

LAKEWOOD PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
**(with required and additional
supplementary information)**

YEAR ENDED JUNE 30, 2023

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2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
🖨 517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Lakewood Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakewood Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lakewood Public 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 Lakewood Public Schools, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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 Lakewood Public Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lakewood Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 additional supplementary information, including the schedule of expenditures of federal awards 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 September 19, 2023 on our consideration of Lakewood Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lakewood Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lakewood Public Schools' internal control over financial reporting and compliance.

Maney Costerian PC

September 19, 2023

LAKEWOOD PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Lakewood Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Total District revenues were approximately \$25.2 million and net other financing sources of \$162,000. Total District expenses of approximately \$24.9 million were less than revenues and net financing sources by approximately \$391,000.

In **2022-2023** the District's general fund was funded primarily with an \$9,150 per pupil State of Michigan foundation allowance. The General Fund received 82% of its revenue from state sources.

The student blended count for 2022-2023 was 1,643.

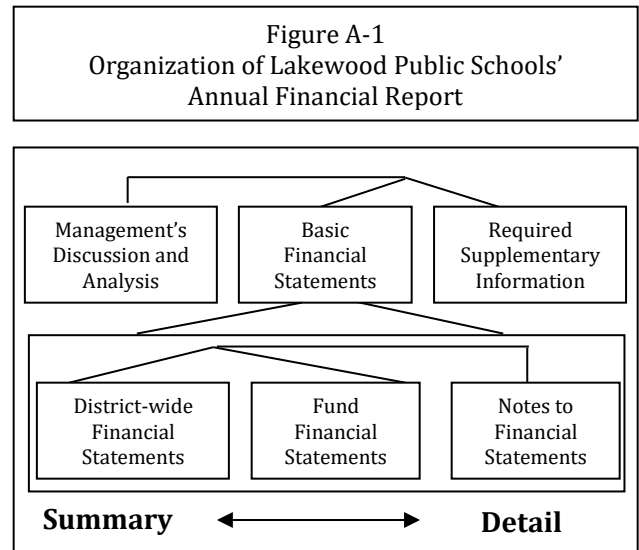
At June 30, 2023, the fund balance of the general fund was \$2,870,400. This is a decrease from the 2021-**2022** fiscal year of \$35,211.

During the 2022-2023 fiscal year the District repaid approximately \$1.4 million of principal from its long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements 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.
- The *governmental funds* statements tell how *basic services* like regular and special education were financed in the *short-term* as well as what remains for future spending.



**LAKEWOOD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year and related pension and other postemployment benefit information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-wide and Fund Financial Statements		
	District-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

LAKEWOOD PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets, deferred outflows, deferred inflows, and liabilities. 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 they have changed. Net position - the difference between the District's assets, deferred outflows, deferred inflows, and liabilities - 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 overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- *Governmental activities* - Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

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:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like food service and student/school activities).

The District has two kinds of funds:

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

**LAKEWOOD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net position at the beginning of the fiscal year was (\$21,653,454) and on June 30, 2023 was (\$20,197,744) which represents a net increase of \$1,455,710.

Table A-3 Lakewood Public Schools' Net position		
	<u>June 30, 2023</u>	<u>June 30, 2022</u>
ASSETS		
Current and other assets	\$ 9,770,400	\$ 7,573,548
Capital assets, net of depreciation	<u>31,025,265</u>	<u>31,780,014</u>
TOTAL ASSETS	<u>40,795,665</u>	<u>39,353,562</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>14,151,629</u>	<u>6,623,961</u>
LIABILITIES		
Long-term obligations outstanding	25,348,494	26,742,644
Other liabilities	4,401,067	2,606,256
Net pension liability	35,619,767	21,931,664
Net other postemployment benefits liability	<u>2,046,021</u>	<u>1,395,559</u>
TOTAL LIABILITIES	<u>67,415,349</u>	<u>52,676,123</u>
DEFERRED INFLOWS OF RESOURCES	<u>7,729,689</u>	<u>14,954,854</u>
NET POSITION		
Net investment in capital assets	5,356,732	4,929,011
Restricted for debt service	1,747,799	1,285,600
Unrestricted	<u>(27,302,275)</u>	<u>(27,868,065)</u>
TOTAL NET POSITION	<u>\$ (20,197,744)</u>	<u>\$ (21,653,454)</u>

**LAKEWOOD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-4 Changes to Lakewood Public Schools' Net Position		
	<u>2023</u>	<u>2022</u>
REVENUES		
Program revenues		
Charges for services	\$ 527,770	\$ 349,976
Operating grants and contributions	6,716,097	6,680,360
General revenues		
Property taxes	4,269,513	5,618,711
State aid - unrestricted	12,041,875	11,902,192
Other	521,725	194,737
TOTAL REVENUES	<u>24,076,980</u>	<u>24,745,976</u>
EXPENSES		
Instruction	12,512,410	10,230,067
Support services	6,975,074	7,096,987
Community services	3,345	885
Food services	915,849	908,233
Student/school activities	473,982	371,291
Interest on long-term debt	665,360	3,104,714
Unallocated depreciation	1,075,250	1,055,625
TOTAL EXPENSES	<u>22,621,270</u>	<u>22,767,802</u>
Change in net position	<u><u>\$ 1,455,710</u></u>	<u><u>\$ 1,978,174</u></u>

District Governmental Activities

The District's financial condition is currently stable. The District experienced an increase in enrollment in 2022-2023 by of approximately 0.03%, or 0.30 students. Current enrollment is 1,643 in the current year compared to 1,643 in the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds:

Fund Balance

General fund	\$ 2,870,400
Combined Debt Service Fund	1,854,374
Nonmajor funds	751,134

This is a combined fund balance of \$5,475,908 compared to a fund balance of \$5,084,585 in 2021-2022.

**LAKEWOOD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund and Budget Highlights

During the 2022-2023 fiscal year, the District's budget was amended in the fall to reflect student count, staff changes, and teacher contract. Additional subsequent amendments were done to capture minor changes throughout the year.

Overall, the difference between the final general fund amended expenditure budget and end of the year actual figures amounted to approximately 4.41%, or \$1,001,133. District-wide cost containment in personnel, supplies, and energy, along with some federal grant funds not yet expended, accounted for a large share of these adjustments. Revenue received was less than the final June 30, 2023 Board adopted budget by approximately 3.17%, or \$701,958. This decrease was federal and state grant sources due to not all grant funds expended yet.

Capital Asset and Debt Administration

Capital Assets

The District's capital assets are as follows:

Table A-5 Lakewood Public Schools' Capital Assets				
	2023		2022	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 258,159	\$ -	\$ 258,159	\$ 258,159
Buildings and improvements	48,341,999	19,452,051	28,889,948	29,877,706
Furniture and equipment	5,957,182	4,740,623	1,216,559	1,086,861
Buses and other vehicles	1,288,921	628,322	660,599	557,288
Total	<u>\$ 55,846,261</u>	<u>\$ 24,820,996</u>	<u>\$ 31,025,265</u>	<u>\$ 31,780,014</u>

Long-term Obligations

At June 30, 2023, the District had approximately \$25.3 million in long-term obligations as shown in Table A-6. More detailed information is available in the notes to the financial statements.

During the year ended June 30, 2023, the District made principal payments in the amount of \$1.4 million.

Table A-6 Lakewood Public Schools' Outstanding Long-Term Obligations		
	2023	2022
General obligation bonds	\$ 24,992,798	\$ 26,412,169
Notes from direct borrowings and direct placements	285,617	241,003
Compensated absences	70,079	89,472
Total	<u>\$ 25,348,494</u>	<u>\$ 26,742,644</u>

LAKEWOOD PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Student Count: The 2023-2024 budget was prepared on a 90/10 blended count of 1,644 blended student count. This is an increase of one (1) from the 2022-2023 blended count. This was based on looking at the previous five-year average, outgoing number of graduating seniors, and the kindergarten registration held.

Foundation Allowance: The 2023-2024 budget was prepared using \$9,608 as the foundation allowance per FTE (or per each blended count). This was an estimate increase of \$458 from the prior year, using the medium of the Senate, Governor, and House proposals. Since that time, the School Aid Fund's budget has been set at \$9,608.

Federal Funds: The remainder of ESSER III, 11t, and 98c Federal Funds are included in the original budget. The plans for these funds for Lakewood are to provide another year of additional learning support for students - including more after school tutoring time, along with mental health support for students and staff.

Original Budget: The 2023-2024 original budget has a deficit of \$193,772 of revenue less expenditures. This amount is accounted for in the 2022-2023 financial statements as Assigned Fund Balance, as it is a known amount that has already been planned to spend. The 2023-2024 budget was created prior to the State of Michigan having the State Aid Fund budget set. Therefore, the District's budget is set based on estimates and best-known data at that time.

The \$193,772 deficit is due primarily to the planned purchase of 2 used regular buses, as well as 1 used Special Education bus. It also includes the increase in health insurance and retirement costs.

Fund Balance: The district decreased their fund balance by \$35,211 ending the 2022-2023 fiscal year with \$2,880,400 or a 13.25% fund balance. This helps the district with cash flow through the time from August 20th through October 19th, as Michigan School Districts do not receive state aid in the month of September.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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 information, contact the Office of the Superintendent, Lakewood Public Schools, 223 W. Broadway Street, Woodland, MI 48897.

BASIC FINANCIAL STATEMENTS

LAKEWOOD PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,148,559
Receivables	
Accounts receivable	18,172
Intergovernmental receivables	3,428,295
Inventories	9,465
Prepays	165,909
Capital assets not being depreciated	258,159
Capital assets, net of accumulated depreciation	<u>30,767,106</u>
TOTAL ASSETS	<u>40,795,665</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	2,961,476
Related to pensions	<u>11,190,153</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>14,151,629</u>
LIABILITIES	
Accounts payable	69,702
Intergovernmental payables	17,251
Note payable	900,000
Accrued salaries and related items	1,364,421
Accrued retirement	1,145,522
Accrued interest	124,688
Unearned revenue	779,483
Noncurrent liabilities	
Due within one year	1,442,527
Due in more than one year	23,905,967
Net other postemployment benefits liability	2,046,021
Net pension liability	<u>35,619,767</u>
TOTAL LIABILITIES	<u>67,415,349</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding, net of amortization	390,118
Related to other postemployment benefits	4,346,671
Related to pensions	360,823
Related to state aid funding for pension	<u>2,632,077</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,729,689</u>
NET POSITION	
Net investment in capital assets	5,356,732
Restricted for debt service	1,747,799
Unrestricted	<u>(27,302,275)</u>
TOTAL NET POSITION	<u><u>\$ (20,197,744)</u></u>

See notes to financial statements.

**LAKEWOOD PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 12,512,410	\$ -	\$ 3,859,515	\$ (8,652,895)
Support services	6,975,074	186,606	1,723,563	(5,064,905)
Community services	3,345	-	4,426	1,081
Food services	915,849	341,164	648,286	73,601
Student/school activities	473,982	-	480,307	6,325
Interest on long-term debt	665,360	-	-	(665,360)
Unallocated depreciation	1,075,250	-	-	(1,075,250)
Total governmental activities	<u>\$ 22,621,270</u>	<u>\$ 527,770</u>	<u>\$ 6,716,097</u>	<u>(15,377,403)</u>
General revenues				
Property taxes, levied for general purposes				2,086,010
Property taxes, levied for debt service				2,183,503
Investment earnings				69,577
State sources - unrestricted				12,041,875
Intermediate sources				428,202
Proceeds from sale of capital assets				19,115
Other				4,831
Total general revenues				<u>16,833,113</u>
CHANGE IN NET POSITION				1,455,710
NET POSITION, beginning of year				<u>(21,653,454)</u>
NET POSITION, end of year				<u>\$ (20,197,744)</u>

See notes to financial statements.

**LAKEWOOD PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Combined Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,427,300	\$ 1,871,625	\$ 849,634	\$ 6,148,559
Receivables				
Accounts receivable	18,172	-	-	18,172
Intergovernmental receivables	3,415,677	-	12,618	3,428,295
Due from other funds	59,854	-	10,717	70,571
Inventories	-	-	9,465	9,465
Prepays	165,737	-	172	165,909
TOTAL ASSETS	\$ 7,086,740	\$ 1,871,625	\$ 882,606	\$ 9,840,971
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 69,639	\$ -	\$ 63	\$ 69,702
Note payable	900,000	-	-	900,000
Accrued interest	18,113	-	-	18,113
Accrued salaries and related items	1,362,792	-	1,629	1,364,421
Accrued retirement	1,145,351	-	171	1,145,522
Intergovernmental payables	-	17,251	-	17,251
Due to other funds	10,717	-	59,854	70,571
Unearned revenue	709,728	-	69,755	779,483
TOTAL LIABILITIES	4,216,340	17,251	131,472	4,365,063
FUND BALANCES				
Nonspendable				
Inventories	-	-	9,465	9,465
Prepays	165,737	-	172	165,909
Restricted for:				
Debt service	-	1,854,374	-	1,854,374
Food service	-	-	474,407	474,407
Committed for:				
Student/school activities	-	-	267,090	267,090
Assigned for:				
Subsequent year expenditures	193,772	-	-	193,772
Unassigned	2,510,891	-	-	2,510,891
TOTAL FUND BALANCES	2,870,400	1,854,374	751,134	5,475,908
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,086,740	\$ 1,871,625	\$ 882,606	\$ 9,840,971

See notes to financial statements.

LAKEWOOD PUBLIC SCHOOLS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total governmental fund balances \$ 5,475,908

Amounts reported for governmental activities in the statement of net position
are different because:

Deferred inflows of resources - gain on refunding, net of amortization	(390,118)
Deferred outflows of resources - related to pensions	11,190,153
Deferred outflows of resources - related to other postemployment benefits	2,961,476
Deferred inflows of resources - related to pensions	(360,823)
Deferred inflows of resources - related to other postemployment benefits	(4,346,671)
Deferred inflows of resources - related to state funding for pension	(2,632,077)

Capital assets used in governmental activities are not financial resources
and are not reported in the funds:

The cost of the capital assets is	\$ 55,846,261	
Accumulated depreciation is	<u>(24,820,996)</u>	
		31,025,265

Long-term liabilities are not due and payable in the current period and
are not reported in the funds:

General obligation bonds and notes from direct borrowing and direct placement	(25,278,415)
Compensated absences	(70,079)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	(106,575)
Net other postemployment benefits liability	(2,046,021)
Net pension liability	<u>(35,619,767)</u>

Net position of governmental activities \$ (20,197,744)

LAKEWOOD PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Combined Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	\$ 2,086,010	\$ 2,183,503	\$ -	\$ 4,269,513
Investment earnings	60,098	7,287	2,192	69,577
Transportation fees	735	-	-	735
Food sales	-	-	334,877	334,877
Student/school activity income	51,030	-	480,307	531,337
Other	139,464	-	6,287	145,751
Total local sources	2,337,337	2,190,790	823,663	5,351,790
State sources	17,575,969	55,965	48,694	17,680,628
Federal sources	1,191,137	-	647,867	1,839,004
Intermediate districts and other	341,261	-	-	341,261
TOTAL REVENUES	21,445,704	2,246,755	1,520,224	25,212,683
EXPENDITURES				
Current				
Instruction	13,617,146	-	-	13,617,146
Supporting services	7,839,794	-	-	7,839,794
Community services	1,383	-	-	1,383
Student/school activities	-	-	473,982	473,982
Food service activities	-	-	987,218	987,218
Capital outlay	-	-	28,488	28,488
Debt service				
Principal repayment	178,109	1,180,000	-	1,358,109
Interest	61,804	614,274	-	676,078
Other	-	1,000	-	1,000
TOTAL EXPENDITURES	21,698,236	1,795,274	1,489,688	24,983,198
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(252,532)	451,481	30,536	229,485
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	19,115	-	-	19,115
Proceeds from installment purchase	142,723	-	-	142,723
Transfers in	55,483	-	-	55,483
Transfers out	-	-	(55,483)	(55,483)
TOTAL OTHER FINANCING SOURCES (USES)	217,321	-	(55,483)	161,838
NET CHANGE IN FUND BALANCES	(35,211)	451,481	(24,947)	391,323
FUND BALANCES				
Beginning of year	2,905,611	1,402,893	776,081	5,084,585
End of year	\$ 2,870,400	\$ 1,854,374	\$ 751,134	\$ 5,475,908

See notes to financial statements.

LAKEWOOD PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balances total governmental funds **\$ 391,323**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(1,350,658)
Capital outlay	618,359
Loss on disposal of capital assets	(22,450)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	117,293
Accrued interest payable, end of the year	(106,575)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Payments on debt	1,358,109
Proceeds from installment purchase	(142,723)
Amortization of deferred gain on refunding	47,716
Amortization of bond premium	159,371

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year	89,472
Accrued compensated absences, end of the year	(70,079)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	3,946
Other postemployment benefits related items	1,517,424

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefits contributions subsequent to the measurement period:

Pension related items, beginning of year	1,477,259
Pension related items, end of year	(2,632,077)

Change in net position of governmental activities	\$ 1,455,710
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LAKEWOOD PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

The Lakewood Public Schools (the "District") is governed by the Lakewood Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category - governmental - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

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

The *Combined Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds. Effective July 1, 2021, the *combined debt service* fund was established to combine the activity of the other debt funds.

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The District reports the following *Other Nonmajor Funds*:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in the special revenue funds.

The *Capital Project Fund* accounts for resources accumulated from transfers from the general fund for the acquisition of future capital assets of the District.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are 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 generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue. All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.

**LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2023. The District does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.

**LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Investments (continued)

- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Land is not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and improvements	15 - 50
Furniture and equipment	5 - 20
Buses and other vehicles	8

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Defined Benefit Plan

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

Deferred Outflows

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 a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. The fourth is the deferred gain on refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *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 or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes

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

For the year ended June 30, 2023, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	17.973
Commercial Personal Property	5.973
Debt Service Fund	
PRE, Non-PRE, Commercial Personal Property	4.000

Compensated Absences

The District's policy permits employees to accumulate earned, but unused, vacation and other leave time, based on the length of service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-term Obligations

In the government-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 using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023 the District had deposits and investments subject to the following risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, \$3,866,050 of the District's bank balance of \$4,122,465 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$3,997,475.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business.

Interest Rate Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
MILAF+ Cash Management	\$ 24	N/A
MILAF+ MAX Class	<u>2,151,060</u>	N/A
	<u><u>\$ 2,151,084</u></u>	

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF+ Cash Management	\$ 24	AAAm	Standard & Poor's
MILAF+ MAX Class	<u>2,151,060</u>	AAAm	Standard & Poor's
	<u><u>\$ 2,151,084</u></u>		

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

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

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That 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 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 active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The District does not have any investments subject to fair value measurement.

The asset 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.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF+ Cash Management	\$ 24
MILAF+ MAX Class	2,151,060
	<u>\$ 2,151,084</u>

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

The following summarizes the categorization of these amounts as of June 30, 2023:

	<u>Primary Government</u>
Cash and cash equivalents	<u><u>\$ 6,148,559</u></u>

NOTE 3 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Governmental activities				
Capital assets, not being depreciated				
Land	<u>\$ 258,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,159</u>
Capital assets, being depreciated				
Buildings and improvements	48,303,646	38,353	-	48,341,999
Furniture and equipment	5,656,318	300,864	-	5,957,182
Buses and other vehicles	<u>1,122,508</u>	<u>279,142</u>	<u>112,729</u>	<u>1,288,921</u>
Total capital assets, being depreciated	<u>55,082,472</u>	<u>618,359</u>	<u>112,729</u>	<u>55,588,102</u>
Accumulated depreciation				
Buildings and improvements	18,425,940	1,026,111	-	19,452,051
Furniture and equipment	4,569,457	171,166	-	4,740,623
Buses and other vehicles	<u>565,220</u>	<u>153,381</u>	<u>90,279</u>	<u>628,322</u>
Total accumulated depreciation	<u>23,560,617</u>	<u>1,350,658</u>	<u>90,279</u>	<u>24,820,996</u>
Net capital assets being depreciated	<u>31,521,855</u>	<u>(732,299)</u>	<u>22,450</u>	<u>30,767,106</u>
Net governmental capital assets	<u><u>\$ 31,780,014</u></u>	<u><u>\$ (732,299)</u></u>	<u><u>\$ 22,450</u></u>	<u><u>\$ 31,025,265</u></u>

Depreciation expense was charged to the District as follows:

Governmental activities	
Instruction	\$ 14,174
Support services	238,593
Food service	22,641
Unallocated	<u>1,075,250</u>
Total governmental activities	<u><u>\$ 1,350,658</u></u>

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2023 consist of the following:

Governmental units	
State aid	\$ 3,256,279
Federal revenue	154,677
Other	<u>17,339</u>
	<u>\$ 3,428,295</u>

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2023:

	Compensated Absences	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Total
Balance, July 1, 2022	\$ 89,472	\$ 26,412,169	\$ 241,003	\$ 26,742,644
Additions	-	-	142,723	142,723
Deletions	<u>(19,393)</u>	<u>(1,419,371)</u>	<u>(98,109)</u>	<u>(1,536,873)</u>
Balance, June 30, 2023	70,079	24,992,798	285,617	25,348,494
Due within one year	<u>-</u>	<u>1,335,000</u>	<u>107,527</u>	<u>1,442,527</u>
Due in more than one year	<u>\$ 70,079</u>	<u>\$ 23,657,798</u>	<u>\$ 178,090</u>	<u>\$ 23,905,967</u>

Interest expense for the year ended June 30, 2023 was approximately \$676,000.

The District has defeased certain general obligation bonds by placing the issuance of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2023, \$18,725,000 of bonds outstanding are considered defeased and are scheduled to be paid May 1, 2025.

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2023 are comprised of the following:

General Obligation Bonds

2015 Refunding Bonds, due in annual installments ranging from \$1,055,000 to \$1,115,000 through May 1, 2037, with interest at 5.00%.	\$ 2,170,000
2019 School Improvement Bonds, due in annual installments ranging from \$90,000 to \$215,000 through May 1, 2035, with interest ranging from 2.00% to 3.00%.	1,815,000
2022 Refunding Bonds, due in annual installments ranging from \$190,000 to \$1,835,000 through May 1, 2037, with interest ranging from 0.82% to 2.85%.	20,625,000
Plus issuance premiums	<u>382,798</u>
Total general obligation bonds	<u>24,992,798</u>

Notes from Direct Borrowings and Direct Placements

Note payable for purchase of five school buses. Annual payments of \$72,326 through July 30, 2024, with interest of 2.54%.	139,321
Note payable for purchase of a tractor. Annual payments of \$12,472 through July 20, 2024, with interest of 3.95%.	23,518
Note payable for purchase of thirty six copy machines. Monthly payments of \$2,612 through September 1, 2027, with interest of 3.74%.	<u>122,778</u>
Total notes from direct borrowings and direct placements	<u>285,617</u>
Total general obligation bonds and notes from direct borrowings and direct placements	25,278,415
Compensated absences	<u>70,079</u>
Total general long-term obligations	<u><u>\$ 25,348,494</u></u>

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding, exclusive of compensated absences, as of June 30, 2023, including interest are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2024	\$ 1,335,000	\$ 614,786	\$ 107,527	\$ 8,612	\$ -	\$ 2,065,925
2025	1,400,000	558,698	110,773	5,366	-	2,074,837
2026	1,645,000	499,016	29,323	1,918	-	2,175,257
2027	1,670,000	474,350	30,438	903	-	2,175,691
2028	1,695,000	446,652	7,556	278	-	2,149,486
2029 - 2033	9,175,000	1,691,136	-	-	-	10,866,136
2034 - 2037	7,690,000	520,540	-	-	-	8,210,540
	24,610,000	4,805,178	285,617	17,077	-	29,717,872
Issuance premium	382,798	-	-	-	-	382,798
Compensated absences	-	-	-	-	70,079	70,079
	<u>\$ 24,992,798</u>	<u>\$ 4,805,178</u>	<u>\$ 285,617</u>	<u>\$ 17,077</u>	<u>\$ 70,079</u>	<u>\$ 30,170,749</u>

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$285,617 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

**LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

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

Pension Reform 2012

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

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

**LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

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

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

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

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

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

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

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care 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.

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age) (continued)

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$4,498,000. Of the total pension contributions approximately \$4,379,000 was contributed to fund the Defined Benefit Plan and approximately \$119,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$842,000. Of the total OPEB contributions approximately \$774,000 was contributed to fund the Defined Benefit Plan and approximately \$68,000 was contributed to fund the Defined Contribution Plan.

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total pension liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan fiduciary net position	\$ 58,268,076,344	\$ 62,717,060,920
Net pension liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate share	0.09471%	0.09263%
Net pension liability for the District	\$ 35,619,767	\$ 21,931,664

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

For the year ended June 30, 2023, the District recognized pension expense of \$4,375,435.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 494,827	\$ 281,181
Differences between expected and actual experience	356,322	79,642
Changes of assumptions	6,120,752	-
Net difference between projected and actual plan investments earnings	83,528	-
Reporting Unit's contributions subsequent to the measurement date	<u>4,134,724</u>	<u>-</u>
	<u>\$ 11,190,153</u>	<u>\$ 360,823</u>

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$4,134,724, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 1,907,269
2024	1,414,710
2025	1,272,411
2026	2,100,216

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total other postemployment benefit liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan fiduciary net position	\$ 10,404,650,683	\$ 10,520,015,621
Net other postemployment benefit liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate share	0.09660%	0.09143%
Net other postemployment benefit liability for the District	\$ 2,046,021	\$ 1,395,559

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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

For the year ended June 30, 2023, the District recognized OPEB benefit of \$734,214.

At June 30, 2023, the Reporting Unit 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
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 304,527	\$ 190,804
Differences between expected and actual experience	-	4,007,372
Changes of assumptions	1,823,685	148,495
Net difference between projected and actual plan investments earnings	159,913	-
Reporting Unit's contributions subsequent to the measurement date	673,351	-
	<u>\$ 2,961,476</u>	<u>\$ 4,346,671</u>

\$673,351, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2023	\$ (751,758)
2024	(678,567)
2025	(603,026)
2026	(42,742)
2027	6,150
2028	11,397

**LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions -

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Rate of Return - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

OPEB Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. 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 school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit'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 than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 47,004,860	\$ 35,619,767	\$ 26,237,938

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 3,432,004	\$ 2,046,021	\$ 878,852

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 856,776	\$ 2,046,021	\$ 3,380,973

**LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2022 Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 7 - RISK MANAGEMENT

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

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 8 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balance at June 30, 2023 are as follows:

Receivable Fund		Payable Fund	
Major fund		Major fund	
General fund	\$ 59,854	General fund	\$ 10,717
Nonmajor fund		Nonmajor fund	
Food service	10,717	Food service	55,623
		Student activities	4,231
	<u>\$ 70,571</u>		<u>\$ 70,571</u>

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES (continued)

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 10 - TRANSFERS

Interfund transfer balances at June 30, 2023 are as follows:

Transfer In		Transfer Out	
Major fund		Nonmajor funds	
General fund	\$ 55,483	Food service	\$ 55,483

The food service fund transferred to the general fund for indirect cost reimbursement.

NOTE 11 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2023, the District has issued state aid anticipation note payable outstanding in the amount of \$900,000, with interest at 2.47%, and due August 14, 2023. Proceeds of the note were used to fund school operations. In an event of a default on the note, the financial institution may impose a penalty interest rate and at the financial institution's discretion, accelerate the repayment terms.

The State Aid note is secured by the full faith and credit of the District as well as pledged state aid. The current year changes are as follows:

Balance July 1, 2022	Additions	Payments	Balance June 30, 2022
\$ -	\$ 900,000	\$ -	\$ 900,000

NOTE 12 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*).

The District receives reduced property tax revenues as a result of Industrial Facilities Tax (IFT) exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages, and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. Odessa Township abated \$32,395 for the general fund and \$7,210 for the debt service fund under the IFT program during 2023.

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's Section 22 funding of the State School Aid Act.

There are no abatements made by the District.

LAKEWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the District's financial statement after the adoption of GASB Statement No. 96.

NOTE 15 - SUBSEQUENT EVENT

Subsequent to year end, the District issued a note for \$1,300,000 to replace the note described in Note 11.

REQUIRED SUPPLEMENTARY INFORMATION

**LAKEWOOD PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 2,390,752	\$ 2,345,516	\$ 2,337,337	\$ (8,179)
State sources	16,153,202	17,884,407	17,575,969	(308,438)
Federal sources	1,462,113	1,573,839	1,191,137	(382,702)
Intermediate districts and other	330,248	343,900	341,261	(2,639)
TOTAL REVENUES	20,336,315	22,147,662	21,445,704	(701,958)
EXPENDITURES				
Current				
Instruction				
Basic programs	10,105,166	11,213,385	10,950,968	262,417
Added needs	2,574,575	2,667,306	2,666,178	1,128
Total instruction	12,679,741	13,880,691	13,617,146	263,545
Supporting services				
Pupil	853,635	966,286	812,771	153,515
Instructional staff	349,992	532,480	277,031	255,449
General administration	697,954	662,242	635,110	27,132
School administration	1,264,876	1,279,662	1,254,315	25,347
Business	387,672	398,683	419,941	(21,258)
Operations and maintenance	1,704,142	1,889,020	1,671,400	217,620
Pupil transportation services	1,914,451	1,839,018	1,774,125	64,893
Central	524,106	620,468	609,767	10,701
Other	353,588	385,583	385,334	249
Total supporting services	8,050,416	8,573,442	7,839,794	733,648
Community services	2,000	3,628	1,383	2,245
Debt service				
Principal repayment	216,407	179,804	178,109	1,695
Interest	-	61,804	61,804	-
Total debt service	216,407	241,608	239,913	1,695
TOTAL EXPENDITURES	20,948,564	22,699,369	21,698,236	1,001,133
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(612,249)	(551,707)	(252,532)	299,175
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	19,115	19,115
Proceeds from installment purchase	-	142,723	142,723	-
Transfers in	-	70,000	55,483	(14,517)
TOTAL OTHER FINANCING SOURCES (USES)	-	212,723	217,321	4,598
NET CHANGE IN FUND BALANCE	\$ (612,249)	\$ (338,984)	(35,211)	\$ 303,773
FUND BALANCE				
Beginning of year			2,905,611	
End of year			<u>\$ 2,870,400</u>	

LAKEWOOD PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.09471%	0.09263%	0.09424%	0.09406%	0.09394%	0.09327%	0.09658%	0.10061%	0.10016%
Reporting Unit's proportionate share of net pension liability	\$ 35,619,767	\$ 21,931,664	\$ 32,373,757	\$ 31,148,205	\$ 28,240,012	\$ 24,170,201	\$ 23,870,447	\$ 24,573,717	\$ 22,062,122
Reporting Unit's covered-employee payroll	\$ 9,407,129	\$ 8,277,494	\$ 8,413,391	\$ 8,231,997	\$ 8,096,128	\$ 7,809,723	\$ 7,909,972	\$ 8,462,436	\$ 8,587,737
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	378.65%	264.96%	384.79%	378.38%	348.81%	309.49%	301.78%	290.39%	256.90%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, reporting units should present information for those years for which information is available.

LAKEWOOD PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 4,379,381	\$ 3,111,439	\$ 2,708,886	\$ 2,571,663	\$ 2,482,205	\$ 2,335,465	\$ 2,218,523	\$ 2,119,394	\$ 1,881,053
Contributions in relation to statutorily required contributions	<u>4,379,381</u>	<u>3,111,439</u>	<u>2,708,886</u>	<u>2,571,663</u>	<u>2,482,205</u>	<u>2,335,465</u>	<u>2,218,523</u>	<u>2,119,394</u>	<u>1,881,053</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 9,442,159	\$ 8,962,762	\$ 8,133,059	\$ 8,372,598	\$ 8,250,415	\$ 8,020,694	\$ 8,068,980	\$ 8,075,182	\$ 8,710,989
Contributions as a percentage of covered-employee payroll	46.38%	34.72%	33.31%	30.72%	30.09%	29.12%	27.49%	26.25%	21.59%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, reporting units should present information for those years for which information is available.

**LAKESIDE PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability (%)	0.09660%	0.09143%	0.09462%	0.09412%	0.09510%	0.09349%
Reporting Unit's proportionate share of net OPEB liability	\$ 2,046,021	\$ 1,395,559	\$ 5,068,932	\$ 6,755,795	\$ 7,559,701	\$ 8,279,155
Reporting Unit's covered-employee payroll	\$ 9,407,129	\$ 8,277,494	\$ 8,413,391	\$ 8,231,997	\$ 8,096,128	\$ 7,809,723
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	21.75%	16.86%	60.25%	82.07%	93.37%	106.01%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, reporting units should present information for those years for which information is available.

LAKESIDE PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 774,210	\$ 726,864	\$ 700,736	\$ 664,260	\$ 643,969	\$ 633,315
Contributions in relation to statutorily required contributions	<u>774,210</u>	<u>726,864</u>	<u>700,736</u>	<u>664,260</u>	<u>643,969</u>	<u>633,315</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 9,442,159	\$ 8,962,762	\$ 8,133,059	\$ 8,372,598	\$ 8,250,415	\$ 8,020,694
Contributions as a percentage of covered-employee payroll	8.20%	8.11%	8.62%	7.93%	7.81%	7.90%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, reporting units should present information for those years for which information is available.

LAKEWOOD PUBLIC SCHOOLS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

ADDITIONAL SUPPLEMENTARY INFORMATION

**LAKEWOOD PUBLIC SCHOOLS
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2023**

	Special Revenue			Total
	Food Service	Student/ School Activities	Capital Projects	Nonmajor Funds
ASSETS				
Cash and cash equivalents	\$ 578,313	\$ 271,321	\$ -	\$ 849,634
Intergovernmental receivables	12,618	-	-	12,618
Due from other funds	10,717	-	-	10,717
Inventories	9,465	-	-	9,465
Prepays	172	-	-	172
TOTAL ASSETS	\$ 611,285	\$ 271,321	\$ -	\$ 882,606
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 63	\$ -	\$ -	\$ 63
Accrued salaries and related items	1,629	-	-	1,629
Accrued retirement	171	-	-	171
Due to other funds	55,623	4,231	-	59,854
Unearned revenue	69,755	-	-	69,755
TOTAL LIABILITIES	127,241	4,231	-	131,472
FUND BALANCES				
Nonspendable				
Inventories	9,465	-	-	9,465
Prepays	172	-	-	172
Restricted for:				
Food service	474,407	-	-	474,407
Committed for:				
Student/school activities	-	267,090	-	267,090
TOTAL FUND BALANCES	484,044	267,090	-	751,134
TOTAL LIABILITIES AND FUND BALANCES	\$ 611,285	\$ 271,321	\$ -	\$ 882,606

LAKEWOOD PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2023

	Special Revenue			Total
	Food Service	Student/ School Activities	Capital Projects	Nonmajor Funds
REVENUES				
Local sources				
Investment earnings	\$ 2,175	\$ -	\$ 17	\$ 2,192
Food sales	334,877	-	-	334,877
Student/school activity income	-	480,307	-	480,307
Other	6,287	-	-	6,287
Total local sources	343,339	480,307	17	823,663
State sources	48,694	-	-	48,694
Federal sources	647,867	-	-	647,867
TOTAL REVENUES	1,039,900	480,307	17	1,520,224
EXPENDITURES				
Current				
Salaries and wages	274,986	-	-	274,986
Employee benefits	150,667	-	-	150,667
Purchased services	21,542	-	-	21,542
Materials and supplies	456,580	-	-	456,580
Capital outlay	73,585	-	22,749	96,334
Other	9,858	473,982	5,739	489,579
TOTAL EXPENDITURES	987,218	473,982	28,488	1,489,688
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	52,682	6,325	(28,471)	30,536
OTHER FINANCING SOURCES (USES)				
Transfers out	(55,483)	-	-	(55,483)
NET CHANGE IN FUND BALANCES	(2,801)	6,325	(28,471)	(24,947)
FUND BALANCES				
Beginning of year	486,845	260,765	28,471	776,081
End of year	\$ 484,044	\$ 267,090	\$ -	\$ 751,134

**LAKEWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

2015 Refunding Bonds

Fiscal Year	Interest Rate	Principal Due May 1	Interest Due		Total Due Annually
			May 1	November 1	
2024	5.00%	\$ 1,055,000	\$ 54,250	\$ 54,250	\$ 1,163,500
2025	5.00%	1,115,000	27,875	27,875	1,170,750
		<u>\$ 2,170,000</u>	<u>\$ 82,125</u>	<u>\$ 82,125</u>	<u>\$ 2,334,250</u>

**LAKEWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

2019 School Improvement Bonds

Fiscal Year	Interest Rate	Principal Due May 1	Interest Due		Total Due Annually
			May 1	November 1	
2024	2.00%	\$ 90,000	\$ 25,700	\$ 25,700	\$ 141,400
2025	2.00%	95,000	24,800	24,800	144,600
2026	2.00%	120,000	23,850	23,850	167,700
2027	3.00%	125,000	22,650	22,650	170,300
2028	3.00%	135,000	20,775	20,775	176,550
2029	3.00%	145,000	18,750	18,750	182,500
2030	3.00%	155,000	16,575	16,575	188,150
2031	3.00%	165,000	14,250	14,250	193,500
2032	3.00%	180,000	11,775	11,775	203,550
2033	3.00%	190,000	9,075	9,075	208,150
2034	3.00%	200,000	6,225	6,225	212,450
2035	3.00%	215,000	3,225	3,225	221,450
		<u>\$ 1,815,000</u>	<u>\$ 197,650</u>	<u>\$ 197,650</u>	<u>\$ 2,210,300</u>

**LAKEWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2023**

2022 Refunding Bonds

Fiscal Year	Interest Rate	Principal Due May 1	Interest Due		Total Due Annually
			May 1	November 1	
2024	0.82%	\$ 190,000	\$ 227,453	\$ 227,453	\$ 644,906
2025	1.07%	190,000	226,674	226,674	643,348
2026	1.46%	1,525,000	225,658	225,658	1,976,316
2027	1.55%	1,545,000	214,525	214,525	1,974,050
2028	1.80%	1,560,000	202,551	202,551	1,965,102
2029	1.95%	1,595,000	188,511	188,511	1,972,022
2030	2.05%	1,630,000	172,960	172,960	1,975,920
2031	2.15%	1,670,000	156,253	156,253	1,982,506
2032	2.25%	1,705,000	138,300	138,300	1,981,600
2033	2.40%	1,740,000	119,119	119,119	1,978,238
2034	2.55%	1,785,000	98,239	98,239	1,981,478
2035	2.65%	1,835,000	75,480	75,480	1,985,960
2036	2.75%	1,835,000	51,166	51,166	1,937,332
2037	2.85%	1,820,000	25,935	25,935	1,871,870
		<u>\$ 20,625,000</u>	<u>\$ 2,122,824</u>	<u>\$ 2,122,824</u>	<u>\$ 24,870,648</u>

**LAKEWOOD PUBLIC SCHOOLS
DIRECT BORROWINGS AND DIRECT PLACEMENT
JUNE 30, 2023**

Note Payable - Purchase of 5 buses.

Principal Due July 30	<u>Interest Due</u>		<u>Amount</u>
	<u>July 30</u>	<u>June 30,</u>	
\$ 68,787	\$ 3,539	2024	\$ 72,326
<u>70,534</u>	<u>1,792</u>	2025	<u>72,326</u>
<u>\$ 139,321</u>	<u>\$ 5,331</u>		<u>\$ 144,652</u>

LAKEWOOD PUBLIC SCHOOLS
DIRECT BORROWINGS AND DIRECT PLACEMENT
JUNE 30, 2023

Note Payable - Purchase of a tractor.

Principal Due July 20	<u>Interest Due</u>		<u>Amount</u>
	<u>July 20</u>	<u>June 30,</u>	
\$ 11,527	\$ 945	2024	\$ 12,472
<u>11,991</u>	<u>481</u>	2025	<u>12,472</u>
<u>\$ 23,518</u>	<u>\$ 1,426</u>		<u>\$ 24,944</u>

LAKEWOOD PUBLIC SCHOOLS
DIRECT BORROWINGS AND DIRECT PLACEMENT
JUNE 30, 2023

Note Payable - Purchase of 36 copiers.

Principal Due July 30	<u>Interest Due</u>		<u>Amount</u>
	<u>July 30</u>	<u>June 30,</u>	
\$ 27,213	\$ 4,128	2024	\$ 31,341
28,248	3,093	2025	31,341
29,323	1,918	2026	31,241
30,438	903	2027	31,341
7,556	278	2028	7,834
<u>\$ 122,778</u>	<u>\$ 10,320</u>		<u>\$ 133,098</u>

LAKEWOOD PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Agriculture</u>									
Passed through Michigan Department of Education Child Nutrition Cluster									
Non-cash assistance (donated foods)									
National School Lunch Program - Commodities	10.555	N/A	\$ 55,492	\$ -	\$ -	\$ -	\$ 55,492	\$ 55,492	\$ -
National School Lunch Program - Bonus		N/A	2,476	-	-	-	2,476	2,476	-
Total non-cash assistance			57,968	-	-	-	57,968	57,968	-
Cash Assistance									
National School Lunch Program	10.555	230910	20,181	-	-	-	-	20,181	(20,181)
National School Lunch Program		220910	37,917	(37,917)	-	-	39,589	38,546	(36,874)
National School Lunch Program		231960	332,946	-	-	-	332,946	329,938	3,008
National School Lunch Program		221960	59,205	4,423	-	-	54,783	59,206	-
National School Lunch Program		231980	760	-	-	-	760	760	-
National School Lunch Program		221980	39	-	-	-	39	39	-
National School Lunch Program		221961	642,200	-	627,792	-	14,408	14,408	-
			1,093,248	(33,494)	627,792	-	442,525	463,078	(54,047)
Total ALN 10.555			1,151,216	(33,494)	627,792	-	500,493	521,046	(54,047)
School Breakfast Program	10.553	231970	134,601	-	-	-	116,534	114,620	1,914
		221970	215,135	2,774	215,135	-	18,067	20,841	-
School Breakfast Program		221971	4,087	-	-	-	4,087	4,087	-
Total ALN 10.553			353,823	2,774	215,135	-	138,688	139,548	1,914
Total cash assistance			1,447,071	(30,720)	842,927	-	581,213	602,626	(52,133)
Total Child Nutrition Cluster			1,505,039	(30,720)	842,927	-	639,181	660,594	(52,133)
Local Food for Schools	10.185	230985-2023	7,786	-	-	-	7,786	7,786	-
CACFP - Snacks	10.558	231,920	900	-	-	-	900	900	-
COVID-19 Pandemic EBT Local Level Costs	10.649	230985	628	-	-	-	628	628	-
Total U.S. Department of Agriculture			1,514,353	(30,720)	842,927	-	648,495	669,908	(52,133)

The accompanying notes are an integral part of this schedule.

LAKEWOOD PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	231530-2223	\$ 222,488	\$ -	\$ -	\$ -	\$ 197,542	\$ 162,628	\$ 34,914
Title I Grants to Local Educational Agencies		221530-2122	218,919	24,988	205,414	-	3,959	28,947	-
		211530-2021	258,304	-	11,436	(4,440)	-	-	-
Total ALN 84.010			699,711	24,988	216,850	(4,440)	201,501	191,575	34,914
Supporting Effective Instruction State Grants	84.367	230520-2223	70,159	-	-	-	12,751	12,438	313
Supporting Effective Instruction State Grants		220520-2122	53,267	5,893	29,640	-	971	6,864	-
Total ALN 84.367			123,426	5,893	29,640	-	13,722	19,302	313
Student Support and Academic Enrichment	84.424	230520-2223	16,910	-	-	-	12,851	12,344	507
Student Support and Academic Enrichment		220750-2122	18,110	451	15,004	-	1,640	2,091	-
Language Instruction for Immigrant Students - Title IIIa		230570-2223	611	-	-	-	611	611	-
Total ALN 84.424			35,631	451	15,004	-	15,102	15,046	507
Education Stabilization Fund									
COVID-19 Elementary and Secondary School									
Emergency Relief Fund (ESSER II)	84.425D	213712-2021	703,652	3,057	523,411	-	12,062	15,119	-
Emergency Relief Fund (23b(2a) Summer School)	84.425D	213722-2122	74,520	16,960	73,916	-	334	17,294	-
Emergency Relief Fund (23b(2b) Credit Recovery)	84.425D	213742-2122	60,500	12,241	14,618	-	12,328	12,239	12,330
Emergency Relief Fund (Benchmark Assessment)	84.425D	213762-2022	14,225	14,225	14,225	-	-	14,225	-
Emergency Relief Fund (23b(2c) Before/After School)	84.425D	213752-2122	25,000	3,467	3,467	-	253	3,467	253
Emergency Relief Fund (98c Learning Loss Grant)	84.425d	213782-2223	84,961	-	-	-	49,618	-	49,618
Emergency Relief Fund (ESSER III)	84.425U	213713-2122	1,581,428	214,120	853,360	-	556,930	762,054	8,996
Emergency Relief Fund (Section 11t)	84.425U	213723-2122	336,153	-	-	-	317,421	290,275	27,146
Total ALN 84.425			2,880,439	264,070	1,482,997	-	948,946	1,114,673	98,343
Passed through Ionia County Intermediate School District									
Special Education Cluster									
Special Education Grants to States	84.027	230450-2223	77,938	-	-	-	15,678	-	15,678
Special Education Grants to States		220450-2122	78,490	17,413	76,927	-	-	17,413	-
Total Special Education Cluster			156,428	17,413	76,927	-	15,678	17,413	15,678
Total U.S. Department of Education			3,896,263	312,815	1,821,418	(4,440)	1,194,949	1,358,637	149,755
TOTAL FEDERAL AWARDS			\$ 5,410,616	\$ 282,095	\$ 2,664,345	\$ (4,440)	\$ 1,843,444	\$ 2,028,545	\$ 97,622

The accompanying notes are an integral part of this schedule.

LAKESWOOD PUBLIC SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lakewood Public Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Lakewood Public Schools, it is not intended to and does not present the financial position or changes in net position of Lakewood Public Schools.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Lakewood Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Management has utilized the NexSys, Cash Management System (CMS), and Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass-through federal awards.

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements for the year ending June 30, 2023:

General fund	\$ 1,191,137
Other nonmajor governmental funds	<u>647,867</u>
Total federal revenue in the fund financial statements	1,839,004
Plus adjustments	<u>4,440</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 1,843,444</u></u>

NOTE 4 - ADJUSTMENTS

Adjustments were made to Title I Part A (ALN 84.010) for expenses incurred and receipted but had to be paid back.



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
🖨 517.323.6346

**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***

To the Board of Education of
Lakewood Public Schools

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 Lakewood Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lakewood Public Schools' basic financial statements, and have issued our report thereon dated September 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lakewood Public 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 Lakewood Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Lakewood Public 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 Lakewood Public 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.

Maney Costeiran PC

September 19, 2023



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
🖨 517.323.6346

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

To the Board of Education of
Lakewood Public Schools

Opinion on Each Major Federal Program

We have audited Lakewood Public 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 Lakewood Public Schools' major federal programs for the year ended June 30, 2023. Lakewood Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Lakewood Public 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 Lakewood Public 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 Lakewood Public 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 Lakewood Public 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 Lakewood Public Schools' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lakewood Public 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 Lakewood Public 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 Lakewood Public 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

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.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

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.

Maney Costeiran PC

September 19, 2023

**LAKEWOOD PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements noted? Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

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

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? Yes X No

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

**LAKEWOOD PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Finding 2022-001: Considered a significant deficiency in internal control over compliance.

Criteria: In order to comply with Michigan Department of Education requirements, the District's food service fund balance cannot exceed three months of operating expenditures.

Condition: Lakewood Public Schools currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during 2022-2023 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess fund cannot be transferred to the general fund except to the extent of the allowable indirect costs transfer.

Question costs: None

Cause: The District's received more funding than anticipated through the seamless summer option meals and was unable to reduce the fund balance before year end.

Effect: The District has an excess fund balance in the non-profit food service fund.

Recommendation: The District should submit and implement a spend down plan for the 2022-2023 school year that will adequately reduce the food service fund balance to an acceptable level in accordance with MDE guidelines.

District's Response: The District concurs with the facts of this finding and is developing an implementation plan and procedures to prevent this in the future.

Status: Michigan Department of Education is no longer requesting excess fund balances to be reported as a finding. Michigan Department of Education is requesting that auditors inform the District via a management comment in the management letter instead.



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

🖨 517.323.6346

September 19, 2023

To the Board of Education of
Lakewood Public Schools

In planning and performing our audit of the financial statements of Lakewood Public Schools as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Lakewood Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated September 19, 2023 on the financial statements of Lakewood Public Schools. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control, or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed at current year end. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Lakewood Public Schools follow the State of Michigan approved spend down plan and achieve compliance by June 30, 2024.

This report is intended solely for the information and use of management and others within the District and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

September 19, 2023

To the Board of Education
Lakewood Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakewood Public Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lakewood Public Schools are described in Note 1 to the financial statements. During fiscal year 2023, the District implemented Governmental Accounting Standard No. 96, *Subscription Based Information Technology Arrangements*. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 19, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

Maney Costeiran PC