,035,038	7,654,993	7,086,924
<u>6,500</u>	<u>3,277</u>	<u>2,041</u>	<u>2,552</u>	<u>18,803</u>	<u>10,050</u>
<u>2,658,198</u>	<u>1,334,374</u>	<u>833,731</u>	<u>1,037,590</u>	<u>7,673,796</u>	<u>7,096,974</u>
2,285,000	175,000	550,000	-	4,140,000	3,850,000
175,922	1,062,400	234,473	975,050	3,000,990	3,091,100
<u>500</u>	<u>503</u>	<u>1,000</u>	<u>-</u>	<u>3,505</u>	<u>3,998</u>
<u>2,461,422</u>	<u>1,237,903</u>	<u>785,473</u>	<u>975,050</u>	<u>7,144,495</u>	<u>6,945,098</u>
196,776	96,471	48,258	62,540	529,301	151,876
<u>276,556</u>	<u>132,306</u>	<u>88,650</u>	<u>106,420</u>	<u>792,661</u>	<u>640,785</u>
<u>\$ 473,332</u>	<u>\$ 228,777</u>	<u>\$ 136,908</u>	<u>\$ 168,960</u>	<u>\$1,321,962</u>	<u>\$ 792,661</u>

## **CAPITAL PROJECTS FUNDS**

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

2021 Construction Capital Project Fund – to account for bond proceeds used to finance building construction and school improvement projects.

**LOWELL AREA SCHOOLS**  
**Building and Site Sinking Fund**  
**Comparative Balance Sheets**  
**June 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash equivalents	\$ 679,943	\$ 728,130
Due from other funds	23,412	-
<b>Total Assets</b>	<b>\$ 703,355</b>	<b>\$ 728,130</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,436	\$ 102,167
<b>Fund Balance</b>		
Restricted	700,919	625,963
<b>Total Liabilities and Fund Balance</b>	<b>\$ 703,355</b>	<b>\$ 728,130</b>

**LOWELL AREA SCHOOLS**  
**2020 Building and Site Sinking Fund**  
**Comparative Statements of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended June 30, 2023**

	2023	2022
<b>Revenues</b>		
Local sources:		
Property taxes:		
Current property taxes	\$ 1,055,771	\$ 993,942
Industrial facilities taxes	5	3,564
Delinquent and other property taxes	-	372
Interest on delinquent taxes	1,025	744
Total property taxes	1,056,801	998,622
Interest earnings:		
Interest on cash equivalents	9,567	60
<b>Total Revenues</b>	1,066,368	998,682
<b>Expenditures</b>		
Facilities acquisition, construction, and improvement:		
Site improvements	564,590	-
Architecture and engineering services	32,992	42,105
Building improvements	360,417	330,614
Furniture, fixtures and equipment	33,413	-
<b>Total Expenditures</b>	991,412	372,719
<b>Net Change in Fund Balance</b>	74,956	625,963
<b>Fund Balance, Beginning of Year</b>	625,963	-
<b>Fund Balance, End of Year</b>	\$ 700,919	\$ 625,963



**LOWELL AREA SCHOOLS**  
**2021 Construction Capital Projects Fund**  
**Comparative Balance Sheets**  
**June 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash equivalents and investments	\$ 7,101,727	\$ 14,424,118
Accounts receivable	-	5,923
Due from other funds	8,676	-
Interest receivable	-	5,882
	<b>\$ 7,110,403</b>	<b>\$ 14,435,923</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 554,639	\$ 745,426
Due to other funds	23,412	-
	<b>578,051</b>	<b>745,426</b>
<b>Fund Balance</b>		
Restricted	6,532,352	13,690,497
	<b>\$ 7,110,403</b>	<b>\$ 14,435,923</b>
	<b>\$ 7,110,403</b>	<b>\$ 14,435,923</b>

**LOWELL AREA SCHOOLS**  
**2021 Construction Capital Projects Fund**  
**Comparative Statements of Revenues, Expenditures and Changes in Fund Balance**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
<b>Revenues</b>		
Local sources:		
Interest earnings:		
Interest on cash equivalents and investments	\$ 163,546	\$ 11,244
Miscellaneous local revenues	8,676	-
	172,222	11,244
<b>Total Revenues</b>	<b>172,222</b>	<b>11,244</b>
<b>Expenditures</b>		
Facilities acquisition:		
Construction manager fees	780,036	1,293,570
Architect fees	163,131	173,599
Building improvements	6,384,268	10,503,820
Prior period adjustment	2,932	-
Debt service:		
Dues and fees	-	3
	7,330,367	11,970,992
<b>Total Expenditures</b>	<b>7,330,367</b>	<b>11,970,992</b>
<b>Net Change in Fund Balance</b>	<b>(7,158,145)</b>	<b>(11,959,748)</b>
<b>Fund Balance, Beginning of Year</b>	<b>13,690,497</b>	<b>25,650,245</b>
<b>Fund Balance, End of Year</b>	<b>\$ 6,532,352</b>	<b>\$ 13,690,497</b>

# **LOWELL AREA SCHOOLS**

## **Kent and Ionia Counties, Michigan**

Additional Reports Required by  
the Uniform Guidance

For the year ended June 30, 2023

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

September 21, 2023

The Board of Education  
Lowell Area Schools  
Kent County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowell Area Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lowell Area Schools' basic financial statements, and have issued our report thereon dated September 21, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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



Certified Public Accountants  
Grand Rapids, Michigan

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

September 21, 2023

The Board of Education  
Lowell Area Schools  
Kent County, Michigan

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Lowell Area Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lowell Area Schools' major federal programs for the year ended June 30, 2023. Lowell Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lowell Area Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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



## **Report on Internal Control over Compliance**

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

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

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

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowell Area Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise of Lowell Area Schools' basic financial statements. We issued our report thereon dated September 21, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Hungerford Nichols*

Certified Public Accountants  
Grand Rapids, Michigan

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## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

### **LOWELL AREA SCHOOLS**

For the year ended June 30, 2023

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Assistance Listing Number</b>	<b>Approved Grant Award Amount</b>
<b>U. S. Department of Education</b>		
Passed through Michigan Department of Education (MDE):		
Title I, Part A:	84.010	
221530 2122		\$ 261,887
231530 2223		275,003
Total Title I, Part A		<u>536,890</u>
Title III, Part A English Language Acquisition:	84.365A	
220570 2122		3,373
230570 2223		2,931
Title III, Part A English Language Acquisition		<u>6,304</u>
Title II, Part A:	84.367	
220520 2122		90,983
230520 2223		78,972
Total Title II, Part A		<u>169,955</u>
Title IV, Part A:	84.424	
220750 2122		22,542
230750 2223		21,801
Total Title IV, Part A		<u>44,343</u>
Education Stabilization Fund:	84.425	
213712 - 2021 ESSER Formula Funds II	84.425D	912,258
213752 - 2122 ESSER II - Before & After School Programs	84.425D	25,000
213762 - ESSER Benchmark Assessments	84.425D	29,525
213782 - 2223 98c Learning Loss Grant	84.425D	182,199
213712 - 2122 ARP/ESSER III	84.425U	2,050,259
213723 - 2122 Section 11t	84.425U	2,016,051
211012 - 2122 MV ARP Homeless II	84.425W	15,250
Total Education Stabilization Fund		<u>5,230,542</u>
Total Passed Through MDE		<u>5,988,034</u>

*See Notes to Schedule of Expenditures of Federal Awards.*

Accrued (Deferred) Revenue At July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2023
\$ 260,903	\$ 260,903	\$ -	\$ 260,903	\$ -
-	-	275,003	-	275,003
260,903	260,903	275,003	260,903	275,003
3,373	3,373	-	3,373	-
-	-	2,931	-	2,931
3,373	3,373	2,931	3,373	2,931
80,613	80,613	-	80,613	-
-	-	76,256	-	76,256
80,613	80,613	76,256	80,613	76,256
20,097	20,097	-	20,097	-
-	-	21,284	-	21,284
20,097	20,097	21,284	20,097	21,284
568,295	568,295	4,466	572,761	-
25,000	25,000	-	25,000	-
29,525	29,525	-	29,525	-
-	-	182,199	124,468	57,731
646,107	646,107	637,886	1,142,445	141,548
170,698	170,698	987,330	834,656	323,372
-	-	540	-	540
1,439,625	1,439,625	1,812,421	2,728,855	523,191
1,804,611	1,804,611	2,187,895	3,093,841	898,665

***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)***

**LOWELL AREA SCHOOLS**

For the year ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
Passed through Kent Intermediate School District (KISD):		
Special Education Cluster:		
I.D.E.A. Grants to States:		
220450 2122	84.027	\$ 681,240
230450 2223		713,308
221280 2122 I.D.E.A. Flowthrough ARP	84.027X	<u>163,407</u>
Total I.D.E.A. Grants to States		<u>1,557,955</u>
I.D.E.A. Preschool:		
220460 2122	84.173	25,740
230460 2223		27,832
221285 2122 I.D.E.A. Preschool ARP	84.173X	<u>12,774</u>
Total I.D.E.A. Preschool		<u>66,346</u>
Total Special Education Cluster		<u>1,624,301</u>
Title III, Part A English Language Acquisition:		
220580 2122	84.365A	4,345
230580 2223		<u>3,633</u>
Title III, Part A English Language Acquisition		<u>7,978</u>
Total Passed Through KISD		<u>1,632,279</u>
<b>Total U.S. Department of Education</b>		<u>7,620,313</u>
<b>U.S. Department of Health and Human Services</b>		
Passed through Kent Intermediate School District (KISD):		
Epidemiology and Laboratory Capacity for Infectious Diseases:		
Health Resource Advocates:		
232810 - HRA2023	93.323	<u>76,040</u>
Medicaid Cluster:		
Medical Assistance Program:		
2023 Medicaid - Outreach	93.778	<u>10,003</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>86,043</u>

*See Notes to Schedule of Expenditures of Federal Awards.*

Accrued (Deferred) Revenue At July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2023
\$ 154,606	\$ 681,240	\$ -	\$ 154,606	\$ -
-	-	713,308	546,773	166,535
13,513	80,423	82,984	80,911	15,586
168,119	761,663	796,292	782,290	182,121
5,778	25,740	-	5,778	-
-	-	27,832	21,163	6,669
1,342	6,391	6,383	7,725	-
7,120	32,131	34,215	34,666	6,669
175,239	793,794	830,507	816,956	188,790
4,345	4,345	-	4,345	-
-	-	3,633	-	3,633
4,345	4,345	3,633	4,345	3,633
179,584	798,139	834,140	821,301	192,423
1,984,195	2,602,750	3,022,035	3,915,142	1,091,088
-	-	76,040	60,637	15,403
-	-	10,003	-	10,003
-	-	86,043	60,637	25,406

## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)***

### **LOWELL AREA SCHOOLS**

For the year ended June 30, 2023

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Assistance Listing Number</b>	<b>Approved Grant Award Amount</b>
<b>U.S. Department of Agriculture</b>		
Passed through Michigan Department of Education (MDE):		
Local Food for Schools Cooperative Agreement Program: 230985 2023	10.185	\$ 4,537
Child Nutrition Cluster:		
Non-Cash Assistance (USDA Commodities):	10.555	
Entitlement Commodities		107,392
Bonus Commodities		4,484
Total Non-Cash Assistance		111,876
Cash Assistance:		
School Breakfast Program:	10.553	
221970		10,710
231970		86,747
Total School Breakfast Program		97,457
National School Lunch Program:	10.555	
220910		140,372
230910		37,054
221960		90,409
231960		558,140
Total National School Lunch Program		825,975
Total Cash Assistance		923,432
Total Child Nutrition Cluster		1,035,308
Pandemic EBT Local Level Costs: 220980 2022	10.649	3,135
<b>Total U.S. Department of Agriculture</b>		<b>1,042,980</b>
<b>Total Federal Financial Assistance</b>		<b>\$ 8,749,336</b>

*See Notes to Schedule of Expenditures of Federal Awards.*



Accrued (Deferred) Revenue At July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2023
\$ -	\$ -	\$ 4,537	\$ 3,304	\$ 1,233
-	-	107,392	107,392	-
-	-	4,484	4,484	-
-	-	111,876	111,876	-
-	-	10,710	10,710	-
-	-	86,747	85,192	1,555
-	-	97,457	95,902	1,555
(42,400)	27,169	100,521	70,803	(12,682)
-	-	-	37,054	(37,054)
-	-	90,409	90,409	-
-	-	558,140	550,947	7,193
(42,400)	27,169	749,070	749,213	(42,543)
(42,400)	27,169	846,527	845,115	(40,988)
(42,400)	27,169	958,403	956,991	(40,988)
-	-	3,135	3,135	-
(42,400)	27,169	966,075	963,430	(39,755)
\$ 1,941,795	\$ 2,629,919	\$ 4,074,153	\$ 4,939,209	\$ 1,076,739

## ***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

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### **LOWELL AREA SCHOOLS**

For the year ended June 30, 2023

#### **Note A – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Lowell Area Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lowell Area Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows, as applicable, of Lowell Area Schools.

#### **Note B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note C – Indirect Cost Rate**

Lowell Area Schools has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

#### **Note D – Grant Section Auditor Report**

Management has utilized the MDE Nexys Grant, Application and Cash Management System Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.

#### **Note E – Non-Cash Assistance**

The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with the SEFA for USDA donated food commodities.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Continued)**

**LOWELL AREA SCHOOLS**  
For the year ended June 30, 2023

**Note F – Federal Income Reconciliation**

	<b>Grant Expenditures Per Schedule of Federal Financial Assistance</b>	<b>Federal Revenue Per Financial Statements</b>	<b>Difference</b>
Title I, Part A	\$ 275,003	\$ 275,003	\$ -
Title III, Part A English Language Acquisition	2,931	2,931	-
Title II, Part A	76,256	76,256	-
Title IV, Part A	21,284	21,284	-
ESSER Stabilization Funds	1,812,421	1,812,421	-
Special Education Cluster	830,507	830,507	-
Title III - LEP	3,633	3,633	-
Health Resource Advocates	76,040	76,040	-
Medicaid Cluster	10,003	10,003	-
Child Care and Development Block Grant	-	113,969	(113,969) *
Local Food for Schools	4,537	4,537	-
Child Nutrition Cluster	958,403	958,403	-
Pandemic EBT Local Level Costs	3,135	3,135	-
	<u>\$ 4,074,153</u>	<u>\$ 4,188,122</u>	<u>\$ (113,969)</u>

\* The difference in Federal expenditures to Federal revenue per the financial statements is due to the determination made by the Office of Child Development & Care (CDC) that deemed the recipients of Child Care Stabilization portion of the Child Care and Development Grants to be beneficiaries, not subrecipients.

# ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**LOWELL AREA SCHOOLS**  
For the year ended June 30, 2023

## **Section I - Summary of Auditor's Results**

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### ***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes       X       No

### ***Federal Awards***

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? \_\_\_\_\_ Yes       X       No

Identification of major programs audited: 10.553/10.555 Child Nutrition Cluster  
84.425 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?       X       Yes \_\_\_\_\_ No

## **Section II - Financial Statements Audit Findings**

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There were no findings that are required to be reported under *Government Auditing Standards*.

## **Section III – Major Federal Award Programs Findings and Questioned Costs**

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There were no findings or questioned costs.