



LOWELL AREA SCHOOLS

Kent and Ionia Counties, Michigan

Annual Financial Report

For the year ended June 30, 2024



HUNGERFORD
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

October 10, 2024

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, 2024, 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, 2024, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2024, 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, 2024. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOWELL AREA SCHOOLS

June 30, 2024

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.

Condensed District-wide Financial Information

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

	<u>2024</u>	<u>2023</u>
Assets		
Current assets	\$ 57,921,465	\$ 24,211,829
Net capital assets	81,571,991	81,817,710
Net OPEB asset	1,237,273	-
Total Assets	140,730,729	106,029,539
Deferred Outflows of Resources	26,156,142	30,396,191
Liabilities		
Current liabilities	14,953,377	12,349,949
Long-term liabilities	111,101,729	84,538,631
Net pension liability	70,867,124	81,803,775
Net OPEB liability	-	4,647,890
Total Liabilities	196,922,230	183,340,245
Deferred Inflows of Resources	17,368,157	10,177,312
Net Position		
Net investment in capital assets	(780,453)	(420,761)
Restricted	5,012,889	3,175,904
Unrestricted (deficit)	(51,635,952)	(59,846,970)
Total Net Position	\$ (47,403,516)	\$ (57,091,827)

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOWELL AREA SCHOOLS

June 30, 2024

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

	<u>2024</u>	<u>2023</u>
Program Revenues		
Charges for services	\$ 857,641	\$ 1,335,221
Operating grants	18,872,627	18,133,438
General Revenues		
Property taxes	13,393,208	12,038,738
State school aid, unrestricted	29,529,958	28,380,967
Interest and investment earnings	517,479	284,959
Other	1,554,712	1,494,882
Total Revenues	<u>64,725,625</u>	<u>61,668,205</u>
Expenses		
Instruction	28,864,982	31,227,583
Supporting services	20,845,360	20,351,432
Community services	389,884	284,040
Food service	1,814,913	1,908,646
Interest on long-term debt	2,678,917	2,739,458
Other	443,258	8,157
Total Expenses	<u>55,037,314</u>	<u>56,519,316</u>
Increase (decrease) in net position	9,688,311	5,148,889
Net Position, Beginning of Year	<u>(57,091,827)</u>	<u>(62,240,716)</u>
Net Position, End of Year	<u>\$ (47,403,516)</u>	<u>\$ (57,091,827)</u>

Financial Analysis of the District as a Whole

Total revenues exceeded expenses by \$9,688,311 increasing total net position from a deficit of \$57,091,827, to a deficit of \$47,403,516. Unrestricted net position increased by \$8,211,018 to a deficit of \$51,635,952 at June 30, 2024. The District's net pension liability, including deferred outflows and inflows of resources, decreased by \$1,746,183 during the fiscal year, and its net OPEB liability, including deferred outflows and inflows of resources, decreased by \$3,676,456.

The District's financial position is the product of various financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation and amortization of capital assets. A large portion of the District's net position reflects investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, construction in progress, and right to use assets); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, they are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's total revenues were \$64.7 million. Property taxes and state aid accounted for most of the District's revenue, contributing 66.3% of the total. The remainder came from State and Federal aid for specific programs (29.2%), fees charged for services, interest earnings and miscellaneous sources.

The total cost of all programs increased by % to \$55.0 million. The District's expenses are predominantly related to instruction (52.4%) and supporting services (37.9%), which includes various functions such as caring for (pupil services) and transporting students, and general, operating and maintenance administrative services.

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.

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 \$50,928,529, total other financing sources of \$43,269, and total expenditures of \$48,197,603. The ending fund balance totaled \$10,133,858 at June 30, 2024, up from \$7,329,663 at June 30, 2023.

2024 Construction Capital Projects Fund

The 2024 Construction Capital Projects Fund accounts for bond proceeds used to finance voter approved building construction and school improvement projects. During the fiscal year, the fund had total other financing sources of \$33,022,388 (consisting of \$32,495,000 from the bond issuance and \$527,388 from the premium on bond issuance), and expenditures totaling \$636,393. The ending fund balance totaled \$32,385,995 at June 30, 2024.

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. The funds had total revenues of \$3,928,835, total expenditures of \$3,409,952, and total other financing uses of \$30,000. The ending fund balances in the Special Revenue Funds totaled \$2,124,293 at June 30, 2024, up from \$1,635,410 at June 30, 2023. Of the ending fund balances \$1,109,178 is attributed to the Food Service Fund, and \$1,015,115 is attributed to the Student/School Activity Fund.

Debt Service Funds

The District operates seven Debt Service Funds. The funds had total revenues of \$8,494,401 and total expenditures of \$7,523,726. The ending fund balances in the Debt Service Funds totaled \$2,292,637 at June 30, 2024, up from \$1,321,962 at June 30, 2023.

Capital Projects Funds

There are two nonmajor Capital Projects Fund incorporated into the financial statements of the District, the 2021 Construction Fund and the Building and Site (Sinking) Fund. During the fiscal year the funds had total revenues of \$1,336,811, and total expenditures of \$5,321,905. The ending fund balance totaled \$3,248,177 at June 30, 2024, down from \$7,233,271 at June 30, 2023.

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 \$1,529,472 at June 30, 2024, up from \$1,459,370 at June 30, 2023.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times after the June 2023 adoption. Amendments were needed due to the following factors:

- Changes were adopted in January 2024 to adjust for student enrollment, staffing adjustments, program adjustments, additional state and local grant awards, and anticipated revenue/expenditure changes.
- In June 2024, 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 \$1,118,524. 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 increased state categorical funding.
- State investments in education climbed in the years during and immediately after the Covid-19 pandemic, 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 set to expire on 9/30/24. Because many of the state and federal funds were one-time dollars, the district was mindful to prioritize one-time expenditures where feasible, keeping in mind the intent of the funding to address learning loss in the aftermath of pandemic conditions which often requires staff to accomplish.

Capital Asset and Debt Administration

Capital Assets

By the end of 2024, the District had invested \$136 million in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, furniture and equipment, IT subscriptions, and construction in progress. (More detailed information about capital assets can be found in Note E in the Notes to the Basic Financial Statements.)

At June 30, 2024, the District’s investment in capital assets (net of accumulated depreciation and amortization) was \$81,571,991, down from \$81,817,710 at June 30, 2023. Capital asset additions, net of construction-in-progress placed in service during the year, totaled \$3,860,234. Capital asset disposals totaled \$310,934 and accumulated depreciation and amortization increased by \$3,795,019 (net of accumulated depreciation for disposed assets), resulting in a net capital asset decrease of \$245,719.

Land	\$ 1,441,546
Land improvements	3,313,717
Buildings and additions	74,015,779
Furniture and equipment	953,459
Vehicles	1,195,408
Leased furniture and equipment	85,132
Subscription-based IT arrangements	245,363
Construction in progress	<u>321,587</u>
Total Capital Assets	<u>\$ 81,571,991</u>

Long-term Obligations

At year end, the District had \$117.7 million in general obligation bonds and other long-term liabilities outstanding – a net increase of \$27.9 million from last year.

- The District issued \$33,022,388 in general obligation bonds and bond premium during the fiscal year.
- The District continued to pay down its debt, retiring \$5,096,039 of outstanding bonds, bond premium, and other long-term obligations.

As of June 30, 2024, the District's outstanding Unlimited Tax General Obligation Bonds have an underlying rating of "A+" 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 seven (7) year Building and Site Sinking Fund Millage in November of 2013 for one (1) mill annually, adjusted per the Headlee Act, to primarily support the repairs needed with our facilities. This millage was renewed in 2020 for another seven (7) years, alleviating stress off the General Fund for future years in keeping up with facility improvements. 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.
- State funding for the 2024-2025 school year was approved after the 2024-2025 budget was approved. The District will be amending the budget in the fall or winter to incorporate the State funding and district enrollment.
- The district has experienced a reduction in student enrollment, from 3,768 students in 2019-2020 to 3,448 students in 2023-2024. Enrollment projections based on birth rates, housing growth, and other factors show that these decreases are likely to continue in the near term. The district is taking steps to reevaluate staffing levels over the next year to align with current enrollment trends without negatively impacting student academic growth.
- 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.

- 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 budgeted construction was completed in 2023-2024, and the district is working toward the final spenddown of unused contingency funds.
- In May 2024, the community approved a \$104 million bond for capital improvements. The projects approved include renovations, mechanical updates, and added athletic and arts facilities that the general fund cannot support without drastic programming reductions. The approved bonds are not expected to increase the existing debt millage rate. The first of three series was sold in June 2024 for \$32,495,000, with a true interest cost of 4.23%. As of June 30, 2024, the district is in the design phase of renovating Cherry Creek Elementary and replacing the high school track, with bidding and construction expected in 2025. The remaining two series will be issued in 2028 and 2030.
- Employee retirement costs paid into the Michigan Public Schools Employees' Retirement System (MPSERS), controlled by the State, continue to be a cause for concern into the future. With fewer people contributing to MPSERS and more retirees receiving benefits each year due to declining statewide student numbers, local replacements for retirees are not keeping pace. For every dollar paid to employees throughout the year, the District pays a percentage into MPSERS, impacting available funds for general operations by earmarking a portion of school aid for this purpose. Previous legislative efforts have aimed to tackle the system's unfunded liability in both the Pension and Other Post-Employment Benefits (OPEB) funds. Despite the OPEB fund being fully funded, district costs for the retirement system remain unchanged, with one-time funding expected in 24-25 to offset some of the cost.

Contacting the District's Financial Management

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

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

LOWELL AREA SCHOOLS
June 30, 2024

	<u>Governmental Activities</u>
Assets	
Cash equivalents (Note B)	\$ 49,220,687
Accounts receivable	129,686
Due from other governmental units (Note C)	8,308,464
Inventory	57,647
Prepaid expenses	204,981
Capital assets not being depreciated (Note E)	1,763,133
Capital assets being depreciated and amortized, net (Note E)	79,808,858
Net OPEB asset (Note H)	1,237,273
Total Assets	<u>140,730,729</u>
Deferred Outflows of Resources	
Loss on advance bond refundings, net	317,950
Deferred pension amounts	21,280,311
Deferred OPEB amounts	4,557,881
Total Deferred Outflows of Resources	<u>26,156,142</u>
Liabilities	
Accounts payable	897,760
Due to other governmental units	2,012,530
Accrued interest payable	661,766
Salaries and related payroll liabilities	2,621,250
Unearned revenue	2,204,965
Long-term liabilities (Note F):	
Due within one year	6,555,106
Due in more than one year	111,101,729
Net pension liability (Note G)	70,867,124
Total Liabilities	<u>196,922,230</u>
Deferred Inflows of Resources	
Deferred pension amounts	7,440,537
Deferred OPEB amounts	9,927,620
Total Deferred Inflows of Resources	<u>17,368,157</u>
Net Position	
Net investment in capital assets	(780,453)
Restricted for:	
Capital projects	1,257,725
Debt service	1,630,871
Food service	1,109,178
Student/school activities	1,015,115
Unrestricted (deficit)	(51,635,952)
Total Net Position	<u>\$ (47,403,516)</u>

STATEMENT OF ACTIVITIES

LOWELL AREA SCHOOLS
For the year ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 28,864,982	\$ 234,391	\$ 14,692,241	\$ (13,938,350)
Supporting services	20,845,360	276,462	1,842,213	(18,726,685)
Community services	389,884	85,164	19,114	(285,606)
Food service	1,814,913	261,624	2,283,120	729,831
Interest on long-term debt	2,678,917	-	35,939	(2,642,978)
Other	443,258	-	-	(443,258)
Total Governmental Activities	\$ 55,037,314	\$ 857,641	\$ 18,872,627	(35,307,046)
General Revenues				
Taxes:				
				3,956,124
				8,283,722
				1,153,362
				29,529,958
				517,479
				1,554,712
				44,995,357
				9,688,311
				(57,091,827)
				\$ (47,403,516)

**BALANCE SHEET
GOVERNMENTAL FUNDS**

**LOWELL AREA SCHOOLS
June 30, 2024**

	General Fund	2024 Construction	Nonmajor	Total
Assets				
Cash equivalents (Note B)	\$ 8,875,054	\$ 32,692,895	\$ 7,652,738	\$ 49,220,687
Accounts receivable	129,686	-	-	129,686
Due from other funds	13,973	-	3,519	17,492
Due from other governmental units	8,274,607	-	33,857	8,308,464
Inventory	40,208	-	17,439	57,647
Prepaid expenditures	104,981	-	100,000	204,981
Total Assets	\$ 17,438,509	\$ 32,692,895	\$ 7,807,553	\$ 57,938,957
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 505,950	\$ 306,900	\$ 84,910	\$ 897,760
Due to other funds	3,519	-	13,973	17,492
Due to other governmental units	2,012,530	-	-	2,012,530
Salaries payable	2,621,250	-	-	2,621,250
Unearned revenue	2,161,402	-	43,563	2,204,965
Total Liabilities	7,304,651	306,900	142,446	7,753,997
Fund Balances				
Nonspendable	145,189	-	117,439	262,628
Committed	445,107	-	-	445,107
Restricted	-	32,385,995	7,547,668	39,933,663
Unassigned	9,543,562	-	-	9,543,562
Total Fund Balances	10,133,858	32,385,995	7,665,107	50,184,960
Total Liabilities and Fund Balances	\$ 17,438,509	\$ 32,692,895	\$ 7,807,553	\$ 57,938,957

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

LOWELL AREA SCHOOLS
June 30, 2024

Total governmental fund balances \$ 50,184,960

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 \$136,022,883 and accumulated depreciation is \$54,450,892. 81,571,991

Bond refunding losses are not expensed but are amortized over the life of the new bond issue. 317,950

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	\$ (106,665,000)	
Bond premium, unamortized	(10,288,693)	
Lease liabilities	(87,953)	
Subscription-based IT arrangements	(5,195)	
Compensated absences	<u>(609,994)</u>	(117,656,835)

Accrued interest is not included as a liability in governmental funds. (661,766)

Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:

Net pension liability	(70,867,124)	
Deferred outflows of resources	21,280,311	
Deferred inflows of resources	<u>(7,440,537)</u>	(57,027,350)

Net OPEB asset and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:

Net OPEB asset	1,237,273	
Deferred outflows of resources	4,557,881	
Deferred inflows of resources	<u>(9,927,620)</u>	(4,132,466)

Total Net Position - Governmental Activities \$ (47,403,516)

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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

**LOWELL AREA SCHOOLS
For the year ended June 30, 2024**

	General Fund	2024 Construction	Nonmajor	Total
Revenues				
Local sources	\$ 4,845,003	\$ -	\$ 11,440,988	\$ 16,285,991
Non-educational entity sources	19,114	-	-	19,114
State sources	39,669,020	-	1,301,620	40,970,640
Federal sources	2,857,838	-	1,017,439	3,875,277
Interdistrict sources	3,537,554	-	-	3,537,554
Total Revenues	50,928,529	-	13,760,047	64,688,576
Expenditures				
Current:				
Instruction	29,285,983	-	-	29,285,983
Supporting services	18,615,060	-	1,214,334	19,829,394
Community services	202,714	-	-	202,714
Food service	-	-	2,201,265	2,201,265
Payments to other districts	1,695	-	-	1,695
Capital outlay	51,122	194,830	5,317,155	5,563,107
Debt service:				
Principal repayment	35,366	-	4,625,000	4,660,366
Interest and fiscal charges	5,663	-	2,897,829	2,903,492
Bond issuance costs	-	204,122	-	204,122
Underwriter's discount	-	237,441	-	237,441
Total Expenditures	48,197,603	636,393	16,255,583	65,089,579
Excess (Deficiency) of Revenues Over Expenditures	2,730,926	(636,393)	(2,495,536)	(401,003)
Other Financing Sources (Uses)				
Proceeds from issuance of bonds	-	32,495,000	-	32,495,000
Premium on issuance of bonds	-	527,388	-	527,388
Transfers in	30,000	-	-	30,000
Transfers out	-	-	(30,000)	(30,000)
Other transactions	43,269	-	-	43,269
Total Other Financing Sources (Uses)	73,269	33,022,388	(30,000)	33,065,657
Net Change in Fund Balances	2,804,195	32,385,995	(2,525,536)	32,664,654
Fund Balances, Beginning of Year	7,329,663	-	10,190,643	17,520,306
Fund Balances, End of Year	\$ 10,133,858	\$ 32,385,995	\$ 7,665,107	\$ 50,184,960

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

LOWELL AREA SCHOOLS
For the year ended June 30, 2024

Net change in fund balances - total governmental funds \$ 32,664,654

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 depreciation exceeded capital outlays in the current period:

	Capital outlays	\$ 3,860,234	
	Depreciation expense	<u>(4,099,733)</u>	(239,499)

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. (6,220)

Bond premium is amortized over the life of the new bond issue in the Statement of Activities. 435,673

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

Proceeds from the sale of bonds are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Position.

Proceeds from issuance of bonds		(32,495,000)	
Premium on issuance of bonds		(527,388)	

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:

General obligation bonds	\$ 4,625,000		
Lease liability	23,135		
Subscription-based IT arrangements	<u>12,231</u>		4,660,366

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. (179,379)

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 amounts used/paid. (15,816)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (Cont.)**

**LOWELL AREA SCHOOLS
For the year ended June 30, 2024**

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	\$ 1,746,183
The changes in net OPEB asset and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	<u>3,676,456</u>
Total change in net position - governmental activities	<u><u>\$ 9,688,311</u></u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND**

**LOWELL AREA SCHOOLS
For the year ended June 30, 2024**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ 3,822,295	\$ 3,977,728	\$ 4,845,003	\$ 867,275
Non-educational entity sources	639,150	717,188	19,114	(698,074)
State sources	38,212,074	39,330,683	39,669,020	338,337
Federal sources	2,671,135	2,882,242	2,857,838	(24,404)
Interdistrict sources	3,258,940	3,610,217	3,537,554	(72,663)
Total Revenues	48,603,594	50,518,058	50,928,529	410,471
Expenditures				
Current:				
Instruction:				
Basic programs	24,803,426	24,717,385	24,807,905	(90,520)
Added needs	4,725,201	4,637,068	4,478,078	158,990
Supporting services:				
Pupil services	2,872,762	3,389,234	3,367,389	21,845
Instructional staff services	2,212,978	2,279,697	2,193,176	86,521
General administrative services	676,857	682,910	658,039	24,871
School administrative services	2,775,454	2,684,968	2,585,279	99,689
Business services	876,877	918,736	842,983	75,753
Operation and maintenance services	4,837,123	5,154,381	4,726,205	428,176
Pupil transportation services	2,812,684	2,531,482	2,243,328	288,154
Central services	1,455,562	1,102,930	1,048,831	54,099
Other supporting services	953,865	988,631	949,830	38,801
Community services	202,999	206,513	202,714	3,799
Payments to other public schools	-	1,695	1,695	-
Capital outlay	-	139,044	51,122	87,922
Debt Service				
Principal repayment	212,714	12,231	35,366	(23,135)
Interest expense	-	7,629	5,663	1,966
Total Expenditures	49,418,502	49,454,534	48,197,603	1,256,931
Excess (Deficiency) of Revenues Over Expenditures	(814,908)	1,063,524	2,730,926	1,667,402
Other Financing Sources (Uses)				
Transfers in	20,000	30,000	30,000	-
Other transactions	-	25,000	43,269	18,269
Total Other Financing Sources (Uses)	20,000	55,000	73,269	18,269
Net Change in Fund Balances	(794,908)	1,118,524	2,804,195	1,685,671
Fund Balances, Beginning of Year	7,329,663	7,329,663	7,329,663	-
Fund Balances, End of Year	\$ 6,534,755	\$ 8,448,187	\$ 10,133,858	\$ 1,685,671

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

**LOWELL AREA SCHOOLS
June 30, 2024**

	Private Purpose Trust Funds	Custodial Funds
Assets		
Cash equivalents and investments (Note B)	<u>\$ 1,524,385</u>	<u>\$ 5,087</u>
Liabilities		
	<u>\$ -</u>	<u>\$ -</u>
Net Position		
Restricted for: Individuals and organizations	<u>\$ 1,524,385</u>	<u>\$ 5,087</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

**LOWELL AREA SCHOOLS
For the year ended June 30, 2024**

	Private Purpose Trust Fund	Custodial Funds
Additions		
Contributions:		
Donations	\$ 55,400	\$ -
Members	-	21,541
Total contributions	55,400	21,541
Earnings on investments	72,622	209
Total Additions	128,022	21,750
Deductions		
Endowment activities - scholarships	48,867	-
Distributions to members	-	30,803
Total Deductions	48,867	30,803
Net Increase (Decrease) in Fiduciary Net Position	79,155	(9,053)
Net Position, Beginning of Year	1,445,230	14,140
Net Position, End of Year	\$ 1,524,385	\$ 5,087

NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Lowell Area Schools (“the District”) was organized under the School Code of the State of Michigan, and services a population of approximately 3,448 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 position, and unrestricted net position.

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

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2024 Construction Capital Projects Funds 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.

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 2021 and 2024 Construction 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 (l) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

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

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

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

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

4. Budgets and Budgetary Accounting

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

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

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

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Chief Financial Officer to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Fund budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2024, the District encountered instances of budget noncompliance. The general fund, food service fund, and student/school activity fund had actual revenues below final budgeted amounts and/or actual expenditures exceeding final budgeted amounts. For more detail, reference the budget to actual schedules on pages 24, 88, and 89.

5. Encumbrances

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

6. Investments

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

7. Inventories and Prepaid Items

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food 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.

10. Accumulated Vacation Pay and Sick Leave

Accumulated vacation pay and sick leave at June 30, 2024 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, 2024, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) accumulated vacation pay and sick leave amounted to \$65,098 and \$544,896, 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.

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. 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).
- 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, 2024, Lowell Area Schools had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

16. Interfund Activity

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

17. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

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

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally 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, 2024 related to cash equivalents and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 49,206,714
Fiduciary Funds:	
Trust and Agency Funds	<u>1,529,472</u>
	<u>\$ 50,736,186</u>

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2024 balances are detailed as follows:

Cash equivalents	\$ 50,721,720
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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 \$50,721,720 and the bank balance was \$51,878,303. Of the bank balance, \$1,977,256 was covered by federal depository insurance and \$49,901,047 was uninsured and uncollateralized.

Investments

As of June 30, 2024, the District had the following investments:

Trust and Agency Funds:

Municipal Bond	\$ 14,466
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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.

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2024	Fair Value Measurement Using Other Significant Observable Inputs (Level 2)
Municipal Bond	\$ 14,466	\$ 14,466

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 1.3583.

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, 2024.

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 2023 and October 2023. The 2023-24 "Foundation Allowance" for Lowell Area Schools was \$9,608 for 3,452 "Full Time Equivalent" students, generating \$41,625,755 in State aid payments to the District of which \$7,353,273 was paid to the District in July and August 2024 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

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

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

Lowell Area Schools' electors had previously (November 8, 2022) approved an 18 mill operating millage extension. In 2023-24, 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).

NOTES TO BASIC FINANCIAL STATEMENTS

LOWELL AREA SCHOOLS

June 30, 2024

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, 2024, the District’s property tax revenues were reduced by approximately \$240,428 under these agreements.

Note D – Interfund Receivables/Payables and Transfers

Due from (to) other funds outstanding at June 30, 2024 were as follows:

	Due From	Due To
Major Funds		
General Fund:		
Special Revenue Funds:		
Food Service	\$ -	\$ 3,519
Student/School Activity	13,973	-
Total Major Funds	13,973	3,519
Nonmajor Funds		
Special Revenue Funds:		
Food Service Fund:		
General Fund	3,519	-
Student/School Activity Fund:		
General Fund	-	13,973
Total Nonmajor Funds	3,519	13,973
Total All Funds	\$ 17,492	\$ 17,492

NOTES TO BASIC FINANCIAL STATEMENTS

LOWELL AREA SCHOOLS
June 30, 2024

Transfers between funds during the year ended June 30, 2024 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund		
General Fund:		
Special Revenue Funds:		
Food Service	\$ 30,000	\$ -
Nonmajor Funds		
Special Revenue Funds:		
Food Service:		
General Fund	-	30,000
Total All Funds	<u>\$ 30,000</u>	<u>\$ 30,000</u>

Transfers made during the year ended June 30, 2024 were for indirect cost allocations from the Food Service Fund to the General Fund.

NOTES TO BASIC FINANCIAL STATEMENTS

LOWELL AREA SCHOOLS

June 30, 2024

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balances July 1, 2023	Additions	Deductions	Balances June 30, 2024
Capital assets not being depreciated:				
Land	\$ 1,441,546	\$ -	\$ -	\$ 1,441,546
Construction in progress	18,557,795	5,084,466	23,320,674	321,587
Total capital assets not being depreciated	19,999,341	\$ 5,084,466	\$ 23,320,674	1,763,133
Capital assets being depreciated and amortized:				
Land improvements	4,375,809	\$ 1,100,191	\$ -	5,476,000
Buildings and additions	99,122,514	20,829,162	-	119,951,676
Furniture and equipment	3,992,849	114,740	-	4,107,589
Vehicles	3,921,047	52,349	310,934	3,662,462
Intangible right-to-use assets:				
Leased technology and equipment	742,555	-	-	742,555
Subscription-based IT arrangements	319,468	-	-	319,468
Total capital assets being depreciated and amortized	112,474,242	\$ 22,096,442	\$ 310,934	134,259,750
Less accumulated depreciation for:				
Land improvements	1,934,578	\$ 227,705	\$ -	2,162,283
Buildings and additions	42,984,346	2,951,551	-	45,935,897
Furniture and equipment	2,870,354	283,776	-	3,154,130
Vehicles	2,366,689	405,079	304,714	2,467,054
Less accumulated amortization for:				
Leased technology and equipment	478,018	179,405	-	657,423
Subscription-based IT arrangements	21,888	52,217	-	74,105
Total accumulated depreciation and amortization	50,655,873	\$ 4,099,733	\$ 304,714	54,450,892
Total capital assets being depreciated and amortized, net	61,818,369			79,808,858
Net Capital Assets	\$ 81,817,710			\$ 81,571,991

NOTES TO BASIC FINANCIAL STATEMENTS

LOWELL AREA SCHOOLS
June 30, 2024

Depreciation and amortization expense was charged to the District activities as follows:

Governmental activities:	
Instruction	\$ 2,726,961
Supporting services	1,049,807
Community services	107,151
Food service	215,814
	\$ 4,099,733

Note F – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2024 are summarized as follows:

	Debt Outstanding July 1, 2023	Debt Added	Debt Retired	Debt Outstanding June 30, 2024
General obligation bonds:				
February 12, 2015	\$ 4,560,000	\$ -	\$ 680,000	\$ 3,880,000
March 16, 2016	890,000	-	155,000	735,000
May 5, 2016	7,745,000	-	335,000	7,410,000
May 5, 2016	4,570,000	-	2,285,000	2,285,000
July 16, 2019	21,995,000	-	200,000	21,795,000
January 14, 2021	18,840,000	-	790,000	18,050,000
May 4, 2021	20,195,000	-	180,000	20,015,000
June 27, 2024	-	32,495,000	-	32,495,000
Bond premium	10,196,978	527,388	435,673	10,288,693
Lease liability	111,088	-	23,135	87,953
Subscription-based IT arrangements	17,426	-	12,231	5,195
Accumulated vacation pay	*	50,296	14,802	-
Accumulated sick leave	*	543,882	1,014	-
	\$ 89,714,670	\$ 33,038,204	\$ 5,096,039	\$ 117,656,835

*Net change reported.

NOTES TO BASIC FINANCIAL STATEMENTS

LOWELL AREA SCHOOLS

June 30, 2024

Long-term obligations at June 30, 2024 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$7,610K 2015 Refunding:				
Annual maturities of \$620K to \$675K	May 1, 2030	4.00	\$ 3,880,000	\$ 675,000
\$2,000K 2016A Refunding:				
Annual maturities of \$145K to \$150K	May 1, 2029	2.10	735,000	150,000
\$8,675K 2016B Refunding:				
Annual maturities of \$385K to \$645K	May 1, 2037	4.00	7,410,000	385,000
\$11,420K 2016 SBLF Refunding:				
Annual maturity of \$2,285K	May 1, 2037	2.777	2,285,000	2,285,000
\$22,230K 2019 Bldg & Site Series I:				
Annual maturities of \$225K to \$1,375K	May 1, 2049	5.00	21,795,000	225,000
\$19,710K 2021 SBLF Refunding:				
Annual maturities of \$1,045K to \$2,685K	May 1, 2030	0.705 - 1.621	18,050,000	1,045,000
\$20,195K 2021 Bldg & Site Series II:				
Annual maturities of \$100K to \$1,775K	May 1, 2049	2.00 - 5.00	20,015,000	180,000
\$32,495K 2024 Bldg & Site Series I:				
Annual maturities of \$340K to \$8,200K	May 1, 2054	4.00 - 5.00	32,495,000	520,000
Bond premium			10,288,693	453,253
Lease Liability				
\$124,576 Copier Lease:				
Annual maturities of \$3,692 to \$26,710	December 1, 2027	4.80	87,953	3,692
Subscription-Based IT Arrangements				
\$30,493 iBoss Software Subscription:				
Annual maturity of \$5,195	September 11, 2024	4.80	5,195	5,195
Other Obligations				
Accumulated vacation pay			65,098	10,000
Accumulated sick leave			544,896	70,000
			\$ 117,656,835	\$ 6,007,140

NOTES TO BASIC FINANCIAL STATEMENTS

LOWELL AREA SCHOOLS

June 30, 2024

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	
2025	\$ 5,465,000	\$ 3,970,589	\$ 5,195	\$ 249	\$ 24,270	\$ 3,692	\$ 9,468,995
2026	5,805,000	4,036,360	-	-	25,461	2,501	9,869,322
2027	5,945,000	3,917,588	-	-	26,710	1,252	9,890,550
2028	6,515,000	3,786,945	-	-	11,512	139	10,313,596
2029	5,445,000	3,645,486	-	-	-	-	9,090,486
2030	4,845,000	3,483,505	-	-	-	-	8,328,505
2031	2,110,000	3,335,831	-	-	-	-	5,445,831
2032	2,175,000	3,241,731	-	-	-	-	5,416,731
2033	2,260,000	3,139,281	-	-	-	-	5,399,281
2034	2,330,000	3,032,531	-	-	-	-	5,362,531
2035	2,420,000	2,922,481	-	-	-	-	5,342,481
2036	2,510,000	2,815,831	-	-	-	-	5,325,831
2037	2,600,000	2,705,231	-	-	-	-	5,305,231
2038	2,380,000	2,588,481	-	-	-	-	4,968,481
2039	2,485,000	2,478,881	-	-	-	-	4,963,881
2040	2,595,000	2,364,406	-	-	-	-	4,959,406
2041	2,720,000	2,234,156	-	-	-	-	4,954,156
2042	2,850,000	2,097,656	-	-	-	-	4,947,656
2043	2,985,000	1,956,850	-	-	-	-	4,941,850
2044	3,130,000	1,811,075	-	-	-	-	4,941,075
2045	3,280,000	1,657,841	-	-	-	-	4,937,841
2046	3,440,000	1,496,850	-	-	-	-	4,936,850
2047	3,605,000	1,327,475	-	-	-	-	4,932,475
2048	3,780,000	1,150,000	-	-	-	-	4,930,000
2049	3,960,000	962,575	-	-	-	-	4,922,575
2050	3,080,000	717,550	-	-	-	-	3,797,550
2051	7,750,000	556,050	-	-	-	-	8,306,050
2052	8,200,000	402,450	-	-	-	-	8,602,450
2053	-	246,159	-	-	-	-	246,159
2054	-	53,275	-	-	-	-	53,275
	<u>\$ 106,665,000</u>	<u>\$ 68,135,124</u>	<u>\$ 5,195</u>	<u>\$ 249</u>	<u>\$ 87,953</u>	<u>\$ 7,584</u>	<u>\$ 174,901,105</u>

Note G – Retirement Plan

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (the "System") is a cost-sharing, multiple-employer, state-wide, defined benefit public employee retirement plan and fiduciary component unit of 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.

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. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. The System also provides disability and survivor benefits to DB plan members.

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.

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.

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, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the plan fiscal year ended September 30, 2023.

Plan Name	Pension Contribution Rates:		
	Plan Status	Member	District
Basic	Closed	0.0 – 4.0 %	20.16%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	20.16%
Pension Plus	Closed	3.0 – 6.4 %	17.24%
Pension Plus 2	Open	6.2%	19.95%
Defined Contribution	Open	0.0%	13.75%

The District’s contributions to MPSERS under all pension plans for the year ended June 30, 2024 inclusive of the MSPERS UAAL Stabilization, totaled \$9,085,494.

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

As of June 30, 2024, the District reported a liability of \$70,867,124 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. 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. As of September 30, 2023 the District’s proportion was 0.21895501%, which was an increase from 0.21751279% at September 30, 2022.

NOTES TO BASIC FINANCIAL STATEMENTS

LOWELL AREA SCHOOLS

June 30, 2024

For the year ended June 30, 2024 the District recognized pension expense of \$9,242,330. As of June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,237,059	\$ 108,557
Changes of assumptions	9,602,818	5,536,766
Net difference between projected and actual earnings on pension plan investments	—	1,450,171
Changes in proportion and differences between District contributions and proportionate share of contributions	939,075	345,043
District contributions subsequent to the measurement date*	8,501,359	—
Total	\$ 21,280,311	\$ 7,440,537

* 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, 2025.

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

Years Ending June 30	Amount
2025	\$ 1,778,777
2026	1,319,067
2027	3,242,779
2028	(1,002,208)

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, 2022
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:	PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Mortality Tables scaled by 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023 is based on the results of an actuarial valuation date of September 30, 2022 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: [4.4406 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at (www.michigan.gov/orsschools).

NOTES TO BASIC FINANCIAL STATEMENTS

LOWELL AREA SCHOOLS

June 30, 2024

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, 2023 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short-term Investment Pools	2.0%	0.3%
Total	100.0%	

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus Plan, 6.00% 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 6.00% (6.00% for the Pension Plus Plan, 6.00% 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.

NOTES TO BASIC FINANCIAL STATEMENTS

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

	1% Decrease 5.00%	Current Discount Rate Assumption 6.00%	1% Increase 7.00%
District’s proportionate share of the net pension liability	\$ 95,741,277	\$ 70,867,124	\$ 50,158,492

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

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Michigan Public School Employees’ Retirement System September 30, 2023 Annual Comprehensive Financial Report, available here: (www.michigan.gov/orsschools).

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

Payables to the pension plan totaling \$1,355,369 at June 30, 2024 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note H – Other Postemployment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS or "System") is a cost-sharing, multiple- employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of 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.

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 comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions 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, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

NOTES TO BASIC FINANCIAL STATEMENTS

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2023:

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	8.07%
Personal Healthcare Fund (PHF)	0.0 %	7.21%

Required contributions to the OPEB plan from the District were \$1,708,817 for the year ended June 30, 2024.

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

As of June 30, 2024, the District reported an asset of \$1,237,273 for its proportionate share of the MPSERS net OPEB liability. The net OPEB asset was measured as of September 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The District’s proportion of the net OPEB asset was determined by dividing each employer’s statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. As of September 30, 2023 the District’s proportion was 0.21871598% which was a decrease from 0.21944065% at September 30, 2022.

For the year ended June 30, 2024, the District recognized OPEB credit of \$2,048,065. At June 30, 2024, 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	\$ —	\$ 9,349,469
Changes of assumptions	2,754,385	331,680
Net difference between projected and actual earnings on OPEB plan investments	3,772	—
Changes in proportion and differences between District contributions and proportionate share of contributions	320,534	246,471
District contributions subsequent to the measurement date*	1,479,190	—
Total	\$ 4,557,881	\$ 9,927,620

* 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, 2025.

NOTES TO BASIC FINANCIAL STATEMENTS

LOWELL AREA SCHOOLS

June 30, 2024

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

Years Ending June 30	Amount
2025	\$ (2,212,824)
2026	(2,103,999)
2027	(835,039)
2028	(759,251)
2029	(616,640)
Thereafter	(321,176)

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, 2022
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 - 7.50% Year 1 graded to 3.5% Year 15 Post-65 - 6.25% Year 1 graded to 3.5% Year 15
Mortality:	
Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

NOTES TO BASIC FINANCIAL STATEMENTS

LOWELL AREA SCHOOLS

June 30, 2024

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 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2023 is based on the results of an actuarial valuation date of September 30, 2022 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: [6.5099 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2023, are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short-term Investment Pools	2.0%	0.3%
Total	100.0%	

* Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 7.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB asset. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

NOTES TO BASIC FINANCIAL STATEMENTS

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
District’s proportionate share of the net OPEB liability (asset)	\$ 1,282,681	\$ (1,237,273)	\$ (3,402,925)

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Healthcare Cost Trend Rate

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District’s proportionate share of the net OPEB liability (asset)	\$ (3,408,325)	\$ (1,237,273)	\$ 1,112,517

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2023 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling \$201,435 at June 30, 2024 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 2023-24, and as of year ended June 30, 2024, there were no material pending claims against the District.

Note J – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of \$51,635,952 and a total net position deficit of \$47,403,516 as of June 30, 2024. These deficit net positions result primarily from the net pension liability of \$57,027,350, and net OPEB liability of \$4,132,466 (including deferred outflows and inflows of resources).

Note K– Commitments

On May 4, 2021, the District issued \$20,195,000 of general obligation 2021 Building and Site, Series II bonds whose proceeds are being used for land improvements, building renovations and additions, and furniture and equipment purchases. At June 30, 2024, unspent balances committed to these construction projects totaled \$1,990,452, which are expected to be fully expended by the year ended June 30, 2025.

On June 27, 2024, the District issued \$32,495,000 of general obligation 2024 Building and Site, Series I bonds whose proceeds are being used for land improvements, building renovations and additions, and furniture and equipment purchases. At June 30, 2024, unspent balances committed to these construction projects totaled \$32,385,995, which are expected to be fully expended by the year ended June 30, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

**LOWELL AREA SCHOOLS
June 30, 2024**

	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2022
District's proportion of the net pension liability	0.21895501%	0.21751279%	0.21431309%
District's proportionate share of the net pension liability	\$ 70,867,124	\$ 81,803,775	\$ 50,739,508
District's covered-employee payroll	\$ 22,030,454	\$ 21,713,371	\$ 20,148,150
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	321.68%	376.74%	251.83%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	72.60%

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

Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
0.21618847%	0.21371407%	0.21048708%	0.20798328%	0.20385344%	0.20152264%	0.20340981%
\$74,263,091	\$70,774,915	\$63,276,216	\$53,897,309	\$50,859,765	\$49,221,959	\$44,583,803
\$19,296,503	\$18,919,218	\$18,139,412	\$17,609,042	\$17,765,935	\$16,920,859	\$17,292,694
384.85%	374.09%	348.83%	306.08%	286.28%	290.90%	257.82%
59.72%	60.08%	62.12%	63.96%	63.01%	62.92%	66.15%

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

**LOWELL AREA SCHOOLS
June 30, 2024**

	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2022
District's proportion of the net OPEB liability (asset)	0.21871598%	0.21944065%	0.21364767%
District's proportionate share of the net OPEB liability (asset)	\$ (1,237,273)	\$ 4,647,890	\$ 3,261,071
District's covered-employee payroll	\$ 22,030,454	\$ 21,713,371	\$ 20,148,150
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	5.62%	21.41%	16.19%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	105.04%	83.09%	87.33%

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.

<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
0.21759435%	0.21646874%	0.21306495%	0.20867350%
\$ 11,657,110	\$ 15,537,581	\$ 16,936,430	\$ 18,479,021
\$ 19,296,503	\$ 18,919,218	\$ 18,139,412	\$ 17,609,042
60.41%	82.13%	93.37%	104.94%
59.44%	48.67%	43.10%	36.53%

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

**LOWELL AREA SCHOOLS
June 30, 2024**

	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021
Contractually required contribution	\$ 9,085,494	\$ 8,017,937	\$ 7,337,745	\$ 6,524,875
Contributions in relation to the contractually required contribution	9,085,494	8,017,937	7,337,745	6,524,875
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 22,134,427	\$ 21,848,477	\$ 20,250,404	\$ 19,167,932
Contributions as a percentage of covered employee payroll	41.05%	36.70%	36.24%	34.04%

Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
\$ 6,028,050	\$ 5,691,235	\$ 5,389,602	\$ 5,237,576	\$ 5,234,966	\$ 5,436,682
6,028,050	5,691,235	5,389,602	5,237,576	5,234,966	5,436,682
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 19,516,878	\$ 18,913,541	\$ 18,211,181	\$ 17,476,499	\$ 17,425,510	\$ 17,375,266
30.89%	30.09%	29.60%	29.97%	30.04%	31.29%

**SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

**LOWELL AREA SCHOOLS
June 30, 2024**

	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2022
Contractually required contribution	\$ 1,708,817	\$ 1,716,769	\$ 1,589,697
Contributions in relation to the contractually required contribution	1,708,817	1,716,769	1,589,697
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 22,134,427	\$ 21,848,477	\$ 20,250,404
Contributions as a percentage of covered employee payroll	7.72%	7.86%	7.85%

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.

Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
\$ 1,550,773	\$ 1,556,394	\$ 1,494,758	\$ 1,348,807
1,550,773	1,556,394	1,494,758	1,348,807
\$ -	\$ -	\$ -	\$ -
\$ 19,167,932	\$ 19,516,878	\$ 18,913,541	\$ 18,211,181
8.09%	7.97%	7.90%	7.41%

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2023-24.

Changes of assumptions: There were no changes of benefit assumptions in 2023-24.

Note B – Net OPEB Liability (Asset) and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2023-24.

Changes of assumptions: There were no changes of benefit assumptions in 2023-24.

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.

**COMPARATIVE BALANCE SHEETS
GENERAL FUND**

**LOWELL AREA SCHOOLS
June 30, 2024 and 2023**

Assets	2024	2023
Cash equivalents	\$ 8,875,054	\$ 4,858,423
Accounts receivable	129,686	89,738
Due from other funds	13,973	-
Due from other governmental units	8,274,607	8,260,132
Inventory	40,208	58,130
Prepaid expenditures	104,981	94,553
Total Assets	\$ 17,438,509	\$ 13,360,976
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 505,950	\$ 468,088
Due to other funds	3,519	16,510
Due to other governmental units	2,012,530	2,176,230
Salaries payable	2,621,250	2,529,040
Unearned revenue	2,161,402	841,445
Total Liabilities	7,304,651	6,031,313
Fund Balances		
Nonspendable	145,189	152,683
Committed	445,107	-
Unassigned	9,543,562	7,176,980
Total Fund Balances	10,133,858	7,329,663
Total Liabilities and Fund Balances	\$ 17,438,509	\$ 13,360,976

**COMPARATIVE SCHEDULES OF REVENUES
GENERAL FUND**

**LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023**

	2024	2023
Local sources:		
Property taxes:		
Current property taxes	\$ 3,947,511	\$ 3,387,026
Delinquent and other property taxes	2,781	4,615
Interest on delinquent taxes	5,832	3,086
	<u>3,956,124</u>	<u>3,394,727</u>
Interest earnings	<u>166,662</u>	<u>28,259</u>
Revenue from student activities:		
Athletic event fees	117,842	133,090
Participation fees	87,294	86,190
Athletic donations	-	10
	<u>205,136</u>	<u>219,290</u>
Revenue from community service activities:		
Preschool fees	<u>234,391</u>	<u>211,681</u>
Other local revenue:		
Rental of school facilities	20,457	37,838
Donations	2,064	9,450
Community enrichment fees	964	3,972
Transportation reimbursements	21,726	18,796
Universal service fund - Erate	84,772	3,605
Beverage consortium commissions	5,520	3,003
Copy center charges	64,707	67,489
Insurance claims/reimbursements	47,638	73,505
Miscellaneous	34,842	35,439
	<u>282,690</u>	<u>253,097</u>
Total local sources	<u>4,845,003</u>	<u>4,107,054</u>
Non-educational entity sources	<u>19,114</u>	<u>70,714</u>
State sources:		
State aid	39,052,513	38,060,028
Special education - itinerants	39,089	97,646
Special education - transportation	259,538	402,626
Special education - millage incentive	68,246	111,659
Early literacy grant	39,756	34,663
ORS forfeiture credit	26,606	11,739
Mental health and support services	182,616	36,303
Future educator stipends	-	9,600
Bus driver safety	656	1,119
Total state sources	<u>39,669,020</u>	<u>38,765,383</u>

**COMPARATIVE SCHEDULES OF REVENUES
GENERAL FUND (Continued)**

**LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023**

	2024	2023
Federal sources:		
Title I	\$ 276,946	\$ 275,003
Title II A	70,675	76,256
Title III	6,080	6,564
Title IV	18,699	21,284
ESSER stabilization fund	1,580,617	1,812,421
Special education cluster	806,298	830,507
Health resource advocates	82,981	76,040
Medicaid - outreach	15,542	10,003
Child care relief grant	-	113,969
Total federal sources	2,857,838	3,222,047
Interdistrict sources:		
Special education - county	3,134,738	3,051,845
Medicaid fee for service	342,527	285,998
GSRP	15,060	8,551
Reimbursement for services provided	1,051	5,372
Education program	44,000	20,000
Early literacy professional development	178	-
Total interdistrict sources	3,537,554	3,371,766
 Total Revenues	 \$ 50,928,529	 \$ 49,536,964

**COMPARATIVE SCHEDULES OF EXPENDITURES
GENERAL FUND**

**LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023**

	2024	2023
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 5,995,081	\$ 5,706,885
Employee benefits	4,933,515	5,857,509
Purchased services	164,459	170,738
Supplies	219,288	202,415
Capital outlay	199	260,425
	<u>11,312,542</u>	<u>12,197,972</u>
Middle school:		
Salaries	2,926,873	2,881,831
Employee benefits	2,364,463	2,231,168
Purchased services	86,282	119,653
Supplies	105,501	106,669
Capital outlay	77,068	-
	<u>5,560,187</u>	<u>5,339,321</u>
High school:		
Salaries	3,914,953	3,867,556
Employee benefits	3,127,781	2,908,074
Purchased services	214,308	120,988
Supplies	184,404	180,893
Capital outlay	102,159	60,380
Payments to other districts	29,120	50,725
	<u>7,572,725</u>	<u>7,188,616</u>
Preschool:		
Salaries	152,534	156,380
Employee benefits	88,719	81,338
Purchased services	7,066	7,188
Supplies	7,396	7,392
	<u>255,715</u>	<u>252,298</u>
Summer school:		
Salaries	75,013	97,824
Employee benefits	28,121	34,088
Purchased services	-	7,020
Supplies	3,602	29,982
	<u>106,736</u>	<u>168,914</u>
Total basic programs	<u>24,807,905</u>	<u>25,147,121</u>

**COMPARATIVE SCHEDULES OF EXPENDITURES
GENERAL FUND (Continued)**

**LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023**

	2024	2023
Added needs:		
Special education:		
Salaries	\$ 1,797,480	\$ 1,778,257
Employee benefits	1,353,019	1,265,417
Purchased services	22,985	11,877
Supplies	18,236	23,114
Payments to other districts	-	34,754
	<u>3,191,720</u>	<u>3,113,419</u>
Compensatory education:		
Salaries	607,734	677,747
Employee benefits	436,041	458,770
Purchased services	60,459	55,975
Supplies	10,745	6,804
	<u>1,114,979</u>	<u>1,199,296</u>
Vocational education:		
Salaries	87,002	86,329
Employee benefits	67,838	61,951
Purchased services	2,638	2,246
Supplies	13,901	3,233
	<u>171,379</u>	<u>153,759</u>
Total added needs	<u>4,478,078</u>	<u>4,466,474</u>
Total instruction	29,285,983	29,613,595
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	475,014	459,530
Employee benefits	384,649	504,716
Purchased services	40,792	932
Supplies	7,301	1,777
Miscellaneous	80	-
	<u>907,836</u>	<u>966,955</u>
Occupational therapist services:		
Salaries	32,963	41,318
Employee benefits	19,314	23,123
Purchased services	98,301	82,195
Supplies	58,484	2,985
Payments to other districts	187,484	187,693
	<u>396,546</u>	<u>337,314</u>

**COMPARATIVE SCHEDULES OF EXPENDITURES
GENERAL FUND (Continued)**

**LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023**

	2024	2023
Psychological services:		
Salaries	\$ 53,070	\$ 60,104
Benefits	55,598	56,196
Purchased services	11,384	2,501
Supplies	2,185	1,860
Payments to other districts	327,049	221,392
	<u>449,286</u>	<u>342,053</u>
Speech pathology services:		
Purchased services	8,105	887
Supplies	885	1,403
Payments to other districts	482,804	450,217
	<u>491,794</u>	<u>452,507</u>
Social worker services:		
Salaries	141,546	132,755
Employee benefits	128,672	115,998
Purchased services	17,803	33,416
Supplies	507	1,383
Payments to other districts	426,292	370,232
	<u>714,820</u>	<u>653,784</u>
Teacher consultant services:		
Salaries	189,244	182,752
Employee benefits	159,608	147,571
	<u>348,852</u>	<u>330,323</u>
Other pupil support services:		
Salaries	9,127	-
Employee benefits	6,277	-
Purchased services	42,851	-
Supplies	-	200
	<u>58,255</u>	<u>200</u>
Total pupil services	<u>3,367,389</u>	<u>3,083,136</u>
Instructional staff services:		
Improvement of instruction:		
Salaries	576,511	525,606
Employee benefits	424,557	467,558
Purchased services	125,612	89,247
Supplies	151,363	66,423
Miscellaneous	-	285
Payments to other districts	554	-
	<u>1,278,597</u>	<u>1,149,119</u>

**COMPARATIVE SCHEDULES OF EXPENDITURES
GENERAL FUND (Continued)**

**LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023**

	2024	2023
Library:		
Salaries	\$ 247,282	\$ 239,315
Employee benefits	164,396	151,847
Purchased services	1,974	2,605
Supplies	86,930	123,270
Capital outlay	20,950	-
	<u>521,532</u>	<u>517,037</u>
Supervision and direction of instruction:		
Salaries	147,570	147,762
Employee benefits	101,175	118,484
Purchased services	2,298	841
Supplies	438	435
Miscellaneous	232	378
	<u>251,713</u>	<u>267,900</u>
Other instructional staff services:		
Salaries	81,038	84,873
Employee benefits	54,586	67,988
Purchased services	160	1,587
Supplies	5,550	5,041
	<u>141,334</u>	<u>159,489</u>
Total instructional staff services	<u>2,193,176</u>	<u>2,093,545</u>
General administrative services:		
Board of education:		
Salaries	2,100	2,100
Employee benefits	161	161
Purchased services	67,377	65,614
Supplies	4,583	5,651
Miscellaneous	15,394	22,839
	<u>89,615</u>	<u>96,365</u>
Executive administration:		
Salaries	286,666	280,110
Employee benefits	220,808	207,988
Purchased services	44,501	39,677
Supplies	3,899	4,444
Capital outlay	3,182	-
Miscellaneous	9,368	1,125
	<u>568,424</u>	<u>533,344</u>
Total general administrative services	<u>658,039</u>	<u>629,709</u>

**COMPARATIVE SCHEDULES OF EXPENDITURES
GENERAL FUND (Continued)**

**LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023**

	2024	2023
School administrative services:		
Office of the principal:		
Salaries	\$ 1,423,610	\$ 1,443,381
Employee benefits	1,121,153	1,224,459
Purchased services	22,944	17,092
Supplies	12,943	17,108
Miscellaneous	4,629	4,629
Total school administrative services	<u>2,585,279</u>	<u>2,706,669</u>
Business services:		
Fiscal services:		
Salaries	333,427	289,878
Employee benefits	273,272	229,358
Purchased services	31,791	34,219
Supplies	38,857	77,302
Miscellaneous	1,131	2,583
	<u>678,478</u>	<u>633,340</u>
Internal services:		
Salaries	6,494	6,872
Employee benefits	3,563	2,468
Purchased services	46,306	16,137
Miscellaneous	851	-
	<u>57,214</u>	<u>25,477</u>
Other business services:		
Miscellaneous	107,291	67,690
Total business services	<u>842,983</u>	<u>726,507</u>
Operation and maintenance services:		
Operation and maintenance:		
Salaries	1,129,610	1,143,041
Employee benefits	818,227	1,038,367
Purchased services	1,123,342	1,276,151
Supplies	1,236,112	1,213,847
Capital outlay	68,869	235,109
Miscellaneous	150	150
	<u>4,376,310</u>	<u>4,906,665</u>
Security services:		
Salaries	49,311	42,807
Employee benefits	34,451	23,046
Purchased services	260,681	94,399
Supplies	5,452	3,140
	<u>349,895</u>	<u>163,392</u>
Total operation and maintenance services	<u>4,726,205</u>	<u>5,070,057</u>

**COMPARATIVE SCHEDULES OF EXPENDITURES
GENERAL FUND (Continued)**

**LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023**

	2024	2023
Pupil transportation services:		
Pupil transportation:		
Salaries	\$ 767,514	\$ 780,633
Employee benefits	553,588	740,940
Purchased services	117,008	195,536
Supplies	331,348	243,636
Capital outlay	-	332,583
Payments to other districts	473,185	465,201
Miscellaneous	685	310
Total pupil transportation services	<u>2,243,328</u>	<u>2,758,839</u>
Communication services:		
Purchased services	-	6,900
Personnel services:		
Salaries	144,260	136,786
Employee benefits	109,117	104,963
Purchased services	2,985	1,965
Supplies	8,313	9,930
Miscellaneous	820	470
	<u>265,495</u>	<u>254,114</u>
Technology services:		
Salaries	146,669	175,230
Employee benefits	102,492	129,462
Purchased services	220,597	131,527
Supplies	121,630	157,723
Capital outlay	191,948	360,263
	<u>783,336</u>	<u>954,205</u>
Total central services	<u>1,048,831</u>	<u>1,215,219</u>
Other supporting services:		
Athletics:		
Salaries	416,737	416,207
Employee benefits	207,099	168,986
Purchased services	149,185	114,798
Supplies	151,537	112,874
Capital outlay	15,172	97,005
Miscellaneous	10,100	-
Total other supporting services	<u>949,830</u>	<u>909,870</u>
Total supporting services	<u>18,615,060</u>	<u>19,193,551</u>

**COMPARATIVE SCHEDULES OF EXPENDITURES
GENERAL FUND (Continued)**

LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023

	2024	2023
Community services:		
Community services direction:		
Purchased services	\$ 60,145	\$ 64,821
Supplies	-	1,489
	60,145	66,310
Community recreation:		
Salaries	67,219	62,705
Employee benefits	43,644	39,065
Purchased services	1,979	1,960
Supplies	1,862	3,816
Capital outlay	10,896	-
	125,600	107,546
Welfare activities:		
Supplies	1,250	-
	1,250	-
Non-public school pupils:		
Salaries	10,403	19,966
Employee benefits	5,316	7,509
	15,719	27,475
Total community services	202,714	201,331
Payments to other districts	1,695	-
	1,695	-
Capital outlay	51,122	-
	51,122	-
Other transactions	-	5,225
	-	5,225
Debt service:		
Principal repayment	35,366	232,476
Interest and fiscal charges	5,663	9,616
Total debt service	41,029	242,092
	41,029	242,092
Total Expenditures	\$ 48,197,603	\$ 49,255,794

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NONMAJOR GOVERNMENTAL FUNDS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

**LOWELL AREA SCHOOLS
June 30, 2024**

	Special Revenue		Debt Funds	
	Food Service	Student/School Activity	2015	2016A
Assets				
Cash equivalents	\$ 1,012,655	\$ 1,029,797	\$ 250,956	\$ 53,592
Due from other funds	3,519	-	-	-
Due from other governmental units	33,857	-	-	-
Inventory	17,439	-	-	-
Prepaid expenditures	100,000	-	-	-
Total Assets	\$ 1,167,470	\$ 1,029,797	\$ 250,956	\$ 53,592
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 14,729	\$ 709	\$ -	\$ -
Due to other funds	-	13,973	-	-
Unearned revenue	43,563	-	-	-
Total Liabilities	58,292	14,682	-	-
Fund Balances				
Nonspendable	117,439	-	-	-
Restricted	991,739	1,015,115	250,956	53,592
Total Fund Balances	1,109,178	1,015,115	250,956	53,592
Total Liabilities and Fund Balances	\$ 1,167,470	\$ 1,029,797	\$ 250,956	\$ 53,592

2016B	Debt Funds			Capital Projects			Total
	2016 SBLF Refunding	2019	2021 SBLF Refunding	2021	2021 Construction	Building and Site Sinking	
\$ 173,664	\$ 746,709	\$ 424,782	\$ 278,991	\$ 363,943	\$ 1,990,452	\$ 1,327,197	\$ 7,652,738
-	-	-	-	-	-	-	3,519
-	-	-	-	-	-	-	33,857
-	-	-	-	-	-	-	17,439
-	-	-	-	-	-	-	100,000
<u>\$ 173,664</u>	<u>\$ 746,709</u>	<u>\$ 424,782</u>	<u>\$ 278,991</u>	<u>\$ 363,943</u>	<u>\$ 1,990,452</u>	<u>\$ 1,327,197</u>	<u>\$ 7,807,553</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,472	\$ 84,910
-	-	-	-	-	-	-	13,973
-	-	-	-	-	-	-	43,563
-	-	-	-	-	-	69,472	142,446
-	-	-	-	-	-	-	117,439
<u>173,664</u>	<u>746,709</u>	<u>424,782</u>	<u>278,991</u>	<u>363,943</u>	<u>1,990,452</u>	<u>1,257,725</u>	<u>7,547,668</u>
<u>173,664</u>	<u>746,709</u>	<u>424,782</u>	<u>278,991</u>	<u>363,943</u>	<u>1,990,452</u>	<u>1,257,725</u>	<u>7,665,107</u>
<u>\$ 173,664</u>	<u>\$ 746,709</u>	<u>\$ 424,782</u>	<u>\$ 278,991</u>	<u>\$ 363,943</u>	<u>\$ 1,990,452</u>	<u>\$ 1,327,197</u>	<u>\$ 7,807,553</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

**LOWELL AREA SCHOOLS
For the year ended June 30, 2024**

	Special Revenue		Debt Funds	
	Food Service	Student/School Activity	2015	2016A
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ 923,052	\$ 189,344
Interest earnings	17,695	-	21,829	4,591
Food sales	261,624	-	-	-
Other local sources	1,521	1,364,875	-	-
Total local sources	280,840	1,364,875	944,881	193,935
State sources	1,265,681	-	4,005	821
Federal sources	1,017,439	-	-	-
Total Revenues	2,563,960	1,364,875	948,886	194,756
Expenditures				
Current:				
Supporting services	-	1,208,687	113	22
Food service	2,201,265	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal repayment	-	-	680,000	155,000
Interest and fiscal charges	-	-	182,900	19,190
Total Expenditures	2,201,265	1,208,687	863,013	174,212
Excess (Deficiency) of Revenues Over Expenditures	362,695	156,188	85,873	20,544
Other Financing Uses				
Transfers out	(30,000)	-	-	-
Net Change in Fund Balances	332,695	156,188	85,873	20,544
Fund Balances, Beginning of Year	776,483	858,927	165,083	33,048
Fund Balances, End of Year	\$ 1,109,178	\$ 1,015,115	\$ 250,956	\$ 53,592

2016B	Debt Funds				Capital Projects		Total
	2016 SBLF Refunding	2019	2021 SBLF Refunding	2021	2021 Construction	Building and Site Sinking	
\$ 686,367	\$2,603,475	\$1,420,067	\$1,136,036	\$1,325,381	\$ -	\$1,153,362	\$9,437,084
13,842	66,758	24,082	24,115	19,523	102,423	55,959	350,817
-	-	-	-	-	-	-	261,624
-	-	-	-	-	25,067	-	1,391,463
700,209	2,670,233	1,444,149	1,160,151	1,344,904	127,490	1,209,321	11,440,988
2,978	11,295	6,161	4,929	5,750	-	-	1,301,620
-	-	-	-	-	-	-	1,017,439
703,187	2,681,528	1,450,310	1,165,080	1,350,654	127,490	1,209,321	13,760,047
77	311	155	98	121	4,750	-	1,214,334
-	-	-	-	-	-	-	2,201,265
-	-	-	-	-	4,664,640	652,515	5,317,155
335,000	2,285,000	200,000	790,000	180,000	-	-	4,625,000
310,300	122,840	1,054,150	232,899	975,550	-	-	2,897,829
645,377	2,408,151	1,254,305	1,022,997	1,155,671	4,669,390	652,515	16,255,583
57,810	273,377	196,005	142,083	194,983	(4,541,900)	556,806	(2,495,536)
-	-	-	-	-	-	-	(30,000)
57,810	273,377	196,005	142,083	194,983	(4,541,900)	556,806	(2,525,536)
115,854	473,332	228,777	136,908	168,960	6,532,352	700,919	10,190,643
\$ 173,664	\$ 746,709	\$ 424,782	\$ 278,991	\$ 363,943	\$1,990,452	\$1,257,725	\$7,665,107

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – FOOD SERVICE SPECIAL REVENUE FUND**

**LOWELL AREA SCHOOLS
For the year ended June 30, 2024**

	Budget	Actual	Variance
Revenues			
Local sources:			
Interest earnings	\$ 15,000	\$ 17,695	\$ 2,695
Food sales	252,000	263,145	11,145
Total local sources	267,000	280,840	13,840
State sources	1,052,000	1,265,681	213,681
Federal sources	900,000	1,017,439	117,439
Total Revenues	2,219,000	2,563,960	344,960
Expenditures			
Current:			
Food service	2,135,000	2,201,265	(66,265)
Excess (Deficiency) of Revenues Over Expenditures	84,000	362,695	(278,695)
Other Financing Uses			
Transfers out	(30,000)	(30,000)	-
Net Change in Fund Balances	54,000	332,695	(278,695)
Fund Balances, Beginning of Year	776,483	776,483	-
Fund Balances, End of Year	\$ 830,483	\$ 1,109,178	\$ (278,695)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL – STUDENT/SCHOOL ACTIVITY SPECIAL REVENUE FUND**

**LOWELL AREA SCHOOLS
 For the year ended June 30, 2024**

	Budget	Actual	Variance
Revenues			
Local sources	\$ 2,040,000	\$ 1,364,875	\$ (675,125)
Expenditures			
Supporting services:			
Other student/school activity	1,365,000	1,208,687	156,313
Net Change in Fund Balance	675,000	156,188	(518,812)
Fund Balance, Beginning of Year	858,927	858,927	-
Fund Balance, End of Year	\$ 1,533,927	\$ 1,015,115	\$ (518,812)

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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.

**COMPARATIVE BALANCE SHEETS
FOOD SERVICE SPECIAL REVENUE FUND**

**LOWELL AREA SCHOOLS
June 30, 2024 and 2023**

Assets	2024	2023
Cash equivalents	\$ 1,012,655	\$ 735,526
Due from other funds	3,519	7,834
Due from other governmental units	33,857	24,026
Inventory	17,439	24,159
Prepaid expenditures	100,000	100,000
	Total Assets	\$ 891,545
	\$ 1,167,470	\$ 891,545
	\$ 1,167,470	\$ 891,545
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 14,729	\$ 35,120
Unearned revenue	43,563	79,942
	Total Liabilities	115,062
	58,292	115,062
Fund Balances		
Nonspendable	117,439	124,159
Restricted	991,739	652,324
	Total Fund Balances	776,483
	1,109,178	776,483
	\$ 1,167,470	\$ 891,545
	\$ 1,167,470	\$ 891,545

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - FOOD SERVICE SPECIAL REVENUE FUND

LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023

	2024	2023
Revenues		
Local sources:		
Food sales:		
Student lunches	\$ -	\$ 484,829
Adult lunches	13,749	15,433
Ala carte	209,285	244,875
Catering	38,590	48,321
Miscellaneous	1,521	6,210
Total food sales	263,145	799,668
Interest earnings	17,695	7,128
Total local sources	280,840	806,796
State sources	1,265,681	99,617
Federal sources	1,017,439	966,075
	2,563,960	1,872,488
Expenditures		
Current:		
Food service:		
Purchased services	831,065	760,308
Supplies	1,178,757	953,216
Capital outlay	191,443	285,769
Total Expenditures	2,201,265	1,999,293
Excess (Deficiency) of Revenues Over Expenditures	362,695	(126,805)
Other Financing Sources (Uses)		
Proceeds from sale of capital assets	-	4,140
Transfers out	(30,000)	(20,000)
Total Other Financing Sources (Uses)	(30,000)	(15,860)
Net Change in Fund Balances	332,695	(142,665)
Fund Balances, Beginning of Year	776,483	919,148
Fund Balances, End of Year	\$ 1,109,178	\$ 776,483

**COMPARATIVE BALANCE SHEETS
STUDENT/SCHOOL ACTIVITY SPECIAL REVENUE FUND**

**LOWELL AREA SCHOOLS
June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Assets		
Cash equivalents and investments	<u>\$ 1,029,797</u>	<u>\$ 863,510</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 709	\$ 4,583
Due to other funds	13,973	-
Total Liabilities	<u>14,682</u>	<u>4,583</u>
Fund Balance		
Restricted	<u>1,015,115</u>	<u>858,927</u>
Total Liabilities and Fund Balance	<u>\$ 1,029,797</u>	<u>\$ 863,510</u>

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – STUDENT/SCHOOL ACTIVITY SPECIAL REVENUE FUND

LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023

	2024	2023
Revenues		
Local sources:		
Other student activity	\$ 1,364,875	\$ 1,240,900
 Expenditures		
Current:		
Supporting services:		
Other student/school activity	1,208,687	1,189,309
Net Change in Fund Balance	156,188	51,591
 Fund Balance , Beginning of Year	858,927	807,336
 Fund Balance , End of Year	\$ 1,015,115	\$ 858,927

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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.

**COMBINING BALANCE SHEET
DEBT SERVICE FUNDS**

LOWELL AREA SCHOOLS
June 30, 2024 with comparative totals as of June 30, 2023

	2015	2016 A	2016 B
Assets			
Cash equivalents	\$ 250,956	\$ 53,592	\$ 173,664
Liabilities and Fund Balance			
Liabilities	\$ -	\$ -	\$ -
Fund Balance			
Restricted	250,956	53,592	173,664
Total Liabilities and Fund Balance	\$ 250,956	\$ 53,592	\$ 173,664

2016 SBLF Refunding	2019	2021 SBLF Refunding	2021	Totals	
				2024	2023
\$ 746,709	\$ 424,782	\$ 278,991	\$ 363,943	\$ 2,292,637	\$ 1,321,962
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
746,709	424,782	278,991	363,943	2,292,637	1,321,962
\$ 746,709	\$ 424,782	\$ 278,991	\$ 363,943	\$ 2,292,637	\$ 1,321,962

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – DEBT SERVICE FUNDS**

LOWELL AREA SCHOOLS

For the year ended June 30, 2024 with comparative totals for the year ended June 30, 2023

	2015	2016 A	2016 B
Revenues			
Local sources:			
Property taxes:			
Current property taxes	\$ 922,289	\$ 189,187	\$ 685,800
Industrial facilities taxes	8	2	6
Delinquent and other property taxes	-	-	-
Interest on delinquent taxes	755	155	561
	<u>923,052</u>	<u>189,344</u>	<u>686,367</u>
Interest earnings	21,829	4,591	13,842
Total local sources	944,881	193,935	700,209
State sources	4,005	821	2,978
Total Revenues	<u>948,886</u>	<u>194,756</u>	<u>703,187</u>
Expenditures			
Supporting service:			
Taxes abated	113	22	77
Debt service:			
Principal repayment	680,000	155,000	335,000
Interest and fiscal charges:			
Interest expense	182,400	18,690	309,800
Paying agent fees	500	500	500
Total Expenditures	<u>863,013</u>	<u>174,212</u>	<u>645,377</u>
Net Change in Fund Balance	85,873	20,544	57,810
Fund Balance, Beginning of Year	<u>165,083</u>	<u>33,048</u>	<u>115,854</u>
Fund Balance, End of Year	<u>\$ 250,956</u>	<u>\$ 53,592</u>	<u>\$ 173,664</u>

2016 SBLF Refunding	2019	2021 SBLF Refunding	2021	Totals	
				2024	2023
\$ 2,601,325	\$ 1,418,895	\$ 1,135,099	\$ 1,324,288	\$ 8,276,883	\$ 7,579,803
22	12	10	11	71	35
-	-	-	-	-	24
2,128	1,160	927	1,082	6,768	7,348
<u>2,603,475</u>	<u>1,420,067</u>	<u>1,136,036</u>	<u>1,325,381</u>	<u>8,283,722</u>	<u>7,587,210</u>
66,758	24,082	24,115	19,523	174,740	67,783
<u>2,670,233</u>	<u>1,444,149</u>	<u>1,160,151</u>	<u>1,344,904</u>	<u>8,458,462</u>	<u>7,654,993</u>
11,295	6,161	4,929	5,750	35,939	18,803
<u>2,681,528</u>	<u>1,450,310</u>	<u>1,165,080</u>	<u>1,350,654</u>	<u>8,494,401</u>	<u>7,673,796</u>
311	155	98	121	897	-
2,285,000	200,000	790,000	180,000	4,625,000	4,140,000
122,340	1,053,650	232,399	975,050	2,894,329	3,000,990
500	500	500	500	3,500	3,505
<u>2,408,151</u>	<u>1,254,305</u>	<u>1,022,997</u>	<u>1,155,671</u>	<u>7,523,726</u>	<u>7,144,495</u>
273,377	196,005	142,083	194,983	970,675	529,301
473,332	228,777	136,908	168,960	1,321,962	792,661
<u>\$ 746,709</u>	<u>\$ 424,782</u>	<u>\$ 278,991</u>	<u>\$ 363,943</u>	<u>\$ 2,292,637</u>	<u>\$ 1,321,962</u>

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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.

2024 Construction Capital Project Fund – to account for bond proceeds used to finance building construction and school improvement projects.

**COMPARATIVE BALANCE SHEETS
BUILDING AND SITE SINKING FUND**

**LOWELL AREA SCHOOLS
June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Assets		
Cash equivalents	\$ 1,327,197	\$ 679,943
Due from other funds	-	23,412
Total Assets	<u>\$ 1,327,197</u>	<u>\$ 703,355</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 69,472	\$ 2,436
Fund Balance		
Restricted	1,257,725	700,919
Total Liabilities and Fund Balance	<u>\$ 1,327,197</u>	<u>\$ 703,355</u>

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – 2020 BUILDING AND SITE SINKING FUND

LOWELL AREA SCHOOLS
For the year ended June 30, 2024

	2024	2023
Revenues		
Local sources:		
Property taxes:		
Current property taxes	\$ 1,152,898	\$ 1,055,771
Industrial facilities taxes	10	5
Interest on delinquent taxes	454	1,025
Total property taxes	1,153,362	1,056,801
Interest earnings	55,959	9,567
Total Revenues	1,209,321	1,066,368
Expenditures		
Facilities acquisition, construction, and improvement:		
Site improvements	-	564,590
Architecture and engineering services	1,664	32,992
Building improvements	157,266	360,417
Furniture, fixtures and equipment	-	33,413
Instructional technology	493,585	-
Total Expenditures	652,515	991,412
Net Change in Fund Balance	556,806	74,956
Fund Balance, Beginning of Year	700,919	625,963
Fund Balance, End of Year	\$ 1,257,725	\$ 700,919

**COMPARATIVE BALANCE SHEETS
2021 CONSTRUCTION CAPITAL PROJECTS FUND**

**LOWELL AREA SCHOOLS
June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Assets		
Cash equivalents and investments	\$ 1,990,452	\$ 7,101,727
Due from other funds	-	8,676
Total Assets	<u>\$ 1,990,452</u>	<u>\$ 7,110,403</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ -	\$ 554,639
Due to other funds	-	23,412
Total Liabilities	-	578,051
Fund Balance		
Restricted	<u>1,990,452</u>	<u>6,532,352</u>
Total Liabilities and Fund Balance	<u>\$ 1,990,452</u>	<u>\$ 7,110,403</u>

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – 2021 CONSTRUCTION CAPITAL PROJECTS FUND

LOWELL AREA SCHOOLS
For the years ended June 30, 2024 and 2023

	2024	2023
Revenues		
Local sources:		
Earnings on cash equivalents and investments	\$ 102,423	\$ 163,546
Other local revenues	25,067	8,676
Total Revenues	127,490	172,222
Expenditures		
Supporting services:		
Other supporting services	4,750	-
Facilities acquisition, construction, and improvements:		
Site improvements	11,378	-
Construction manager fees	356,402	780,036
Architecture and engineering services	22,385	163,131
Building improvements	4,274,475	6,384,268
Other transactions	-	2,932
Total Expenditures	4,669,390	7,330,367
Net Change in Fund Balance	(4,541,900)	(7,158,145)
Fund Balance, Beginning of Year	6,532,352	13,690,497
Fund Balance, End of Year	\$ 1,990,452	\$ 6,532,352

BALANCE SHEET
2024 CONSTRUCTION CAPITAL PROJECTS FUND

LOWELL AREA SCHOOLS
June 30, 2024

	<u>2024</u>
Assets	
Cash equivalents	<u>\$ 32,692,895</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 306,900</u>
Fund Balance	
Restricted	<u>32,385,995</u>
Total Liabilities and Fund Balance	<u><u>\$ 32,692,895</u></u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – 2024 CONSTRUCTION CAPITAL PROJECTS FUND**

**LOWELL AREA SCHOOLS
For the year ended June 30, 2024**

	<u>2024</u>
Revenues	
Total Revenues	<u>\$ -</u>
Expenditures	
Facilities acquisition, construction, and improvements:	
Architecture and engineering services	194,830
Debt service:	
Debt issuance costs	204,122
Underwriter's discount	237,441
Total Expenditures	<u>636,393</u>
Deficiency of Revenues Over Expenditures	(636,393)
Other Financing Sources	
Proceeds from issuance of bonds	32,495,000
Premium on issuance of bonds	527,388
Total Other Financing Sources	<u>33,022,388</u>
Net Change in Fund Balance	32,385,995
Fund Balance, Beginning of Year	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 32,385,995</u></u>

LOWELL AREA SCHOOLS

Kent and Ionia Counties, Michigan

**Additional Reports Required by
the Uniform Guidance**

For the year ended June 30, 2024

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LOWELL AREA SCHOOLS

For the year ended June 30, 2024

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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

October 10, 2024

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, 2024, and the related notes to the financial statements, which collectively comprise Lowell Area Schools' basic financial statements, and have issued our report thereon dated October 10, 2024.

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.

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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

October 10, 2024

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, 2024. Lowell Area Schools' major federal program is 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 its major federal program for the year ended June 30, 2024.

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 the 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, 2024, and the related notes to the financial statements, which collectively comprise of Lowell Area Schools' basic financial statements. We issued our report thereon dated October 10, 2024, 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.

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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, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
U. S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I, Part A:	84.010	
231530 2223		\$ 278,453
241530 2324		289,938
Total Title I, Part A		568,391
Title III, Part A English Language Acquisition:	84.365A	
230570 2223		2,931
240570 2324		1,959
Title III, Part A English Language Acquisition		4,890
Title II, Part A:	84.367	
230520 2223		78,972
240520 2324		71,509
Total Title II, Part A		150,481
Title IV, Part A:	84.424	
230750 2223		21,801
240750 2324		21,924
Total Title IV, Part A		43,725
Education Stabilization Fund:	84.425	
213782 - 2223 98c Learning Loss Grant	84.425D	182,199
213713 - 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	21,398
Total Education Stabilization Fund		4,269,907
Total Passed through MDE		5,037,394

Accrued (Deferred) Revenue At July 1, 2023	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2024
\$ 275,003	\$ 275,003	\$ -	\$ 275,003	\$ -
-	-	276,946	181,481	95,465
275,003	275,003	276,946	456,484	95,465
2,931	2,931	-	2,931	-
-	-	1,959	1,959	-
2,931	2,931	1,959	4,890	-
76,256	76,256	-	76,256	-
-	-	70,675	53,661	17,014
76,256	76,256	70,675	129,917	17,014
21,284	21,284	-	21,284	-
-	-	18,699	1,348	17,351
21,284	21,284	18,699	22,632	17,351
57,731	182,199	-	57,731	-
141,548	637,886	729,006	551,254	319,300
323,372	987,330	830,213	969,084	184,501
540	540	21,398	540	21,398
523,191	1,807,955	1,580,617	1,578,609	525,199
898,665	2,183,429	1,948,896	2,192,532	655,029

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

LOWELL AREA SCHOOLS

For the year ended June 30, 2024

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:		
230470 2223	84.027	
230450 2223	84.027A	\$ 11,442
240450 2324		713,308
221280 2122 I.D.E.A. Flowthrough ARP	84.027X	762,175
		<u>163,407</u>
Total I.D.E.A. Grants to States		<u>1,650,332</u>
I.D.E.A. Preschool:		
230460 2223	84.173	27,832
240460 2324		<u>32,681</u>
Total I.D.E.A. Preschool		<u>60,513</u>
Total Special Education Cluster		
		<u>1,710,845</u>
Title III, Part A English Language Acquisition:		
230580 2223 - LEP	84.365A	4,121
		<u>4,121</u>
Total Passed through KISD		<u>1,714,966</u>
Total U.S. Department of Education		<u>6,752,360</u>
U.S. Department of Health and Human Services		
Passed through Kent Intermediate School District (KISD):		
Epidemiology and Laboratory Capacity for Infectious Diseases:		
Health Resource Advocates:		
232810 - HRA2023	93.323	76,040
242810 - HRA2024		<u>82,981</u>
Total Health Resource Advocates		<u>159,021</u>
Medicaid Cluster:		
Medical Assistance Program:		
2021-2022 Medicaid - Outreach	93.778	25,545
		<u>25,545</u>
Total U.S. Department of Health and Human Services		<u>184,566</u>

Accrued (Deferred) Revenue At July 1, 2023	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2024
\$ -	\$ -	\$ 11,442	\$ 11,442	\$ -
166,535	713,308	-	166,535	-
-	-	762,175	585,713	176,462
15,586	82,984	-	15,586	-
182,121	796,292	773,617	779,276	176,462
6,669	27,832	-	6,669	-
-	-	32,681	25,643	7,038
6,669	27,832	32,681	32,312	7,038
188,790	824,124	806,298	811,588	183,500
3,633	3,633	4,121	3,633	4,121
192,423	827,757	810,419	815,221	187,621
1,091,088	3,011,186	2,759,315	3,007,753	842,650
15,403	76,040	-	15,403	-
-	-	82,981	72,843	10,138
15,403	76,040	82,981	88,246	10,138
10,003	10,003	15,542	25,545	-
25,406	86,043	98,523	113,791	10,138

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

LOWELL AREA SCHOOLS

For the year ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
U.S. Department of Agriculture		
Passed through Michigan Department of Education (MDE):		
Local Food for Schools Cooperative Agreement Program:	10.185	
230985 2023		\$ 4,537
230985 2024		12,595
Total Local Food for Schools Cooperative Agreement Program		<u>17,132</u>
Child Nutrition Cluster:		
Non-Cash Assistance (USDA Commodities):	10.555	
Entitlement Commodities		129,073
Bonus Commodities		844
Total Non-Cash Assistance		<u>129,917</u>
Cash Assistance:		
School Breakfast Program:	10.553	
231970		86,747
241970		119,376
Total School Breakfast Program		<u>206,123</u>
National School Lunch Program:	10.555	
220910		140,372
230910		37,054
240910		92,291
231960		558,140
241960		-
Total National School Lunch Program		<u>827,857</u>
Total Cash Assistance		<u>1,033,980</u>
Total Child Nutrition Cluster		<u>1,163,897</u>
Total U.S. Department of Agriculture		<u>1,181,029</u>
Total Federal Financial Assistance		<u>\$ 8,117,955</u>

Accrued (Deferred) Revenue At July 1, 2023	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2024
\$ 1,233	\$ 4,537	\$ -	\$ 1,233	\$ -
-	-	12,595	12,595	-
1,233	4,537	12,595	13,828	-
-	-	129,073	129,073	-
-	-	844	844	-
-	-	129,917	129,917	-
1,555	86,747	18,310	19,865	-
-	-	121,504	119,376	2,128
1,555	86,747	139,814	139,241	2,128
(12,682)	100,521	12,682	-	-
(37,054)	-	37,054	-	-
-	-	78,933	92,291	(13,358)
7,193	558,140	93,005	100,198	-
-	-	513,439	506,646	6,793
(42,543)	658,661	735,113	699,135	(6,565)
(40,988)	745,408	874,927	838,376	(4,437)
(40,988)	745,408	1,004,844	968,293	(4,437)
(39,755)	749,945	1,017,439	982,121	(4,437)
\$ 1,076,739	\$ 3,847,174	\$ 3,875,277	\$ 4,103,665	\$ 848,351

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LOWELL AREA SCHOOLS

For the year ended June 30, 2024

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, 2024. 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, 2024

Note F – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I, Part A	\$ 276,946	\$ 276,946	\$ -
Title III, Part A English Language Acquisition	6,080	6,080	-
Title II, Part A	70,675	70,675	-
Title IV, Part A	18,699	18,699	-
ESSER Stabilization Fund	1,580,617	1,580,617	-
Special Education Cluster	806,298	806,298	-
Health Resource Advocates	82,981	82,981	-
Medicaid Cluster	15,542	15,542	-
Local Food for Schools	12,595	12,595	-
Child Nutrition Cluster	1,004,844	1,004,844	-
	<u>\$ 3,875,277</u>	<u>\$ 3,875,277</u>	<u>\$ -</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOWELL AREA SCHOOLS

For the year ended June 30, 2024

Section I - Summary of Auditor's Results

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
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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
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Identification of major programs audited:

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
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Section II - Financial Statements Audit Findings

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

Section III - Major Federal Award Programs Findings and Questioned Costs

There were no findings or questioned costs.