

**MINUTES
BOARD OF EDUCATION
Livonia Public Schools
Regular Meeting
October 18, 2021**

President Burton convened the meeting at 6:31 p.m.

**Members
Present**

Acosta, Bonifield, Bradford, Burton, Centers, Jarvis, Johnson

**Members
Absent**

None

**District Update
from the
Superintendent**

Superintendent Oquist shared Back-to-School highlights from across the district. She noted that Webster Elementary School is ranked #1 in Michigan Elementary Schools and the Churchill Marching Band received a superior rating at the MSBOA District 12 Marching Band Festival.

**Written
Communication**

None

**Audience
Communication**

Several individuals addressed the Board regarding COVID-19, close contacts, vaccines, and mask mandates in our schools. Another individual addressed the Board regarding concerns about inappropriate social media comments regarding a student.

**Response to
Prior Audience
Communication**

None

**Consent
Agenda**

It was moved by Mrs. Bonifield and supported by Mrs. Jarvis that the Board of Education of the Livonia Public Schools School District approve the following consent agenda items, as recommended by the superintendent:

V.A. Minutes of the Regular Meeting of September 27, 2021

V.I.A. Approval of 2020-2021 School Dairy Purchase
(Purchase from Cedar Crest Dairy Inc., in the amount of
\$160,000 for the 2021-22 school year)

Ayes: Acosta, Bonifield, Bradford, Burton, Centers, Jarvis, Johnson
Nays: None

**Approval of
Financial
Statements for
2020-2021**

It was moved by Mr. Johnson and supported by Mrs. Bradford that the Board of Education of the Livonia Public Schools School District accept the 2020-2021 audit report as presented by the audit firm of Plante Moran.

Livonia Public Schools

Federal Awards Supplemental Information **June 30, 2021**

DRAFT

Livonia Public Schools

Contents

Independent Auditor's Reports

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 1

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* 2

Report on Compliance for Each Major Federal Program and Report on Internal Control Over
Compliance Required by the Uniform Guidance 3-4

Schedule of Expenditures of Federal Awards 5-7

**Reconciliation of Basic Financial Statements Federal Revenue with Schedule of
Expenditures of Federal Awards** 8

Notes to Schedule of Expenditures of Federal Awards 9

Schedule of Findings and Questioned Costs 10-11

DRAFT

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

Independent Auditor's Report

To the Board of Education
Livonia Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livonia Public Schools (the "School District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 14, 2021, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 14, 2021.

The accompanying schedule of expenditures of federal awards and reconciliation of financial statements federal revenue with the schedule of expenditures of federal awards are presented for the purpose of additional analysis as required by the Uniform Guidance and 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

October 14, 2021

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*

Independent Auditor's Report

To Management and the Board of Education
Livonia Public Schools

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livonia Public Schools (the "School District") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's 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 the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's 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 School District'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 14, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Education
Livonia Public Schools

Report on Compliance for Each Major Federal Program

We have audited Livonia Public School's (the "School District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

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* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District 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 the major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

To the Board of Education
Livonia Public Schools

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

October 14, 2021

DRAFT

Livonia Public Schools

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Agency Name/Pass-through Agency/Federal Program Title	Grant/Project Number	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2020	Federal Funds/Payments In-kind Received	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred to Subrecipients
Clusters:									
Child Nutrition Cluster - U.S. Department of Agriculture:									
Noncash assistance (commodities) - National School Lunch Program - Entitlement commodities 2021									
	N/A	10.555	133,600	-	-	133,600	133,600	-	-
Cash assistance:									
COVID 19 Unanticipated School Closure SFSP 2019-2020	200902	10.555	864,352	864,352	224,611	224,611	-	-	-
National School Lunch Program 2020-2021	211960	10.555	394,391	-	-	394,391	394,391	-	-
Total National School Lunch Program (incl. commodities)		10.555	1,392,343	864,352	224,611	752,602	527,991	-	-
COVID 19 Unanticipated School Closure SFSP 2020-2021	210904	10.559	1,399,067	-	-	1,399,067	1,399,067	-	-
National School Breakfast Program 2020-2021	211970	10.553	139,835	-	-	139,835	139,835	-	-
Total Child Nutrition Cluster			2,931,245	864,352	224,611	2,291,504	2,066,893	-	-
Special Education Cluster - U.S. Department of Education - Passed through Wayne County RESA:									
IDEA, Part B:									
IDEA Flowthrough - Regular 2021	210450	84.027A	3,327,613	-	-	3,327,613	3,327,613	-	-
IDEA Flowthrough CPE - Regular 2021	210450	84.027A	582,636	-	-	582,636	582,636	-	-
IDEA Preschool 2021	210460	84.173A	226,721	-	-	226,721	226,721	-	-
Total Special Education Cluster			4,136,970	-	-	4,136,970	4,136,970	-	-
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through Wayne County RESA - Medicaid Outreach 2021									
		93.778	31,369	-	-	31,369	31,369	-	-
Total of cluster programs			7,099,584	864,352	224,611	6,459,843	6,235,232	-	-

See notes to schedule of expenditures of federal awards.

Livonia Public Schools

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Agency Name/Pass-through Agency/Federal Program Title	Grant/Project Number	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2020	Federal Funds/Payments In-kind Received	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred to Subrecipients
Other federal programs:									
U.S. Department of Education - Passed through Michigan									
Department of Education:									
Title I, Part A:									
Title I, Part A 1920	201530	84.010	1,264,522	1,248,958	220,939	220,939	-	-	-
Title I, Part A 2021	211530	84.010	1,283,346	-	-	995,204	1,133,242	138,038	-
Total Title I, Part A		84.010	2,547,868	1,248,958	220,939	1,216,143	1,133,242	138,038	-
Title II, Part A:									
Title II, Part A Supporting Effective Instruction 1920	200520	84.367	558,676	383,041	90,893	90,893	-	-	-
Title II, Part A Supporting Effective Instruction 2021	210520	84.367	661,687	-	-	285,951	384,501	98,550	-
Title II, Part A Teacher and Leader Instruction Support 1920	190532	84.367	81,587	38,729	3,833	3,833	-	-	-
Total Title II, Part A		84.367	1,301,950	421,770	94,726	380,677	384,501	98,550	-
Title III, English Language Acquisition State Grants:									
Title III, Immigrant Students 2019-2020	200570	84.365A	22,912	1,562	1,562	1,562	-	-	-
Title III, Immigrant Students 2020-2021	210570	84.365A	43,763	-	-	17,488	33,014	15,526	-
Title III, Limited English Proficient Students 2019-2020	200580	84.365A	68,578	65,167	11,109	11,109	-	-	-
Title III, Limited English Proficient Students 2020-2021	210580	84.365A	71,722	-	-	58,505	67,277	8,772	-
Total Title III, English Language Acquisition State Grants		84.365A	206,975	66,729	12,671	88,664	100,291	24,298	-
Title IV, Part A SSAE -									
Title IV, Part A Student Support and Academic Enrichment 2019-2020	200750	84.424A	90,218	80,310	10,042	10,042	-	-	-
Title IV, Part A Student Support and Academic Enrichment 2020-2021	210750	84.424A	99,448	-	-	76,558	87,317	10,759	-
Total Title IV, Part A SSAE			189,666	80,310	10,042	86,600	87,317	10,759	-
Adult Education - Basic Grants to States:									
Federal General Instruction 2019-2020	201130	84.002A	197,780	91,084	44,401	44,401	-	-	-
Federal General Instruction 2020-2021	211130	84.002A	175,000	-	-	89,777	105,490	15,713	-
Total Adult Education - Basic Grants to States		84.002A	372,780	91,084	44,401	134,178	105,490	15,713	-

See notes to schedule of expenditures of federal awards.

Livonia Public Schools

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Agency Name/Pass-through Agency/Federal Program Title	Grant/Project Number	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2020	Federal Funds/Payments In-kind Received	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred to Subrecipients
Other federal programs (continued):									
Education Stabilization Fund- U.S. Department of Education									
Passed through Michigan Department of Education									
COVID-19 ESSER Education Equity Fund I - 19-20	203720	84.425D	161,821	-	-	155,646	161,763	6,117	-
COVID-19 ESSER Formula Fund I - 19-20	203710	84.425D	1,011,387	-	-	1,010,666	1,011,387	721	-
Total ESSER			1,173,208	-	-	1,166,312	1,173,150	6,838	-
Corona Virus Relief Fund- U.S. Department of Treasury									
Passed through Michigan Department of Education									
COVID-19 103(2) - District COVID Costs	20-21	21.019	174,003	-	-	174,003	174,003	-	-
COVID-19 11p-CRF School Aid	20-21	21.019	4,943,302	-	-	4,943,302	2,659,951	(2,283,351)	-
Total CRF passed through Michigan Department of Education			5,117,305	-	-	5,117,305	2,833,954	(2,283,351)	-
Passed through Copper County ISD									
COVID-19-CRF MiConnect/MAISA	20-21	21.019	338,437	-	-	338,437	338,437	-	-
Total Coronavirus Relief Fund			5,455,742	-	-	5,455,742	3,172,391	(2,283,351)	-
U.S. Department of Education - Passed through Wayne County RESA -									
Carl D. Perkins Career and Technical Education Program:									
Carl D. Perkins Grant 2019-2020	203520	84.048A	284,547	256,108	42,965	70,412	27,447	-	-
Carl D. Perkins Grant 2020-2021	213520	84.048A	274,713	-	-	242,202	274,713	32,511	-
Total Perkins Career and Technical Education Program		84.048A	559,260	256,108	42,965	312,614	302,160	32,511	-
U.S. Department of Agriculture - Passed through Michigan Department of Education - Child and Adult Care Food Program:									
CACFP Meals 2019-2020	201920	10.558	4,379	4,379	9	9	-	-	-
CACFP Meals 2020-2021	211920	10.558	3,595	-	-	3,229	3,595	366	-
Total Child and Adult Care Food Program		10.558	7,974	4,379	9	3,238	3,595	366	-
Total of noncluster programs			11,815,423	2,169,338	425,753	8,844,168	6,462,137	(1,956,278)	-
Total federal awards			\$ 18,915,007	\$ 3,033,690	\$ 650,364	\$ 15,304,011	\$ 12,697,369	\$ (1,956,278)	\$ -

See notes to schedule of expenditures of federal awards.

Livonia Public Schools**Reconciliation of Basic Financial Statements Federal Revenue
with Schedule of Expenditures of Federal Awards****Year Ended June 30, 2021**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 12,754,676
Federal revenue for which the School District is considered a vendor or beneficiary rather than a subrecipient	<u>(57,307)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 12,697,369</u></u>

DRAFT

Livonia Public Schools**Notes to Schedule of Expenditures of Federal Awards****Year Ended June 30, 2021****Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Livonia Public Schools (the "School District") under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statement. Such expenditures, except for those related to CFDA 21.019, Coronavirus Relief Fund (CRF), are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CRF does not apply the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, but rather applies the U.S. Department of Treasury's guidance and frequently asked questions, as codified in the Federal Register.

The pass-through entity identifying numbers are presented where available.

The School District has elected not to use the 10 percent de minimis indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Grant Auditor Report

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 4 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

Schedule of Findings and Questioned Costs

DRAFT

Livonia Public Schools**Schedule of Findings and Questioned Costs****Year Ended June 30, 2021****Section I - Summary of Auditor's Results****Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund
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?

☒ Yes ☐ No**Section II - Financial Statement Audit Findings**

None

Section III - Federal Program Audit Findings

None

Livonia Public Schools

Report to the Board of Education

June 30, 2021

To the Board of Education
Livonia Public Schools

We have recently completed our audit of the basic financial statements of Livonia Public Schools (the "School District") as of and for the year ended June 30, 2021. In addition to our audit report, we are providing the following results of the audit and informational items that impact the School District:

	Page
Results of the Audit	1-4
Informational Items	5-17

We are grateful for the opportunity to be of service to Livonia Public Schools. We would also like to extend our thanks to Alison Smith, and the entire business office for their assistance and preparedness during the audit. We recognize that preparing for the audit is carried out in addition to your staff's normal daily activities. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Morse, PLLC

October 14, 2021

Livonia Public Schools

**Financial Report
with Supplemental Information
June 30, 2021**

DRAFT

Livonia Public Schools

Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position	16
Statement of Revenue, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Fiduciary Funds:	
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
Notes to Financial Statements	21-40
Required Supplemental Information	41
Budgetary Comparison Schedule - General Fund	42-43
Budgetary Comparison Schedule - Major Special Revenue Fund	44
Schedule of Proportionate Share of the Net Pension Liability	45
Schedule of Pension Contributions	46
Schedule of Proportionate Share of the Net OPEB Liability	47
Schedule of OPEB Contributions	48
Notes to Required Supplemental Information	49
Other Supplemental Information	50
Nonmajor Governmental Funds:	
Combining Balance Sheet	51-52
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	53-54
General Fund:	
Combining Balance Sheet	55
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	56
Schedule of Bonded Indebtedness	57-58
Federal Awards Supplemental Information	Issued Under Separate Cover

Independent Auditor's Report

To the Board of Education
Livonia Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livonia Public Schools (the "School District") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Livonia Public Schools' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Livonia Public Schools as of June 30, 2021 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Livonia Public Schools

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the School District's proportionate share of the net pension and OPEB liabilities and pension and OPEB contributions, and the major fund budgetary comparison schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Livonia Public Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021 on our consideration of Livonia Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 Livonia Public Schools' internal control over financial reporting and compliance.

October 14, 2021

Livonia Public Schools

Management's Discussion and Analysis

This section of Livonia Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2021. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Livonia Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund, the Special Education Fund, and the 2021 Bond Series I Fund, with all other funds presented in one column as nonmajor funds. One of the remaining statements, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The other remaining statements related to the School District's Health and Welfare Fund.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Budgetary Comparison Schedule - Major Special Revenue Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

Livonia Public Schools

Management's Discussion and Analysis (Continued)

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund and Special Education Fund are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

Governmental Funds

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

Proprietary Funds

Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds. The School District established a proprietary fund, specifically the Health and Welfare Fund, to finance specific services provided to other funds of the School District on a cost-reimbursement basis. The specific services represent employee benefits, such as health insurance benefits and workers' compensation benefits.

Custodial Funds and Trust Funds

The School District has certain fiduciary responsibility for its custodial funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position and changes in fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Livonia Public Schools**Management's Discussion and Analysis (Continued)*****The School District as a Whole***

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
Assets		
Current and other assets	\$ 160.4	\$ 80.3
Capital assets	263.2	265.6
Total assets	423.6	345.9
Deferred Outflows of Resources	109.6	122.2
Liabilities		
Current liabilities	31.8	25.3
Noncurrent liabilities	271.6	201.7
Net pension liability	381.5	365.5
Net OPEB liability	59.6	78.8
Total liabilities	744.5	671.3
Deferred Inflows of Resources	63.1	61.5
Net Position		
Net investment in capital assets	77.7	73.0
Restricted	4.2	7.3
Unrestricted	(356.3)	(345.0)
Total net position	<u>\$ (274.4)</u>	<u>\$ (264.7)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(274.4) million at June 30, 2021. Net investment in capital assets totaling \$77.7 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(356.3) million) was unrestricted.

The \$(356.3) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. This deficit includes the impact of the Governmental Accounting Standards Board (GASB) requirement to report the School District's portion of the net pension and OPEB liabilities on its statement of net position. Absent the net pension and OPEB liabilities, the unrestricted net position of the School District would be \$(143.1) million. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Livonia Public Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 2.9	\$ 5.4
Operating grants	71.1	65.3
General revenue:		
Taxes	52.6	48.8
State aid not restricted to specific purposes	90.4	88.5
Other	3.9	2.6
Total revenue	220.9	210.6
Expenses		
Instruction	121.1	118.5
Support services	80.7	73.5
Athletics	2.2	2.3
Food services	3.1	4.1
Community services	2.9	3.4
Debt service	10.0	7.9
Depreciation expense (unallocated)	10.6	10.1
Total expenses	230.6	219.8
Change in Net Position	(9.7)	(9.2)
Net Position - Beginning of year	(264.7)	(255.5)
Net Position - End of year	<u><u>\$ (274.4)</u></u>	<u><u>\$ (264.7)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$230.6 million. Certain activities were partially funded from those who benefited from the programs (\$2.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$71.1 million). We paid for the remaining public benefit portion of our governmental activities with \$52.6 million in taxes, \$90.4 million in state foundation allowance, and \$3.9 million of other revenue (i.e., interest and general entitlements).

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses several different funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$128.5 million, which is an increase of \$71.9 million from last year. This increase is primarily the result of the district receiving the proceeds from sale of the first series of bonds approved by the voters in May 2021. The proceeds from the bond will go towards completing the necessary work identified in the district's 10-Year Facility Plan.

Livonia Public Schools

Management's Discussion and Analysis (Continued)

The School District reports that in the General Fund, our principal operating fund, the fund balance decreased from \$33.8 million to \$33.1 million. This was a planned use of the fund balance. The presence of a fund balance allows the School District to better manage the impact of myriad things, such as midyear reductions in funding, declining enrollment, and increased health care costs, all while avoiding drastic changes in educational programs and/or employee layoffs during the school year.

The fund balance of our special revenue funds increased from \$3.7 million last year to \$4.3 million this year. The Special Education Fund, Food Service Fund, and Student Activity Fund are considered special revenue funds. The increase in fund balance in the special revenue funds is primarily a result of receiving more revenue in our Special Education Fund than what we expended in the Special Education Fund.

Combined, the fund balance of our debt service fund decreased \$1.2 million primarily as a result of using cash on hand from the debt service fund in the 2020 Bond Refunding. The school district issued new bonds in the Fall of 2020 in order to refund prior outstanding bonds. A refunding program is a cost saving measure that pays off existing debt by issuing the sale of new bonds at a lower interest rate, in this case saving taxpayers millions of dollars. Debt millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The debt millage rate for 2020 was 4.1 mills which was the same mills levied in 2019. The fund balance in the debt service fund is reserved and is required to remain in the debt service funds to be used for future debt service payments.

Combined, the fund balance of our capital project funds increased \$74.6 million, from \$12.7 million to \$87.3 million. There was an increase in our 2021 Bond Fund, Capital Projects Fund, and 2021 Sinking Fund offset by a decrease in our old Sinking Fund, 2013 Bond Fund, and Technology Fund. The increase in our 2021 Bond Fund, Capital Projects Fund, and 2021 Sinking Fund were a result of receiving more revenue than we expended this year. The decrease in our old Sinking Fund, 2013 Bond Fund, and Technology Fund is a result of the School District utilizing the funds for the purposes approved by the community. The School District anticipates a decrease in the fund balances in our 2021 Bond Fund, Capital Projects Fund, and 2021 Sinking Fund as we complete the work identified in our 10-Year Facility Plan.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2021. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

School districts, including Livonia Public Schools, are required to adopt a budget by June 30 every year for the coming school year. This means adopting a budget using projected student counts and estimated staffing needed to meet our students' needs. For this reason, the School District amends the budget as additional information becomes available.

The revenue from state sources adopted in the Original General Fund Budget included a potential \$650 per pupil cut in funding based on revenue estimates shared in a memo published by the Senate Fiscal Agency on May 19, 2020. Later state revenue estimates were adjusted, and the school district ended up receiving a \$65 per pupil increase. The State also changed how the student count was calculated for the 2020-2021 school year. Student count is one of the most important factors affecting the budget. The state foundation allowance revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Historically, the pupil count used for funding is 10 percent of the prior Spring's pupil count and 90 percent of the current Fall's pupil count. For fiscal year 2021, the pupil count for funding was calculated by adding together 75 percent of the fiscal year 2020 membership plus 25 percent of the fiscal year 2021 membership. These factors along with some other changes to state categorical funding resulted in the estimated state revenue going from \$105.7 million in the Original Budget to \$114.8 million in the Final Amended Budget. Actual state revenue for the year came in higher by \$719,213. This is primarily related to one state categorical revenue, Section 147a(2), coming in higher than budgeted.

Livonia Public Schools

Management's Discussion and Analysis (Continued)

General Fund expenditures (excluding the Funded Projects Fund) were also amended over the course of the school year. The Final Amended General Fund expenditures were \$0.5 million lower than what was adopted in the Original Budget. There were many adjustments made to a variety of functions. The main reason for the change was a reduction in the estimated staffing costs in the instructional added needs category as those costs were shifted to the Funded Projects Fund. Actual expenditures came in favorably by \$1.8 million compared to the Final Amended Budget. This represents a 1.1 percent variance from the final amended budget, which is in line with sound budgeting practices.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the School District had \$263.2 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$2.4 million, or 0.9 percent, from last year.

	Governmental Activities	
	2021	2020
Land	\$ 6,220,906	\$ 6,487,078
Construction in progress	1,725,739	13,128,562
Buildings and improvements	238,639,657	230,119,881
Furniture and equipment	9,904,641	10,494,551
Buses and other vehicles	6,741,113	5,352,195
Total capital assets - Net of accumulated depreciation	\$ 263,232,056	\$ 265,582,267

This year's overall additions of \$8.7 million include building additions (replacement boilers, replacement roofs, and technology infrastructure), site improvements (paving projects at multiple buildings and athletic field renovations at the three high schools), replacement equipment (most notably a new bus wash system), and replacement vehicles (three new F-250 trucks and 22 new buses) offset by accumulated depreciation. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$245.5 million in bonds outstanding versus \$182.7 million in the previous year - a change of 34.3 percent. Those bonds consisted of the following:

	2021	2020
General obligation bonds	\$ 245,490,000	\$ 182,730,000

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$245.5 million is significantly below the statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Livonia Public Schools

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our elected School Board officials and administration considered many factors when setting the School District's 2021-2022 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. For fiscal year 2022, the blended pupil count for funding will be 90 percent of the October 2021 membership and 10 percent of the February 2021 membership. The 2020-2021 budget was adopted in June 2021 based on an estimate of students enrolled in September 2021. We budgeted for our student count to stay consistent with last year's count as we are hopeful that the typical decline we see each year will be offset by a return of some students that made other educational choices for last year as a result of the COVID-19 pandemic. The School District will amend the budget during the year to reflect actual student enrollment. The School District will also amend projected revenue and expenditures as more information becomes available.

The School district is fortunate to have voter support of two revenue sources outside the General Fund to help complete the work outlined in our 10-Year Facility Plan and 10-Year Technology Plan. These revenue sources are the 2021 Bond (approved by voters in 2021) and our Sinking Fund (a ten-year tax levy approved by voters in 2019). These revenue sources alleviate some of the pressure on the General Fund so more General Fund dollars can go towards instructional and social/emotional supports for our students.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the finance office.

Livonia Public Schools**Statement of Net Position**

	June 30, 2021
	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 4)	\$ 46,281,841
Receivables:	
Property taxes receivable	15,332
Other receivables	55,116
Due from other governments	24,407,542
Inventory	183,268
Prepaid expenses and other assets	1,847,344
Restricted assets - Cash and cash equivalents (Note 4)	87,532,903
Capital assets - Net (Note 6)	<u>263,232,056</u>
Total assets	423,555,402
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	2,768,711
Deferred pension costs (Note 9)	79,440,761
Deferred OPEB costs (Note 9)	<u>27,352,971</u>
Total deferred outflows of resources	109,562,443
Liabilities	
Accounts payable	2,230,361
Due to other governmental units	6,936,903
Accrued liabilities and other	18,805,467
Unearned revenue (Note 5)	3,813,671
Noncurrent liabilities:	
Due within one year: (Note 8)	
Compensated absences	531,182
Current portion of bonds and contracts payable	15,696,255
Due in more than one year (Note 8)	255,332,080
Net pension liability (Note 9)	381,486,236
Net OPEB liability (Note 9)	<u>59,646,548</u>
Total liabilities	744,478,703
Deferred Inflows of Resources	
Deferred benefit on bond refunding (Note 8)	1,387,686
Revenue in support of pension contributions made subsequent to the measurement date (Note 9)	14,383,190
Deferred pension cost reductions (Note 9)	2,172,994
Deferred OPEB cost reductions (Note 9)	<u>45,118,755</u>
Total deferred inflows of resources	<u>63,062,625</u>
Net Position	
Net investment in capital assets	77,720,135
Restricted:	
Debt service	2,533,500
Capital projects	1,669,480
Unrestricted	<u>(356,346,598)</u>
Total net position	<u><u>\$ (274,423,483)</u></u>

Livonia Public Schools**Statement of Activities****Year Ended June 30, 2021**

	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 121,118,950	\$ 30,726	\$ 40,517,777	\$ (80,570,447)
Support services	80,721,343	-	28,503,106	(52,218,237)
Athletics	2,211,244	661,643	-	(1,549,601)
Food services	3,101,336	316,291	2,119,178	(665,867)
Community services	2,903,342	1,875,807	-	(1,027,535)
Interest	4,312,541	-	-	(4,312,541)
Other debt costs	5,692,234	-	-	(5,692,234)
Depreciation expense (unallocated) (Note 6)	10,563,687	-	-	(10,563,687)
Total primary government	\$ 230,624,677	\$ 2,884,467	\$ 71,140,061	(156,600,149)
General revenue:				
Taxes:				
Property taxes levied for general purposes				25,639,175
Property taxes levied for debt service				19,450,813
Property taxes levied for capital projects				7,538,113
State aid not restricted to specific purposes				90,426,428
Interest and investment earnings				32,722
Penalties, interest, and other taxes				19,891
Gain on sale of capital assets				2,286,223
Other:				
Student activities				1,052,185
Other				419,250
Total general revenue				146,864,800
Change in Net Position				(9,735,349)
Net Position - Beginning of year				(264,688,134)
Net Position - End of year				<u>\$(274,423,483)</u>

Livonia Public Schools**Governmental Funds
Balance Sheet****June 30, 2021**

	General Fund	Special Education Fund	2021 Bond Series I Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 4)	\$ 46,216,198	\$ -	\$ -	\$ 65,643	\$ 46,281,841
Receivables:					
Property taxes receivable	15,332	-	-	-	15,332
Other receivables	46,640	-	-	8,476	55,116
Due from other governments	24,375,969	-	-	31,573	24,407,542
Due from other funds (Note 7)	207,739	7,049,190	-	5,979,593	13,236,522
Inventory	143,438	-	-	39,830	183,268
Prepaid expenses and other assets	1,749,986	-	-	-	1,749,986
Restricted assets (Note 4)	-	-	77,997,355	9,535,548	87,532,903
Total assets	\$ 72,755,302	\$ 7,049,190	\$ 77,997,355	\$ 15,660,663	\$ 173,462,510
Liabilities					
Accounts payable	\$ 1,429,046	\$ 21,102	\$ 245,589	\$ 532,479	\$ 2,228,216
Due to other governmental units	3,923,734	3,011,367	-	1,802	6,936,903
Due to other funds (Note 7)	14,323,731	-	204,277	3,462	14,531,470
Accrued liabilities and other	16,165,830	1,218,367	-	21,244	17,405,441
Unearned revenue (Note 5)	3,813,671	-	-	-	3,813,671
Total liabilities	39,656,012	4,250,836	449,866	558,987	44,915,701
Fund Balances					
Nonspendable - Inventory and prepaid expense	1,893,424	-	-	39,830	1,933,254
Restricted:					
Debt service	-	-	-	3,794,623	3,794,623
Capital projects	-	-	77,547,489	6,132,811	83,680,300
Committed - Student activities	-	-	-	1,479,722	1,479,722
Assigned:					
Subsequent year's budget	6,739,430	-	-	-	6,739,430
Capital projects	-	-	-	3,654,690	3,654,690
Center programs	-	2,798,354	-	-	2,798,354
Unassigned	24,466,436	-	-	-	24,466,436
Total fund balances	33,099,290	2,798,354	77,547,489	15,101,676	128,546,809
Total liabilities and fund balances	\$ 72,755,302	\$ 7,049,190	\$ 77,997,355	\$ 15,660,663	\$ 173,462,510

Livonia Public Schools

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021**Fund Balances Reported in Governmental Funds**

\$ 128,546,809

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

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

Cost of capital assets	434,593,021
Accumulated depreciation	<u>(171,360,965)</u>

Net capital assets used in governmental activities	263,232,056
--	-------------

Deferred inflows and outflows related to bond refundings are not reported in the funds	1,381,025
--	-----------

Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(268,903,766)
---	---------------

Accrued interest is not due and payable in the current period and is not reported in the funds	(1,261,123)
--	-------------

Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:

Employee compensated absences	(2,655,751)
Net pension liability and related deferred inflows and outflows	(304,218,469)
Net OPEB liability and related deferred inflows and outflows	<u>(77,412,332)</u>

Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(14,383,190)
---	--------------

Internal service funds are included as part of governmental activities	<u>1,251,258</u>
--	------------------

Net Position of Governmental Activities**\$ (274,423,483)**

Livonia Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

	General Fund	Special Education Fund	2021 Bond Series I Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 28,540,177	\$ 155,534	\$ -	\$ 28,391,877	\$ 57,087,588
State sources	122,492,463	6,527,790	-	1,544,017	130,564,270
Federal sources	10,687,783	-	-	2,066,893	12,754,676
Interdistrict sources	9,704,353	10,820,928	-	-	20,525,281
Total revenue	171,424,776	17,504,252	-	32,002,787	220,931,815
Expenditures					
Current:					
Instruction	104,455,668	8,963,490	-	-	113,419,158
Support services	61,589,000	5,482,019	643,931	1,156,440	68,871,390
Athletics	2,125,630	-	-	-	2,125,630
Food services	-	-	-	2,982,623	2,982,623
Community services	2,710,746	-	-	-	2,710,746
Debt service:					
Principal	-	-	-	10,680,000	10,680,000
Interest	-	-	-	5,921,689	5,921,689
Other debt costs	-	-	-	5,692,234	5,692,234
Capital outlay	3,317,628	210,904	-	13,109,421	16,637,953
Total expenditures	174,198,672	14,656,413	643,931	39,542,407	229,041,423
Excess of Revenue (Under) Over Expenditures	(2,773,896)	2,847,839	(643,931)	(7,539,620)	(8,109,608)
Other Financing Sources (Uses)					
Face value of debt issued (Note 8)	-	-	65,925,000	90,770,000	156,695,000
Proceeds from sale of capital assets	-	-	-	2,742,751	2,742,751
Premium on debt issued	-	-	12,266,420	-	12,266,420
Payment to bond refunding escrow agent	-	-	-	(90,192,231)	(90,192,231)
Transfers in (Note 7)	2,145,000	-	-	22,999	2,167,999
Transfers out (Note 7)	(22,999)	(2,145,000)	-	-	(2,167,999)
Total other financing sources (uses)	2,122,001	(2,145,000)	78,191,420	3,343,519	81,511,940
Net Change in Fund Balances	(651,895)	702,839	77,547,489	(4,196,101)	73,402,332
Fund Balances - Beginning of year	33,751,185	2,095,515	-	19,297,777	55,144,477
Fund Balances - End of year	<u>\$ 33,099,290</u>	<u>\$ 2,798,354</u>	<u>\$ 77,547,489</u>	<u>\$ 15,101,676</u>	<u>\$ 128,546,809</u>

Livonia Public Schools

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2021

Net Change in Fund Balances Reported in Governmental Funds **\$ 73,402,332**

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capitalized capital outlay	8,670,004
Depreciation expense	(10,563,687)
Net book value of assets disposed of	(456,528)

Total	(2,350,211)
-------	-------------

Revenue in support of pension contributions made subsequent to the measurement date	(2,328,710)
---	-------------

Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(168,961,420)
---	---------------

Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	102,358,711
--	-------------

Interest expense is recognized in the government-wide statements as it accrues	122,668
--	---------

Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(11,873,854)
--	--------------

The internal service fund (Health and Welfare Fund) is included as part of governmental activities	(104,865)
--	-----------

Change in Net Position of Governmental Activities	\$ (9,735,349)
--	-----------------------

Livonia Public Schools**Proprietary Funds
Statement of Net Position****June 30, 2021**Internal Service
Fund - Health
and Welfare
Fund**Assets**

Current assets:

Due from other funds (Note 7)

\$ 1,292,803

Prepaid expenses and other assets

97,358

Total current assets

1,390,161

Liabilities - Claims payable (Note 10)138,903**Net Position** - Unrestricted\$ 1,251,258

DRAFT

Livonia Public Schools

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2021

	Internal Service Fund - Health and Welfare Fund
Operating Revenue	
Employee contributions	\$ 1,927,779
Employee contributions - Purchased insurance	405,498
Charges for services	<u>18,096,501</u>
Total operating revenue	20,429,778
Operating Expenses	
Cost (Recovery) of insurance claims (Note 10)	(140,901)
Other operating and maintenance costs	292,349
Billing & administrative costs	<u>20,383,195</u>
Total operating expenses	<u>20,534,643</u>
Change in Net Position	(104,865)
Net Position - Beginning of year	<u>1,356,123</u>
Net Position - End of year	<u><u>\$ 1,251,258</u></u>

Livonia Public Schools**Proprietary Funds
Statement of Cash Flows****Year Ended June 30, 2021**

	Internal Service Fund - Health and Welfare Fund
Cash Flows from Operating Activities	
Receipts from interfund services and reimbursements	\$ 21,138,909
Claims, premium, and administrative fees paid	<u>(21,138,909)</u>
Net Change in Cash	-
Cash - Beginning of year	<u>-</u>
Cash - End of year	<u><u>\$ -</u></u>
Reconciliation of Change in Net Position to Net Cash from Operating Activities	
Change in net position	\$ (104,865)
Adjustments to reconcile change in net position to net cash from operating activities -	
Changes in assets and liabilities:	
Due from other funds	709,131
Deposits	(97,358)
Accounts payable	(293,405)
Claims payable	<u>(213,503)</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

Livonia Public Schools**Fiduciary Funds
Statement of Fiduciary Net Position****June 30, 2021**

	<u>Scholarship</u>
Assets	
Cash and investments	\$ 35,088
Due from other funds	<u>2,145</u>
Total assets	37,233
Net Position - Restricted for endowments	<u>\$ 37,233</u>

DRAFT

Livonia Public Schools**Fiduciary Funds
Statement of Changes in Fiduciary Net Position****Year Ended June 30, 2021**

	Scholarship
Additions - Local sources	\$ 16,378
Deductions - Scholarships awarded	6,001
Change in Net Position	10,377
Net Position - Beginning of year	26,856
Net Position - End of year	<u><u>\$ 37,233</u></u>

DRAFT

Livonia Public Schools**Notes to Financial Statements****June 30, 2021****Note 1 - Nature of Business**

Livonia Public Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies***Accounting and Reporting Principles***

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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 statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Livonia Public Schools**Notes to Financial Statements****June 30, 2021****Note 2 - Significant Accounting Policies (Continued)**

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Proprietary fund and fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The only proprietary fund maintained is an internal service fund, which is used to account for the financing of risk management services provided to other funds on a cost-reimbursement basis. The internal service fund maintained by the School District is the Health and Welfare Fund, which includes transactions related to the School District's risk management programs for health care, workers' compensation, and disability claims. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Fund Accounting**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Special Education Fund is a special revenue fund used to account for the proceeds of revenue sources that are restricted for special education center program expenditures. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The 2021 Bond Series I Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring equipment and technology and for remodeling and equipping school facilities. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's special revenue funds are the Food Service and the Student Activity funds. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from federal and state sources. Revenue sources for the Student Activity Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.

Livonia Public Schools**Notes to Financial Statements****June 30, 2021****Note 2 - Significant Accounting Policies (Continued)**

- Capital project funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- The Sinking Fund is used to record the Sinking Fund property tax levy and other revenue and the disbursement of invoices specifically designated for acquiring new school sites and construction or repair of school buildings and sites.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.
- The Capital Projects Fund is used to account for the proceeds derived from the sale of real estate. These proceeds will be held in a special capital project fund identified separately from any other capital project funds, which shall be used for purchasing other real estate for the School District and/or for renovating, replacing, or developing real estate, facilities, or capital equipment, as authorized by the Board of Education.

Proprietary Fund

The School District's internal service fund is used to account for the financing of risk management services provided to other funds on a cost-reimbursement basis. The internal service fund maintained by the School District is the Health and Welfare Fund, which includes transactions related to the School District's risk management programs for health care, workers' compensation, and disability claims.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District maintains a private purpose trust fund to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. The Other Supplemental Information - Combining Balance Sheet presenting the General Fund and Funded Projects Fund combined includes \$2,057,297 of interfund balances due from the General Fund to the Funded Projects Fund which is eliminated within the combined General Fund presented on the Governmental Funds - Balance Sheet. Eliminated transfers from the Funded Projects Fund to the General Fund were \$129,302 for the year end June 30, 2021.

Furthermore, 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, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Livonia Public Schools

Notes to Financial Statements

June 30, 2021

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. The investments in commercial paper, U.S. Treasury bonds, and federal agency bonds are valued at amortized cost. Investment income is recorded in the fund for which the investment account was established.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the capital projects funds required to be set aside for construction
- Unspent property taxes levied in the debt service funds and Sinking Fund are required to be set aside for future bond principal and interest payments, school building construction or repair, and capital projects

Capital Assets

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and building additions	20 - 50
Furniture and equipment	5 - 10
Buses and other vehicles	5 - 10

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

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

Livonia Public Schools**Notes to Financial Statements****June 30, 2021****Note 2 - Significant Accounting Policies (Continued)**

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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District reports deferred outflows related to deferred bond charges on refunding and deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows of resources in the statement of net position related to deferred bond benefits on refunding, revenue in support of pension contributions made subsequent to the measurement date, and deferred pension and OPEB plan cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

The School District will sometimes 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 School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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.

Livonia Public Schools**Notes to Financial Statements****June 30, 2021****Note 2 - Significant Accounting Policies (Continued)****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 government 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 School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the Board of Education, superintendent, or finance committee to assign fund balance. The School District 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.

Nonspendable fund balance amounts are not in spendable form or are legally or contractually required to be maintained intact.

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Livonia Public Schools**Notes to Financial Statements****June 30, 2021****Note 2 - Significant Accounting Policies (Continued)****Employee-related Liabilities**

The employment-related liabilities reported in the government-wide statements consist of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability for compensated absence has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

The liability for employment-related obligations also includes severance pay reported in the government-wide statements, which is calculated based on years of service multiplied by \$200 per year once employees reach 10 years of service and are eligible for retirement.

Use of Estimates

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

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement that were originally effective for the School District's financial statements for the year ending June 30, 2021 were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 14, 2021, which is the date the financial statements were available to be issued.

Note 3 - Stewardship, Compliance, and Accountability**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund, special revenue funds, debt retirement funds, capital project funds, and the Internal Service Fund, except that capital outlay expenditures are budgeted in other expenditure categories. All annual appropriations lapse at fiscal year end.

The General Fund budget is presented consistent with the original and amended budgets adopted. The budget for funded projects was adopted separately, and a separate budget for these activities has been presented accordingly.

Livonia Public Schools

Notes to Financial Statements

June 30, 2021

Note 3 - Stewardship, Compliance, and Accountability (Continued)

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District amended budgeted amounts during the year to reflect the most up-to-date information available relative to student counts and government funding received, along with the related budgetary cuts to align with updated funding amounts.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services are rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the School District incurred expenditures in the funded project fund which were in excess of the amounts budgeted as follows:

	Budget	Actual
General Fund - Funded Projects - Instruction	\$ 9,706,487	\$ 10,774,277

The excess expenditures in the instructional function are offset by the unexpended budget in the support services function. The expenditures in total have not exceeded the overall budget.

Note 4 - Deposits and Investments

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

The School District has designated three banks for the deposit of its funds.

At year end, the School District had approximately \$79 million in investment pools in the Michigan Liquid Asset Fund, which is recorded at amortized cost. There are no limitations or restrictions on participant withdrawals, except that there is a one-day minimum investment period for approximately \$78 million of investments. Additionally, approximately \$1 million of investments may not be redeemed for at least 14 calendar days, with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount redeemed.

Livonia Public Schools

Notes to Financial Statements

June 30, 2021

Note 4 - Deposits and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had \$47,131,559 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2021, there were no investment securities that were uninsured and unregistered.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the 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 School District's cash requirements.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Carrying Value	Rating	Rating Organization
Federal Money Market Fund	\$ 8,484,340	Aaa-mf	Moody's
Michigan Liquid Asset Fund - MAX Class*	1,051,207	AAAm	S & P
Michigan Liquid Asset Fund - Cash Management*	77,997,376	AAAm	S & P
Total	<u>\$ 87,532,923</u>		

*Investment fair value reported at amortized cost

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Livonia Public Schools

Notes to Financial Statements

June 30, 2021

Note 4 - Deposits and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. There was no unavailable revenue at June 30, 2021. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2021, the various components of unearned revenue were as follows:

	Governmental Funds
	Liability - Unearned
Grant and categorical aid payment received prior to meeting all eligibility requirements	\$ 3,668,938
Program fees and tuition	123,133
Other	21,600
Total	<u>\$ 3,813,671</u>

Note 6 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2020	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 6,487,078	\$ -	\$ -	\$ (266,172)	\$ 6,220,906
Construction in progress	13,128,562	(12,738,882)	1,336,059	-	1,725,739
Subtotal	19,615,640	(12,738,882)	1,336,059	(266,172)	7,946,645
Capital assets being depreciated:					
Buildings and improvements	371,250,072	12,738,882	4,790,277	-	388,779,231
Furniture and equipment	27,782,364	-	271,096	-	28,053,460
Buses and other vehicles	8,492,891	-	2,272,572	(951,778)	9,813,685
Subtotal	407,525,327	12,738,882	7,333,945	(951,778)	426,646,376
Accumulated depreciation:					
Buildings and improvements	141,130,191	-	9,009,383	-	150,139,574
Furniture and equipment	17,287,813	-	861,006	-	18,148,819
Buses and other vehicles	3,140,696	-	693,298	(761,422)	3,072,572
Subtotal	161,558,700	-	10,563,687	(761,422)	171,360,965
Net capital assets being depreciated	245,966,627	12,738,882	(3,229,742)	(190,356)	255,285,411
Net governmental activities capital assets	<u>\$ 265,582,267</u>	<u>\$ -</u>	<u>\$ (1,893,683)</u>	<u>\$ (456,528)</u>	<u>\$ 263,232,056</u>

Livonia Public Schools**Notes to Financial Statements****June 30, 2021****Note 6 - Capital Assets (Continued)**

Depreciation expense was not charged to activities, as the School District's assets benefit multiple activities and allocation is impractical.

Construction Commitments

The School District has active construction projects at year end. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Sinking Fund	\$ 1,110,234	\$ 5,893,115
Bond Information Technology Projects	1,948,589	1,053,764
Total	<u>\$ 3,058,823</u>	<u>\$ 6,946,879</u>

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	2021 Bond Series I Fund	Nonmajor Funds	
General Fund	\$ -	\$ 204,277	\$ 3,462	\$ 207,739
Special Education Fund	7,049,190	-	-	7,049,190
Nonmajor funds	5,979,593	-	-	5,979,593
Private Purpose Trust Fund	2,145	-	-	2,145
Internal service - Health and Welfare Fund	1,292,803	-	-	1,292,803
Total	<u>\$ 14,323,731</u>	<u>\$ 204,277</u>	<u>\$ 3,462</u>	<u>\$ 14,531,470</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 22,999
Special Education Fund	General Fund	2,145,000
	Total	<u>\$ 2,167,999</u>

Transfers from the Special Education Fund and Food Service Fund to the General Fund help offset the indirect costs of running those programs incurred in the General Fund. Transfers from the General Fund to the nonmajor governmental fund include amounts to subsidize the Food Service Fund.

Livonia Public Schools

Notes to Financial Statements

June 30, 2021

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2021 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligations	\$ 182,730,000	\$ 156,695,000	\$ (93,935,000)	\$ 245,490,000	\$ 14,030,000
Unamortized bond premiums	16,129,449	12,266,420	(4,982,103)	23,413,766	1,666,255
Total bonds payable	198,859,449	168,961,420	(98,917,103)	268,903,766	15,696,255
Compensated absences	2,852,009	-	(196,258)	2,655,751	531,182
Total governmental activities long-term debt	<u>\$ 201,711,458</u>	<u>\$ 168,961,420</u>	<u>\$ (99,113,361)</u>	<u>\$ 271,559,517</u>	<u>\$ 16,227,437</u>

The School District had deferred outflows of \$2,768,711 related to deferred charges on bond refundings at June 30, 2021.

The School District had deferred inflows of \$1,387,686 related to deferred benefit on bond refundings at June 30, 2021.

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2021 are as follows:

Purpose	Remaining Annual Installments	Interest Rates	Maturing May 1	Outstanding
\$65,025,000 qualified refunding bonds	\$4,125,000 - \$7,810,000	4.00 - 5.00%	2024	\$ 16,120,000
\$103,330,000 qualified school building and site bonds	\$900,000 - \$1,325,000	4.00 - 5.00%	2024	3,400,000
\$76,180,000 qualified school building and site bonds	\$1,450,000 - \$4,175,000	5.00%	2045	70,275,000
\$90,770,000 unqualified refunding bonds	\$1,245,000 - \$6,920,000	0.31 - 3.02%	2043	89,770,000
\$65,925,000 qualified school building and site bonds	\$2,400,000 - \$4,795,000	3.00 - 5.00%	2041	65,925,000
Total governmental activities				<u>\$ 245,490,000</u>

Livonia Public Schools**Notes to Financial Statements****June 30, 2021****Note 8 - Long-term Debt (Continued)*****Debt Service Requirements to Maturity***

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities		
	Other Debt		
	Principal	Interest	Total
2022	\$ 14,030,000	\$ 8,605,344	\$ 49,391,639
2023	13,250,000	8,397,994	47,416,938
2024	11,080,000	7,791,172	41,863,292
2025	11,420,000	7,331,872	37,242,721
2026	9,220,000	7,070,849	32,285,113
2027-2031	49,805,000	30,529,752	160,669,504
Thereafter	136,685,000	35,405,564	344,181,128
Total	<u>\$ 245,490,000</u>	<u>\$ 105,132,547</u>	<u>\$ 713,050,335</u>

Advance Bond Refunding

During the year, the School District issued \$90,770,000 million in general obligation bonds with an interest rate ranging from 0.31 to 3.02 percent. The proceeds of these bonds were used to advance refund \$83,255,000 million of outstanding bonds with an interest rate ranging from 4 to 5 percent. The net proceeds of \$90,192,231 million (after payment of \$577,769 in underwriting fees, insurance, and other issuance costs) plus an additional \$5,111,401 million of Debt Service Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. Principal payments from the escrowed funds of \$79,075,000 and \$4,180,000 are scheduled in fiscal years 2023 and 2025, respectively, on the defeased debt. The advance refunding reduced total debt service payments over the next 22 years by \$19,704,164, which represents an economic gain of \$14,866,736.

Note 9 - Michigan Public School Employees' Retirement System***Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (MPERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Livonia Public Schools**Notes to Financial Statements****June 30, 2021****Note 9 - Michigan Public School Employees' Retirement System (Continued)**

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

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

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent 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 health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Livonia Public Schools

Notes to Financial Statements

June 30, 2021

Note 9 - Michigan Public School Employees' Retirement System (Continued)

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2021 were \$33,270,574, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$14,383,190 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2021.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2021 were \$8,212,872, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2021, the School District reported a liability of \$381,486,236 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The School 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. At September 30, 2020 and 2019, the School District's proportion was 1.11 and 1.10 percent, respectively, representing a change of 0.01 percent.

Net OPEB Liability

At June 30, 2021, the School District reported a liability of \$59,646,548 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2021 was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The School 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. At September 30, 2020 and 2019, the School District's proportion was 1.11 and 1.10 percent, respectively, representing a change of 0.01 percent.

Livonia Public Schools

Notes to Financial Statements

June 30, 2021

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

For 2021, the School District recognized pension expense of \$54,400,574, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,828,797	\$ (814,226)
Changes in assumptions	42,272,353	-
Net difference between projected and actual earnings on pension plan investments	1,602,835	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,552,377	(1,358,768)
The School District's contributions to the plan subsequent to the measurement date	28,184,399	-
Total	<u>\$ 79,440,761</u>	<u>\$ (2,172,994)</u>

The \$14,383,190 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ended June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2022	\$ 22,144,509
2023	15,700,434
2024	8,475,879
2025	2,762,546
Total	<u>\$ 49,083,368</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2021, the School District recognized OPEB recovery of \$1,556,356.

Livonia Public Schools

Notes to Financial Statements

June 30, 2021

Note 9 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (44,442,254)
Changes in assumptions	19,666,652	-
Net difference between projected and actual earnings on OPEB plan investments	497,817	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	1,294,321	(676,501)
Employer contributions to the plan subsequent to the measurement date	5,894,181	-
Total	<u>\$ 27,352,971</u>	<u>\$ (45,118,755)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2022	\$ (6,499,979)
2023	(5,806,197)
2024	(4,739,936)
2025	(3,736,371)
2026	(2,877,482)
Total	<u>\$ (23,659,965)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2020 are based on the results of an actuarial valuation as of September 30, 2019 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 7.05%	6.00% - 7.05%
Investment rate of return - OPEB	7.50%	7.15%
Salary increases	3.50% - 12.30%	2.75% - 11.55%
Health care cost trend rate - OPEB	7.0% (Year 1 graded to 3.5% year 15)	Year 1 graded to 3.0% year 120
Mortality basis		RP2014 Male and Female Employee Annuity Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Livonia Public Schools

Notes to Financial Statements

June 30, 2021

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Significant assumption changes since the prior measurement date, September 30, 2019, for the OPEB plan include a reduction in the health care cost trend rate of 0.50 percentage points and the actual per person health benefit costs were lower than projected. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2020 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.60 %
Private equity pools	16.00	9.30
International equity pools	15.00	7.40
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	4.90
Absolute return pools	9.00	3.20
Real return/opportunistic pools	12.50	6.60
Short-term investment pools	2.00	(0.10)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.1 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's 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:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 493,769,218	\$ 381,486,236	\$ 288,428,670

Livonia Public Schools

Notes to Financial Statements

June 30, 2021

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's 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:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 76,622,770	\$ 59,646,548	\$ 45,353,992

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.0%)	Current Rate (7.0%)	1 Percentage Point Increase (8.0%)
Net OPEB liability of the School District	\$ 44,806,757	\$ 59,646,548	\$ 76,524,980

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2021, the School District reported a payable of \$5,889,674 and \$839,741 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The School District has purchased commercial insurance for health claims. The School District also participates in the Metropolitan Association for Improved School Legislation (M.A.I.S.L.) risk pool for claims relating to property loss, torts, and errors and omissions; the School District is self-insured for workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Livonia Public Schools

Notes to Financial Statements

June 30, 2021

Note 10 - Risk Management (Continued)

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported, as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2021	2020
Estimated liability - Beginning of year	\$ 352,406	\$ 440,426
Estimated claims recovered, including changes in estimates	(140,901)	270,314
Claim payments	(72,602)	(358,334)
Estimated liability - End of year	<u>\$ 138,903</u>	<u>\$ 352,406</u>

Note 11 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974), brownfield redevelopment agreements, and personal property tax relief exemptions (PA 328 of 1998) granted by cities, villages, and townships within the boundaries of the School District. 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; and personal property tax relief agreements are intended to promote business investment in distressed communities.

For the fiscal year ended June 30, 2021, the School District's property tax revenue was reduced by approximately \$2,050,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately \$1,596,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the Sinking Fund or debt service millages. There are no abatements made by the School District.

Required Supplemental Information

DRAFT

Livonia Public Schools

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 29,555,269	\$ 28,511,841	\$ 28,411,973	\$ (99,868)
State sources	105,721,059	114,774,933	115,494,146	719,213
Federal sources	1,037,107	33,596	34,964	1,368
Interdistrict sources	10,906,976	9,536,397	9,704,353	167,956
Total revenue	147,220,411	152,856,767	153,645,436	788,669
Expenditures				
Current:				
Instruction:				
Basic programs	77,903,351	78,540,482	78,521,263	(19,219)
Added needs	18,771,246	16,081,395	15,558,996	(522,399)
Support services:				
Pupil	8,674,224	8,755,048	8,670,245	(84,803)
Instructional staff	6,966,076	7,246,801	7,245,500	(1,301)
General administration	873,396	835,066	835,064	(2)
School administration	9,897,964	10,088,346	10,059,866	(28,480)
Business	2,056,028	2,120,858	2,030,903	(89,955)
Operations and maintenance	16,221,320	16,376,030	16,319,766	(56,264)
Pupil transportation services	8,842,875	8,702,760	8,153,913	(548,847)
Central	3,794,937	4,940,290	4,498,252	(442,038)
Athletics	2,110,229	2,162,388	2,157,976	(4,412)
Community services	2,829,327	2,500,875	2,496,890	(3,985)
Total expenditures	158,940,973	158,350,339	156,548,634	(1,801,705)
Excess of Expenditures Over Revenue	(11,720,562)	(5,493,572)	(2,903,198)	2,590,374
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	2,562,000	-	-	-
Transfers in	2,290,229	2,317,444	2,274,302	(43,142)
Transfers out	(20,000)	(100,000)	(22,999)	77,001
Total other financing sources	4,832,229	2,217,444	2,251,303	33,859
Net Change in Fund Balance	(6,888,333)	(3,276,128)	(651,895)	2,624,233
Fund Balance - Beginning of year	33,751,185	33,751,185	33,751,185	-
Fund Balance - End of year	<u>\$ 26,862,852</u>	<u>\$ 30,475,057</u>	<u>\$ 33,099,290</u>	<u>\$ 2,624,233</u>

Livonia Public Schools

**Required Supplemental Information
Budgetary Comparison Schedule
General Fund - Funded Projects**

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 52,935	\$ 252,409	\$ 128,204	\$ (124,205)
State sources	2,108,348	8,403,889	6,998,317	(1,405,572)
Federal sources	6,640,870	13,460,361	10,652,819	(2,807,542)
Total revenue	8,802,153	22,116,659	17,779,340	(4,337,319)
Expenditures				
Current:				
Instruction	6,460,437	9,706,487	10,774,277	1,067,790
Support services	4,510,253	12,021,503	6,643,712	(5,377,791)
Community services	181,389	257,666	232,049	(25,617)
Total expenditures	11,152,079	21,985,656	17,650,038	(4,335,618)
Excess of Revenue Over (Under) Expenditures	(2,349,926)	131,003	129,302	(1,701)
Other Financing Sources (Uses)				
Transfers in	25,215	-	-	-
Transfers out	(177,104)	(131,003)	(129,302)	1,701
Total other financing uses	(151,889)	(131,003)	(129,302)	1,701
Net Change in Fund Balance	(2,501,815)	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	\$ (2,501,815)	\$ -	\$ -	\$ -

Livonia Public Schools

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Fund
Special Education Fund

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ -	\$ 409,591	\$ 155,534	\$ (254,057)
State sources	5,185,751	6,933,012	6,527,790	(405,222)
Interdistrict sources	10,230,494	9,806,652	10,820,928	1,014,276
Total revenue	15,416,245	17,149,255	17,504,252	354,997
Expenditures				
Current:				
Instruction	9,605,156	10,523,220	9,174,394	(1,348,826)
Support services	4,502,298	5,921,550	5,482,019	(439,531)
Total expenditures	14,107,454	16,444,770	14,656,413	(1,788,357)
Excess of Revenue Over Expenditures	1,308,791	704,485	2,847,839	2,143,354
Other Financing Uses - Transfers out	(1,800,000)	(1,800,000)	(2,145,000)	(345,000)
Net Change in Fund Balance	(491,209)	(1,095,515)	702,839	1,798,354
Fund Balance - Beginning of year	2,095,515	2,095,515	2,095,515	-
Fund Balance - End of year	<u>\$ 1,604,306</u>	<u>\$ 1,000,000</u>	<u>\$ 2,798,354</u>	<u>\$ 1,798,354</u>

Livonia Public Schools

Required Supplemental Information Schedule of Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Seven Plan Years						
	Plan Years Ended September 30						
	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	1.11055 %	1.10382 %	1.10960 %	1.10839 %	1.11646 %	1.14578 %	1.15492 %
School District's proportionate share of the net pension liability	\$ 381,486,236	\$ 365,547,134	\$ 333,583,678	\$ 287,231,919	\$ 278,547,083	\$ 279,856,068	\$ 254,389,073
School District's covered payroll	\$ 98,377,074	\$ 95,654,243	\$ 94,116,658	\$ 92,678,036	\$ 93,062,218	\$ 95,140,276	\$ 96,119,058
School District's proportionate share of the net pension liability as a percentage of its covered payroll	387.78 %	382.15 %	354.44 %	309.92 %	299.31 %	294.15 %	264.66 %
Plan fiduciary net position as a percentage of total pension liability	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

See notes to required supplemental information.

Livonia Public Schools

Required Supplemental Information
Schedule of Pension Contributions
Michigan Public School Employees' Retirement System

**Last Seven Fiscal Years
Years Ended June 30**

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 32,726,136	\$ 30,130,286	\$ 29,162,712	\$ 28,273,165	\$ 26,551,658	\$ 26,167,534	\$ 20,507,422
Contributions in relation to the statutorily required contribution	32,726,136	30,130,286	29,162,712	28,273,165	26,551,658	26,167,534	20,507,422
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 96,512,832	\$ 97,419,463	\$ 95,355,911	\$ 93,813,172	\$ 95,901,095	\$ 92,940,215	\$ 93,694,674
Contributions as a Percentage of Covered Payroll	33.91 %	30.93 %	30.58 %	30.14 %	27.69 %	28.16 %	21.89 %

Livonia Public Schools

Required Supplemental Information
 Schedule of Proportionate Share of the Net OPEB Liability
 Michigan Public School Employees' Retirement System

	Last Four Plan Years			
	Plan Years Ended September 30			
	2020	2019	2018	2017
School District's proportion of the net OPEB liability	1.11338 %	1.09716 %	1.07600 %	1.10567 %
School District's proportionate share of the net OPEB liability	\$ 59,646,548	\$ 78,751,350	\$ 88,042,409	\$ 97,912,644
School District's covered payroll	\$ 98,377,074	\$ 95,654,243	\$ 94,116,658	\$ 92,678,036
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.63 %	82.33 %	93.55 %	105.65 %
Plan fiduciary net position as a percentage of total OPEB liability	59.76 %	48.67 %	43.10 %	36.53 %

Livonia Public Schools

Required Supplemental Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

	Last Four Fiscal Years			
	Years Ended June 30			
	2021	2020	2019	2018
Statutorily required contribution	\$ 7,807,388	\$ 7,703,526	\$ 7,413,228	\$ 6,728,930
Contributions in relation to the statutorily required contribution	7,807,388	7,703,526	7,413,228	6,728,930
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 96,512,832	\$ 97,419,463	\$ 95,355,911	\$ 93,813,172
Contributions as a Percentage of Covered Payroll	8.09 %	7.91 %	7.77 %	7.17 %

Livonia Public Schools**Notes to Required Supplemental Information****June 30, 2021*****Pension Information***

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2020 - The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

DRAFT

Livonia Public Schools

	Special Revenue Funds		Debt Service Fund
	Food Service	Student Activities	Debt Service
Assets			
Cash and cash equivalents	\$ 3,116	\$ -	\$ -
Receivables:			
Other receivables	8,476	-	-
Due from other governments	31,573	-	-
Due from other funds	-	1,479,722	12,367
Inventory	39,830	-	-
Restricted assets	-	-	3,782,256
Total assets	<u>\$ 82,995</u>	<u>\$ 1,479,722</u>	<u>\$ 3,794,623</u>
Liabilities			
Accounts payable	\$ 16,657	\$ -	\$ -
Due to other governmental units	1,802	-	-
Due to other funds	3,462	-	-
Accrued liabilities and other	21,244	-	-
Total liabilities	43,165	-	-
Fund Balances			
Nonspendable - Inventory and prepaid expenses	39,830	-	-
Restricted:			
Debt service	-	-	3,794,623
Capital projects	-	-	-
Committed - Student activities	-	1,479,722	-
Assigned - Capital projects	-	-	-
Total fund balances	<u>39,830</u>	<u>1,479,722</u>	<u>3,794,623</u>
Total liabilities and fund balances	<u>\$ 82,995</u>	<u>\$ 1,479,722</u>	<u>\$ 3,794,623</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

Capital Project Funds			
Capital Projects	2013 Bond Series II Fund	2021 Sinking Fund	Total
\$ -	\$ 62,527	\$ -	\$ 65,643
-	-	-	8,476
-	-	-	31,573
3,735,816	680,416	71,272	5,979,593
-	-	-	39,830
-	1,051,207	4,702,085	9,535,548
\$ 3,735,816	\$ 1,794,150	\$ 4,773,357	\$ 15,660,663
\$ 81,126	\$ 97,351	\$ 337,345	\$ 532,479
-	-	-	1,802
-	-	-	3,462
-	-	-	21,244
81,126	97,351	337,345	558,987
-	-	-	39,830
-	-	-	3,794,623
-	1,696,799	4,436,012	6,132,811
-	-	-	1,479,722
3,654,690	-	-	3,654,690
3,654,690	1,696,799	4,436,012	15,101,676
\$ 3,735,816	\$ 1,794,150	\$ 4,773,357	\$ 15,660,663

Livonia Public Schools

	Special Revenue Funds		Debt Service Funds
	Food Service	Student Activities	Debt Service
Revenue			
Local sources	\$ 316,291	\$ 1,052,185	\$ 19,471,972
State sources	491,530	-	1,052,487
Federal sources	2,066,893	-	-
Total revenue	2,874,714	1,052,185	20,524,459
Expenditures			
Current:			
Support services	-	985,560	-
Food services	2,982,623	-	-
Debt service:			
Principal	-	-	10,680,000
Interest	-	-	5,921,689
Other debt costs	-	-	5,692,234
Capital outlay	36,808	-	-
Total expenditures	3,019,431	985,560	22,293,923
Excess of Revenue (Under) Over Expenditures	(144,717)	66,625	(1,769,464)
Other Financing Sources (Uses)			
Face value of debt issued (Note 8)	-	-	90,770,000
Proceeds from sale of capital assets	-	-	-
Transfers in	22,999	-	-
Payment to bond refunding escrow agent	-	-	(90,192,231)
Total other financing sources	22,999	-	577,769
Net Change in Fund Balances	(121,718)	66,625	(1,191,695)
Fund Balances - Beginning of year	161,548	1,413,097	4,986,318
Fund Balances - End of year	<u>\$ 39,830</u>	<u>\$ 1,479,722</u>	<u>\$ 3,794,623</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2021

Capital Project Funds					
Technology	Capital Projects	Sinking Fund	2013 Bond Series II Fund	2021 Sinking Fund	Total
\$ 56	\$ -	\$ -	\$ 8,328	\$ 7,543,045	\$ 28,391,877
-	-	-	-	-	1,544,017
-	-	-	-	-	2,066,893
56	-	-	8,328	7,543,045	32,002,787
-	1,756	694	27,750	140,680	1,156,440
-	-	-	-	-	2,982,623
-	-	-	-	-	10,680,000
-	-	-	-	-	5,921,689
-	-	-	-	-	5,692,234
437,600	763,157	2,409,574	6,495,929	2,966,353	13,109,421
437,600	764,913	2,410,268	6,523,679	3,107,033	39,542,407
(437,544)	(764,913)	(2,410,268)	(6,515,351)	4,436,012	(7,539,620)
-	-	-	-	-	90,770,000
-	2,742,751	-	-	-	2,742,751
-	-	-	-	-	22,999
-	-	-	-	-	(90,192,231)
-	2,742,751	-	-	-	3,343,519
(437,544)	1,977,838	(2,410,268)	(6,515,351)	4,436,012	(4,196,101)
437,544	1,676,852	2,410,268	8,212,150	-	19,297,777
<u>\$ -</u>	<u>\$ 3,654,690</u>	<u>\$ -</u>	<u>\$ 1,696,799</u>	<u>\$ 4,436,012</u>	<u>\$ 15,101,676</u>

Livonia Public Schools

Other Supplemental Information
Combining Balance Sheet
General Fund

June 30, 2021

	General Fund	Funded Projects	Total
Assets			
Cash and cash equivalents	\$ 46,216,198	\$ -	\$ 46,216,198
Receivables:			
Property taxes receivable	15,332	-	15,332
Other receivables	46,640	-	46,640
Due from other governments	22,643,102	1,732,867	24,375,969
Due from other funds	207,739	2,057,297	2,265,036
Inventory	143,438	-	143,438
Prepaid expenses	1,742,427	7,559	1,749,986
Total assets	<u><u>\$ 71,014,876</u></u>	<u><u>\$ 3,797,723</u></u>	<u><u>\$ 74,812,599</u></u>
Liabilities			
Accounts payable	\$ 1,354,216	\$ 74,830	\$ 1,429,046
Due to other governmental units	3,923,734	-	3,923,734
Due to other funds	16,381,028	-	16,381,028
Accrued liabilities and other	16,111,875	53,955	16,165,830
Unearned revenue	144,733	3,668,938	3,813,671
Total liabilities	<u>37,915,586</u>	<u>3,797,723</u>	<u>41,713,309</u>
Fund Balances			
Nonspendable - Inventory and prepaid expenses	1,885,865	7,559	1,893,424
Assigned - Subsequent year's budget	6,739,430	-	6,739,430
Unassigned	24,473,995	(7,559)	24,466,436
Total fund balances	<u>33,099,290</u>	<u>-</u>	<u>33,099,290</u>
Total liabilities and fund balances	<u><u>\$ 71,014,876</u></u>	<u><u>\$ 3,797,723</u></u>	<u><u>\$ 74,812,599</u></u>

Livonia Public Schools

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
General Fund

Year Ended June 30, 2021

	General Fund	Funded Projects	Total
Revenue			
Local sources	\$ 28,411,973	\$ 128,204	\$ 28,540,177
State sources	115,494,146	6,998,317	122,492,463
Federal sources	34,964	10,652,819	10,687,783
Interdistrict sources	9,704,353	-	9,704,353
Total revenue	153,645,436	17,779,340	171,424,776
Expenditures			
Current:			
Instruction:			
Basic programs	78,511,069	3,560,627	82,071,696
Added needs	15,558,996	6,529,165	22,088,161
Adult/Continuing education	-	295,811	295,811
Support services:			
Pupil	8,670,245	2,124,218	10,794,463
Instructional staff	7,244,136	1,473,065	8,717,201
General administration	835,064	-	835,064
School administration	10,059,866	25,169	10,085,035
Business	2,030,903	-	2,030,903
Operations and maintenance	16,154,475	326,718	16,481,193
Pupil transportation services	6,803,499	16,313	6,819,812
Central	4,360,718	1,464,611	5,825,329
Athletics	2,125,630	-	2,125,630
Community services	2,496,890	213,856	2,710,746
Capital outlay	1,697,143	1,620,485	3,317,628
Total expenditures	156,548,634	17,650,038	174,198,672
Excess of Revenue (Under) Over Expenditures	(2,903,198)	129,302	(2,773,896)
Other Financing Sources (Uses)			
Transfers in	2,274,302	-	2,274,302
Transfers out	(22,999)	(129,302)	(152,301)
Total other financing sources (uses)	2,251,303	(129,302)	2,122,001
Net Change in Fund Balances	(651,895)	-	(651,895)
Fund Balances - Beginning of year	33,751,185	-	33,751,185
Fund Balances - End of year	<u>\$ 33,099,290</u>	<u>\$ -</u>	<u>\$ 33,099,290</u>

Livonia Public Schools

Years Ending June 30	2013 Bond Series I Fund Principal	2014 Refunding Principal	2013 Bond Series II Fund Principal	2020 Refunding Principal
2022	\$ 900,000	\$ 7,810,000	\$ 1,450,000	\$ -
2023	1,175,000	4,185,000	1,850,000	1,245,000
2024	1,325,000	4,125,000	1,975,000	1,255,000
2025	-	-	2,075,000	6,920,000
2026	-	-	2,175,000	4,285,000
2027	-	-	2,275,000	4,300,000
2028	-	-	2,375,000	4,315,000
2029	-	-	2,475,000	4,335,000
2030	-	-	2,575,000	4,355,000
2031	-	-	2,675,000	4,370,000
2032	-	-	2,775,000	4,385,000
2033	-	-	2,875,000	4,405,000
2034	-	-	2,975,000	4,420,000
2035	-	-	3,075,000	4,435,000
2036	-	-	3,175,000	4,470,000
2037	-	-	3,275,000	4,510,000
2038	-	-	3,375,000	4,545,000
2039	-	-	3,475,000	4,580,000
2040	-	-	3,600,000	4,615,000
2041	-	-	3,725,000	4,645,000
2042	-	-	3,850,000	4,670,000
2043	-	-	3,950,000	4,710,000
2044	-	-	4,075,000	-
2045	-	-	4,175,000	-
Total remaining payments	<u>\$ 3,400,000</u>	<u>\$ 16,120,000</u>	<u>\$ 70,275,000</u>	<u>\$ 89,770,000</u>
Principal payments due	May	May	May	May
Interest payments due	May and November	May and November	May and November	May and November
Interest rate	4.00 - 5.00 %	4.00 - 5.00 %	5.00 %	0.31 - 3.02%
Original issue	<u>\$ 103,330,000</u>	<u>\$ 65,025,000</u>	<u>\$ 76,180,000</u>	<u>\$ 90,770,000</u>

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2021

Years Ending June 30	2021 Bonds Series I Fund	
	Principal	Total
2022	\$ 3,870,000	\$ 14,030,000
2023	4,795,000	13,250,000
2024	2,400,000	11,080,000
2025	2,425,000	11,420,000
2026	2,760,000	9,220,000
2027	2,885,000	9,460,000
2028	3,055,000	9,745,000
2029	3,165,000	9,975,000
2030	3,275,000	10,205,000
2031	3,375,000	10,420,000
2032	3,375,000	10,535,000
2033	3,375,000	10,655,000
2034	3,375,000	10,770,000
2035	3,395,000	10,905,000
2036	3,400,000	11,045,000
2037	3,400,000	11,185,000
2038	3,400,000	11,320,000
2039	3,400,000	11,455,000
2040	3,400,000	11,615,000
2041	3,400,000	11,770,000
2042	-	8,520,000
2043	-	8,660,000
2044	-	4,075,000
2045	-	4,175,000
Total remaining payments	<u>\$ 65,925,000</u>	<u>\$ 245,490,000</u>
Principal payments due	May	
Interest payments due	May and November	
Interest rate	3.00 - 5.00%	
Original issue	<u>\$ 65,925,000</u>	

Results of the Audit

DRAFT

To the Board of Education
Livonia Public Schools

We have audited the financial statements of Livonia Public Schools (the "School District") as of and for the year ended June 30, 2021 and have issued our report thereon dated October 14, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 11, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the School District, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 14, 2021 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 31, 2021.

Significant Audit Findings

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 the School District are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2021.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

To the Board of Education
Livonia Public Schools

October 14, 2021

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 the School District's share of the MPERS net liabilities for the pension and other postemployment benefit (OPEB) plans recorded on the government-wide statements related to GASB Statement Nos. 68 and 75, respectively. The School District's estimates as of June 30, 2021 were \$381.5 million and \$59.6 million for the pension and OPEB plans, respectively, based on data received from the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements 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.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as 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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School District, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

As required by 2 CFR Part 200, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the board in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with 2 CFR Part 200 dated October 14, 2021.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2021.

To the Board of Education
Livonia Public Schools

October 14, 2021

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 School 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.

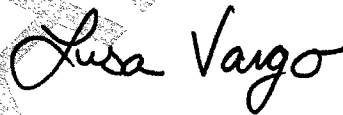
Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the School District's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated. However, we read the management's discussion and analysis, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

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

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Lisa Vargo". The signature is written in a cursive, flowing style.

Lisa M. Vargo, CPA

Informational Items

DRAFT

Livonia Public Schools

Informational Items

A Year Like No Other

The past year has been challenging for everyone, particularly those who have continued to keep our schools running throughout this pandemic. While some businesses and employees were able to seamlessly transition to the work-from-home environment, educators and administrators faced a number of hurdles. The School District has faced a continuously changing environment during the pandemic. New federal grants and targeted state funding have placed new accounting and compliance requirements on the School District. Planning will become increasingly important to put the School District in the best position to take advantage of the substantial new, nonrecurring resources provided.

We have worked closely with state and federal decision-makers throughout the pandemic. As the School District's strategic partner, our goal has been to advocate for school districts by meeting with these decision-makers before actions are finalized so that these groups can be well-informed of the implications their actions will have on the School District, your business office, and your financial statements. New or revised accounting and compliance guidance continues to be released from numerous agencies, and school districts are left with the task of deciphering this information to ensure adherence to these new requirements. To that end, as guidance is updated and opportunities are identified, we will continue to work with the School District in navigating the complexities and make sure that your team is always aware of the most current information that impacts the School District. We want to recognize the hard work that everyone at the School District has put in over the past year. We appreciate all that you have done for the students in your communities, and we want to thank you for the opportunity to work side by side with your team during these difficult times.

State Aid Funding

Background

From 18 Months of Financial Uncertainty to Projected Stability: Since the winter of 2020, the factors surrounding school funding have been uncertain, difficult to predict, and even more difficult to manage.

- **Pre-pandemic:** Prior to the onset of the pandemic, the State's financial resources were stable, predictable, and suggested a predictable, improving financial picture for Michigan schools.
- **Financial Concerns during the Onset of the Pandemic:** During the spring of 2020, predictions were made that there would be significant negative impacts to the State's School Aid Fund and the potential for substantial proration of state aid for school districts due to the grinding halt that the pandemic placed on Michigan's economy. The specific impact was difficult to predict, resulting in two Revenue Estimating Conferences: the normally scheduled one in May 2020 and an additional conference in August 2020. The May conference suggested substantial proration would need to occur (estimated at \$685 per pupil), and many districts adopted a final budget amendment in 2020 to reflect this estimate. By August 2020, the economic impacts of the pandemic were slightly clearer, and the result was a proration of \$175 per pupil for the 2019-2020 fiscal year. While significant, it was much less than what was predicted in May 2020.

Livonia Public Schools

Informational Items (Continued)

- **Federal Resources:** Beginning in March 2020, the federal government initiated financial assistance that directly impacted school districts, with the funding being provided in several waves throughout 2020 and 2021. As is the case with most federal resources, unique spending requirements were attached; however, the guidance and stipulations continued to evolve and change. This resulted in significant uncertainty throughout the year in terms of how and when to expend the available funds. Ultimately, the COVID-19 relief funds did provide more flexibility in spending than traditional federal grants.
- **2020/2021 State Funding:** With a more predictable revenue stream into the School Aid Fund, sustainable school funding was put in place. The foundation allowance was held at the 2019-2020 level, no prorations were required, and a \$65 one-time per pupil payment was provided to school districts. The State also provided additional funding to those districts that did not receive a minimum threshold of per pupil funding from the new Educational Stabilization Fund federal program.

2021/2022 State Funding: Stability within the School Aid Fund continues to improve, and the fund was predicted to have a surplus for the fiscal year ended 2021 and would have sustainable revenue looking out the next few years. This provided the governor and Legislature an opportunity to increase the State's investments in public education. The most significant outcome from their efforts was improved equity in the foundation allowance funding. All schools will be at the target foundation allowance of \$8,700 per pupil. This means the equity gap between the base foundation and the target foundation has finally been eliminated. In addition, all schools, including hold harmless districts, will receive at least a \$171 per pupil increase. In addition, funding progress was made related to recommendations resulting from the School Finance Research Collaborative, which includes increased funding levels for special education; At-Risk; wraparound services, such as nurses and counselors; and Great Start School Readiness (GSRP).

- **Looking Forward:** The most recent Revenue Estimating Conference estimates that the School Aid Fund will remain healthy when projecting out the financial picture over the next few years. Based on the current facts and circumstances, it is expected there will be room for continued foundation allowance funding increases over time, in addition to the ability to invest in specific programming or educational support. However, the key funding lesson from the last 18 months is that predictions are a best estimate based on the current fact and circumstances, and those estimates can be significantly impacted by subsequent events.

2021 Funding Implications for the School District

2020-2021 Foundation: Due to pandemic-related funding concerns, foundation allowance levels were maintained at 2019-2020 levels. The target foundation allowance (formerly known as the basic foundation allowance) was \$8,529. The minimum foundation allowance remained at \$8,111; however, the School District did receive a one-time per pupil payment of \$65. This was not added to the foundation allowance formula and was not retained for 2021-2022.

A Unique 2020-2021 Pupil Count: In order to smooth the impacts of reduced pupil counts during the remote learning period, a temporary one-year change was made to the pupil count method used for the purpose of the foundation allowance formula. For 2020-2021, a super blend was used, combining the pupil counts from the 2019-2020 school year and the 2020-2021 school year. The 2019-2020 count was weighted at 75 percent, and the 2020-2021 count was weighted at 25 percent. This blended pupil count was multiplied by the foundation allowance per pupil to determine the School District's total foundation allowance funding for the year.

Livonia Public Schools

Informational Items (Continued)

MPSERS Cost Support: Amounts contributed by the School District to the retirement system are computed as a percentage of payroll. The required contribution rate applicable for all school districts continues to increase. The estimated contribution rate for 2020-2021 ranged from 35.47 to 42.72 percent, with the rate, net of state funding support, paid directly by the employer, ranging from 20.96 to 28.21 percent. The State's funding support is provided in three separate sections of the State Aid Act: Sections 147a, 147c, and 147e. The School District received a total of \$1,321,100 in 147a1, \$2,307,795 in 147a2, \$14,383,190 in 147c1, and \$305,027 of 147e. In general terms, this means the total cost of the retirement system contributions in 2020-2021, representing approximately 42 percent of covered payroll, is recognized as an expenditure in the School District's financial statements, along with related revenue that was previously considered state support to the system. The net effect is that the School District is responsible for approximately a 28 percent contribution to the retirement system.

Coronavirus Relief Fund (CRF): At the close of the 2019-2020 school year, there was significant confusion regarding availability and use of CRF. In the summer of 2020, approximately \$362 per pupil was provided to school districts from the Michigan Department of Education through the summer state aid payments. The total available for the School District was \$5,117,305. Even though these funds were received with the final state aid payments for the 2019-2020 school year, since the funding was not approved until July 2020, the funds were not recognized as revenue until fiscal year 2021. Similar to other federal grants, there were requirements for how the funds can be used, and the School District would determine usage by applying the guidelines. For the year ended June 30, 2021, the School District recognized \$2,833,954 as revenue and as expenditure, with the remainder available for spending by December 31, 2021.

Pandemic-related Federal Funding: Since March 2020, several iterations of federal funding impacting school districts have occurred. Two key funding sources include the Education Stabilization Fund (ESF) and the Coronavirus Relief Fund (CRF). Each fund provides resources under multiple programs. The principal programs under ESF are the Elementary and Secondary School Emergency Relief (ESSER) Fund and the Governor's Education Emergency Relief (GEER) Fund. CRF programs include the \$362 per pupil passed through by the MDE in addition to some school districts receiving certain funding made available from other nonfederal entities. The common elements to all these revenue sources are that the funds are designed to assist with pandemic relief and the School District must have a specific plan for use of the funds. In general, reimbursement claims could reach back to costs incurred as early as March 2020. Program end dates vary depending on when funds were provided and will require school districts to carefully plan for their use.

ESSER: School districts are being awarded ESSER grants in three different waves: ESSER I, ESSER II (further divided between phase 1 and 2), and ESSER III. School districts awarded ESSER I funds were able to recognize the revenue during fiscal year 2021 to the extent allowable expenditures were incurred to claim for reimbursement in alignment with the federal requirements. Due to the timing of when award letters were issued to school districts for phase 1 of ESSER II, school districts were eligible to recognize this revenue during fiscal year 2021 to the extent that a grant award letter was received by June 30, 2021. Many school districts did not receive their grant award letter by June 30, 2021, and, therefore, the revenue from phase 1 of ESSER II can be recognized no earlier than fiscal year 2022. Phase 2 of ESSER II and ESSER III awards will be made available during fiscal year 2022.

Livonia Public Schools

Informational Items (Continued)

The allocation of ESSER funds is based on the Title I allocation model. The allocation model uses economically disadvantaged demographics to determine the level of funding to be provided to each school district. As a result, some school districts were provided substantial funding from ESSER, while others received substantially less. The Legislature and the governor concluded districts should receive a minimum amount per pupil, and if ESSER did not provide at least that amount per pupil, then funding from the State should provide an equalization payment to bring a district up to the minimum amount. These state funds would follow similar usage requirements as ESSER Fund. The floor amount of funding was \$450 per pupil related to ESSER II. Based on the School District's level of ESSER II funding, the School District qualified for an equalization payment of \$1,955,242, which was received by the School District over the May through August 2021 state aid payments. School districts had the option of recognizing the equalization payment as revenue during fiscal year 2021, but only to the extent that allowable expenditures were being allocated to this restricted state funding source or deferring the revenue and recognizing it during fiscal year 2022. The School District recognized a portion of the equalization payment as revenue in fiscal year 2021.

2022 Funding Implications for the School District

The May 2021 Revenue Estimating Conference provided an optimistic view of the School Aid Fund's financial picture for 2022, 2023, and 2024. The School Aid Fund is predicted to complete the State's 2021 fiscal year with a fund balance and is expected to continue to generate funding growth from nonfederal sources for the next few years. As a result, amendments to the State Aid Act for the 2022 fiscal year included several additions to the school funding picture. These included:

- **2021-2022 Foundation Allowance:** With the goal of improving equity among school districts, all districts receive at least a minimum level of funding, which was established as the target foundation allowance. Any school district that was not at the target level in 2021 was increased to the new target foundation of \$8,700 per pupil. For districts already at the target, they received a \$171 per pupil increase from the former target level of \$8,529. For the few school districts in the state above the target, those school districts also received the \$171 per pupil increase. Based on these changes, the School District's foundation allowance per pupil is going to be \$8,700, representing an increase of \$171 from the 2021 funding level.
- **ESSER:** As previously noted, the School District will receive certain ESSER awards during fiscal year 2022. Similar to the ESSER II floor of \$450 per student, the State also set a funding floor of \$1,093 per student for ESSER III. These funds follow the same restrictions on allowable use as compared to the ESSER III federal funds. The expectation was that this state-funded equalization payment would be received during fiscal year 2022; however, in recent announcements, it has become known that the federal government is now questioning the legality of this payment, putting this anticipated funding source into question.
- **Pupil Membership Blend for 2021-2022:** Pupil count determinations return to the pre-fiscal year 2021 super blend method for 2021-2022. As it is expected students will be returning to the classroom, it was concluded there was little need for a super blend that was in effect during 2020-2021. As defined in the School Aid Act, the district is required to complete its calendar year spring and fall counts for 2021. The weighting of those counts continues to be at 90 percent of the fall count and 10 percent of the spring count. The computed pupil count will be used to determine the total foundation allowance paid to the School District. Since schools will be transitioning to in-class instruction in the fall, it may be difficult to predict what enrollments might be. Clearly the level of student attendance will have a significant impact on total revenue generated from the foundation allowance.

Livonia Public Schools

Informational Items (Continued)

- **Summer School and Learning Assistance:** As part of the process to return to in-person learning in the fall of 2021, significant emphasis was placed on summer school. As a result, significant resources were made available to school districts for the summer of 2021 to assist in this effort. Resources included federal funding for summer programming, credit recovery, and before- and after-school programming as part of the Elementary and Secondary School Emergency Relief II Fund. In addition, state aid funding was appropriated for innovative summer programming or credit recovery programs. School districts were required to establish a plan to use these funds for supplemental programming.
- **MPSERS Cost for 2021-2022:** The basic structure, including cost support provided by the School Aid Fund, will continue. For 2022, the overall contribution rate is expected to increase to 43 percent from 42 percent, with the net cost to the School District approximating 28 percent. While the net cost to the School District changes marginally, the overall contribution rate increases significantly from 2021. The School Aid Fund implication is that more resources are redirected from the funding of operations to the support of the retirement system funding requirement. As School Aid Fund's health has improved, there is renewed interest within the Legislature to provide additional resources to reduce the net cost of school district contributions to the retirement system.

Looking Forward to 2023 and Beyond

The May 2021 Revenue Estimating Conference provided a look into 2023 and 2024. 2021 has a projected surplus to carry over to 2022, and surpluses are expected for 2023 and 2024. These surpluses are uncharted territory for school funding in Michigan. In the short term, two supplemental funding measures were put in place. Most of the funds provided were related to appropriating federal funds provided to the State for the benefit of school districts. Other elements of the funding measures leveraged state resources, with the principal element being the ESSER equalization payments tied to ESSER II and ESSER III funding. As we have learned from the past, the Revenue Estimating Conferences provide projections based on the best facts in hand. Experience has told us that those facts can change with the potential for both a positive or negative impact on the projections. Factors to monitor as we look into the future include the following:

- The extent of a continuing economic "bounce back" currently experienced by the State
- The impact as federal stimulus provided tails off during the next two years and the extent of state funding to assist in replacing those resources for recurring services
- The success of returning to in-class instruction
- Extent and duration of resources needed to address learning loss resulting from the pandemic
- Short-term and longer-term student enrollment changes resulting from the pandemic
- Personnel shortages and the impact on providing learning related services
- Potential staffing cost increases
- Cost trends for the retirement system and the extent to which state support is used from the School Aid Fund

The next Revenue Estimating Conference will occur in January 2022. School districts will need to carefully monitor those results and compare projections to the May 2021 conference results. That information will allow school districts to better project the longer-term implications for school funding.

Livonia Public Schools

Informational Items (Continued)

New Federal Funding Considerations - 2021 and 2022

As a result of the pandemic, school districts began to experience a significant flow of new federal grant funding, essentially coming in three waves. The initial wave occurred shortly after the start of the pandemic in 2020, with resources becoming available in late spring 2020. The second wave began in late 2020 and into 2021. The third wave began in August 2021 when the grant application window opened for the most recent round of grant funding. As is the case with most federal funding, these federal grants have compliance strings attached and require additional time and attention by school districts to evaluate and ensure proper use. In addition, for many school districts, the amount of funding available is substantial, creating a unique challenge regarding how best to use the funds, in accordance with the rules, to impact public education. The key awards impacting public education include:

- *Elementary and Secondary School Emergency Relief Fund* - ESSER has four release periods. ESSER I was made available in the spring of 2020. However, guidance was limited, and few school districts elected to spend ESSER I funding until the start of the 2020-2021 school year. Due to political issues within the state government, ESSER II was released in two phases. The first phase was awarded to districts in the summer of 2021, and the second phase will follow in fiscal year 2022. ESSER III, which is about four times the size of the total ESSER II funding, will be made available beginning in August 2021. Several compliance requirements are applicable for all the ESSER awards, and ESSER III is more narrowly targeted at addressing learning loss in students. Planning how best to use each set of the funds awarded will be important for each school district.
- *Coronavirus Relief Fund* - The CRF funds are designed to help school districts cover the supplemental costs related to their response to COVID-19 and were provided to districts in July and August 2020. In addition, Michigan CRF funds were provided support to eligible child care providers, including those operated by school districts. Three broad requirements pertained to payments from the Coronavirus Relief Fund; the funds may be used only to cover expenses that:
 1. Are necessary expenditures incurred due to the public health emergency with respect to the coronavirus disease pandemic
 2. Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government
 3. Were incurred during the period from March 1, 2020 through December 30, 2021

Clarifying guidance provided flexibility: "as an administrative convenience, the U.S. Department of the Treasury will presume expenses of up to \$500 per elementary and secondary school student to be eligible expenditures, such that schools do not need to document the specific use of funds up to that amount." While the treasury guidance provides flexibility relative to the tracking of costs that can be applied to CRF funds, there remains a presumption that use of the funds complies with the allowability parameters outlined above. One area of confusion that impacted many school districts was related to funding received related to child care. These payments labeled the School District as a "beneficiary", a term not typically used in grants management. Ultimately, it was concluded that funds received with this label are not considered federal awards, simplifying compliance requirements for the School District related to these funds.

Livonia Public Schools

Informational Items (Continued)

- *Governor's Education Emergency Relief Fund* - GEER funds were awarded in two waves, GEER I in the fall of 2020 and GEER II in the spring of 2021. These funds were awarded to school districts that are determined to be most significantly impacted by COVID-19. This covered high-need student groups, including those that are economically disadvantaged, special education students, and English language learners. GEER funds are used to support connectivity and out-of-school learning time; address learning loss and student mental health; provide for remote learning materials and professional development; provide a portion summer school compensation to address learning loss; and provide for other health, safety, and wellness needs identified, required, or recommended in the MI Safe Schools Return to School Roadmap.

In addition to the CARES Act funding described above, the School District may have also received or may be eligible to apply for the following grants designed to assist with responding to impacts of the pandemic:

- Child Care and Development Block Grant - CARES Act Supplemental Payments
- Head Start - CARES Act Supplemental Payments
- Federal Emergency Management Agency (FEMA) Grants
- Coronavirus Food Assistance Program (CFAP) Commodities
- Personal Protective Equipment (PPE) funded with federal grants received from outside organizations
- Federal assistance from the intermediate school district, a municipality or county, or other organizations

In order to optimize available funding, address learning and operational needs, plan for the longer term, and ensure compliance with federal rules and regulations, the School District should do the following:

- Obtain a clear understanding of program requirements, including allowable uses and the time period in which eligible expenses must be incurred, some of which are modified once the American Rescue Plan funding (generally ESSER III) becomes available.
- Update and maintain procedures and internal controls to adhere to Uniform Guidance rules related to procurement, cash management, allowable costs, subrecipient monitoring, and reporting, as applicable.
- Incorporate MDE guidance regarding accounting for state and federal pandemic related funding activity.
- Document all decisions made to determine allowability of pandemic-related costs.
- Refer regularly to accounting guidance, which is updated frequently and issued by the Michigan Department of Education to ensure that federal grant revenue is recorded correctly and expenditures are tracked using the proper grant codes.

Budgeting Considerations

The pandemic will have a substantive impact on district budgeting considerations for years to come. This includes both state and federal funding sources.

As we have seen, funding from the School Aid Fund has varied widely over the last 18 months. Fortunately, School Aid Fund projections suggest funding stability through 2024. However, that stability presumes a continually improving financial picture for the State of Michigan. If assumptions do not hold, there is a risk for continued variability in school funding. Any variability would have a direct impact on funds made available for school operations.

Livonia Public Schools

Informational Items (Continued)

Federal funds have been made available in waves since March 2020. As of June 30, 2021, pandemic-related funding has been substantial, but school districts have yet to access all the funds being made available. Primarily, these funds are provided as grants with program end dates laddered through 2024. The terms and conditions of the different grant funding streams are unique. This means schools must plan carefully for the use of funds to both optimize the value received and ensure compliance with the grant requirements. Also, these resources are not recurring, so school districts should carefully consider their use. If funds are used for recurring activities, the School District will need to redirect other revenue once the grant is complete to continue the activity or discontinue the program. Understanding the full value of the resources received through 2024 will have a dramatic impact on the School District's strategic planning efforts and related budget projections.

Another key variable impacting district budgets is enrollment. Since foundation allowance payments are computed using a per pupil allocation, the pupil count will drive the total funding provided for school operations. As schools begin to return to in-class instruction, tracking enrollment will be an important step in estimating total state aid revenue. Clearly, the hope and expectation are that students will return to the School District. Tracking attendance and comparing it to expectations will be essential in determining whether budget adjustments may be necessary if total enrollment is not consistent with expectations.

Budget management in 2021-2022 and beyond includes many new challenges, many not seen previously within school finance. In summary, some key budget focus items school districts should be building into the budget management process include the following:

- Understanding the specifics of pandemic-related federal aid and strategically planning for their use
- Understanding the specifics of pandemic-related state aid provided and strategically planning for their use
- Crafting a multiyear revenue forecast for recurring school operating revenue, including foundation allowance and recurring categorical aid funding
- Projecting and carefully monitoring pupil counts and adjusting budget projections for significant variations
- Assessing payroll-related costs in two categories: recurring payroll costs based on contractual agreements and variable payroll costs resourced with pandemic-related resources
- Identifying and budgeting for one-time uses of federal and state pandemic-related assistance

In summary, plan for 2021-2022 and beyond but understand there are still many moving parts. Continue to be flexible, and plan to adapt to a potentially changing financial and operational landscape.

Michigan Public School Employees' Retirement System (MPERS) - Update on the Plans' Net Pension/OPEB Liabilities

Similar to the State of Michigan, the MPERS plan has a September 30 year end. With the adoption of GASB Statement Nos. 68 and 75 several years ago, districts have been reporting their share of the MPERS plan funded status in the government-wide financial statements of the district.

At September 30, 2020, the pension portion of the MPERS plan had a net pension liability of approximately \$35 billion. This is an increase from the reported amount of \$33.8 billion at September 30, 2019, an increase of approximately 3.5 percent. This increase meant that, for the year ended June 30, 2021, districts reported a higher net pension liability than they had in the previous year, despite the fact that districts continued to make their required contributions to the plan during fiscal year 2021. One of the primary reasons for the increase in the liability was due to a less than favorable actuarial experience compared to the actuarial assumptions.

Livonia Public Schools

Informational Items (Continued)

At September 30, 2020, the retiree health care portion (OPEB) of the MPSERS plan had a net OPEB liability of approximately \$5.4 billion. This is a decrease from the reported amount of \$7.3 billion at September 30, 2019, a decrease of approximately 26 percent. The valuation of the OPEB liability included a reduction of the health care cost trend rate from 7.5 percent to 7.0 percent and the plan also experienced a favorable plan experience adjustment related to lower than projected health benefit costs, which had a positive impact by reducing the total liability.

Fund Balance

This past school year, more than ever, highlighted the importance of having adequate fund balance due to the uncertainty of the state budget and the impact on the foundation allowance. While fund balance for many School Districts ultimately increased during the 2020-2021 school year due to COVID-19 relief funding, that uncertainty a year ago led many districts to initially budget for a significant decline in fund balance. The School District benefited from having sufficient fund balance because it allowed the School District to continue to provide an adequate level of programming for the year. It also provided peace of mind by avoiding the need for sudden or drastic reactions to the adverse circumstances.

The 2021-2022 school year will face many challenges that will have a direct effect on the School District's fund balance. The Consumer Price Index (CPI) continues to grow, which will put inflationary pressures on nearly all school districts. Couple that with the budgeting pressures faced with how to spend the COVID-19 relief funds, and business offices will have a lot to consider and plan for when projecting out fund balance for the upcoming school year.

During the 2020-2021 school year, the School District's General Fund expenditures exceeded revenue by approximately \$652,000. This resulted in reducing the General Fund fund balance to approximately \$33,099,000 at June 30, 2021. Fund balance goals are often stated in terms of a percentage of total expenditures. As a point of reference, the statewide average for school districts at June 30, 2020 was approximately 15.90 percent of expenditures. Fund balance at the statewide average would approximately equal the School District's average operating costs for an 8-week period. The School District's fund balance percentage is 19 percent and equals approximately 10 weeks of operation.

Significant Changes in the Future to the GASB Financial Reporting Model

Under the current Governmental Accounting Standards Board (GASB) standards, school districts have been reporting using the current framework for approximately two decades. While the current financial statement presentation has worked, the GASB is looking to improve its effectiveness for all governments.

This project kicked off in August 2013. An exposure draft was issued in June 2020 titled "Financial Reporting Model Improvements." The exposure draft comment period ended during February 2021, and, as a firm, Plante & Moran, PLLC provided comments to the GASB on our thoughts of the proposed standards. The GASB's goal is to have final standards issued by June 2022.

Once adopted by the GASB, these new standards will have a significant impact on the accounting and financial reporting for school districts. Currently, school districts account for activity in the funds using the modified accrual basis of accounting. The exposure drafts argue that, under the current model, there is no sufficient framework that ensures that governmental entities are consistently reporting similar types of transactions in their financial statements. They also argue that the time period looked at for certain transactions in fund accounting is too short and that the current method has too many piecemeal guidance points rather than a conceptual framework against which transactions can be applied in order to determine the correct accounting. Some of the proposed changes in the exposure drafts (which are significantly different compared to the current model) include the following:

- Requiring additional information in the management's discussion and analysis (MD&A)

Livonia Public Schools

Informational Items (Continued)

- In the budget-to-actual statements, requiring a column that would show the variances between the original and amended budget
- In the fund-based statements:
 - Significant terminology changes - "Revenue" would be referred to as "inflows of resources" and "expenditures" as "outflows of resources." In addition, many of the statements will be renamed, and some of the fund-type definitions will be changed.
 - "Modified accrual" accounting would change to "short-term financial resources measurement focus." Generally, transactions would be accounted for in the governmental funds if they are expected to be converted to cash or paid in cash within 12 months of the school district's year end. A typical example would be revenue recognition. Under today's rules, if a receivable is not collected within 60 days of the school district's year end, then the related revenue, generally, must be deferred until the following year. Under the proposed changes, the revenue can be recognized in the current period as long as it will be collected within one year of the current period end. In this example, revenue in the funds may be recognized sooner in the proposed new model as compared to the current model. This change will impact the timing of when revenue and expenditures are recorded in the governmental funds; in addition, the actual financial statements themselves will actually look quite different from a presentation perspective. This is a significant change.

The exposure draft allows for a phased adoption. Districts with total annual revenue (across all funds) over \$75 million would adopt in the year ending June 30, 2025. Those under \$75 million would adopt in the year ending June 30, 2026. We will continue to monitor progression very closely. When the new standards ultimately get issued, we will work with your business office to ensure smooth and efficient adoption.

A separate but somewhat related project is also ongoing. In June 2020, the GASB released its preliminary views titled "Revenue and Expense Recognition." The objective of this project is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. When the new standard is issued and adopted, it could result in revenue and expense transactions being reported either earlier or later than they currently are in school district financial statements. The GASB's current work plan anticipates that this new standard could be issued during 2025.

GASB Implementation Guide Update 2021-1

The GASB recently issued an implementation guide that clarifies certain points in the accounting standards. The guide includes an update to existing guidance from a past implementation guide related to accounting for fixed assets and clarifies that items which are individually below a school district's capitalization threshold but for which when purchased in a group the aggregate purchase price exceeds the capitalization threshold, then the group purchase should be reported in the school district's fixed asset records. The clarified guidance goes into effect commencing in the year ended June 30, 2024. The School District should review its current practices and written policies to ensure that they align with this clarified guidance.

Significant Changes Coming to the Auditor's Report Letter Next Year

Livonia Public Schools

Informational Items (Continued)

In May 2019, the AICPA Auditing Standards Board (ASB) issued Statement on Auditing Standards (SAS) No. 134, *Auditor Reporting and Amendments, including Amendments Addressing Disclosures in the Audit of Financial Statements*. The update, which is the first significant change to auditor's reports in years, requires changes in the form and content of the auditor's report issued as a result of an audit of financial statements in order to provide financial statement users with more meaningful information about the audit process and meaning of auditor opinions. The statement also introduces the potential for auditors to be engaged to report on key audit matters within the opinion letter. These changes will take effect for the first time in your June 30, 2022 audited financial statements.

The significant key changes that you can expect to see in the auditor's report letter next year include the following:

- Revised order for elements of the opinion letter, including moving the auditor's opinion to the top of the letter
- Expansion of information to be included within a basis of opinion section, as well as notification to the user that the auditor is required to be independent of the entity and meet other ethical responsibilities
- Explanation of how misstatements to financial statements are determined to be material
- Addition of definition of reasonable assurance and identifying that the risk of material misstatement due to fraud is greater than the risk due to error
- Enhanced reporting related to going concern, including a description of management's responsibilities when required by the applicable reporting framework
- Description of the auditor's responsibilities, including responsibilities relating to professional judgment and professional skepticism, internal controls, identification of risks of material misstatement to the financial statements, evaluation of accounting policies used, conclusion on the entity's ability to continue as a going concern, and the auditor's communications with those charged with governance
- Introduction of the concept of key audit matters and clarification of the relationship between communication of key audit matters and the use of an emphasis of matter or other matter paragraph
- Alignment of reporting requirements when the audit is conducted under both generally accepted auditing standards (GAAS) and another set of auditing standards or when the auditor's opinion is other than an unmodified opinion

Understanding and Managing Potential Threats to Your Data

Education continues to be one of the top targets for ransomware attacks. Legislation called the "Enhancing K-12 Cybersecurity Act" was introduced in the House in June 2021 and would appropriate \$10M yearly for two years to fund a program to improve cybersecurity in school districts.

Working remotely during the pandemic has led to a global rise in cyberattacks. School districts shifted to remote learning quickly; in so doing, security controls may have been relaxed. In today's age of continual reports of cyberattacks, school districts need to be aware of where potential risks lie and how they are addressed and communicated to employees and the public.

When it comes to cybersecurity, the human element is still the weakest link and most targeted, as passwords like "August2021" can be easily guessed, and emails continue to trick people into clicking links and opening attachments. Information security is a district-wide issue, not just an IT department responsibility, requiring a combination of people, processes, and technology to effectively secure student,

Livonia Public Schools

Informational Items (Continued)

employee, and financial data. Now is the time to take a step back and assess exactly where your data is and the controls surrounding it. Key questions to ask include the following:

- Are our teachers and staff appropriately aware of phishing and other cyber attacks?
- Do you know where all of the various data resides in the school district? Are employees storing district data with personally identifiable information (PII) or data that is subject to FERPA on file-sharing sites or flash drives? Is the data being emailed to personal accounts?
- How secure is your data with at least a portion of your students and teachers working remotely?

Having an external party do an assessment on vulnerabilities may provide additional support to the IT team for initiatives it is implementing, providing peace of mind for the board that vulnerabilities have been assessed and addressed and allowing for confident communication to the public that its student and employee data is secure. If you are interested in discussing this further, we would be happy to continue the conversation.

DRAFT

Ayes: Acosta, Bonifield, Bradford, Burton, Centers, Jarvis, Johnson
Nays: None

**Approval to
Purchase
CogAT & Iowa
Testing
Materials**

It was moved by Mrs. Acosta and supported by Mrs. Jarvis that the Board of Education of the Livonia Public Schools School District approve the purchase of CogAT and Iowa Testing Materials from Riverside Insights for a cost of \$31,492.76 for testing sixth and eighth graders and identifying students for our Academically Talented programs. This purchase includes online testing licenses for both tests and training on how to administer the tests online.

Ayes: Acosta, Bonifield, Bradford, Burton, Centers, Jarvis, Johnson
Nays: None

**Teachers for
Approval**

It was moved by Mrs. Jarvis and supported by Mr. Johnson that the Board of Education of the Livonia Public Schools School District accept the recommendation of the superintendent and offer employment for the 2021-22 school year to the following teachers:

Rapson, Nicholas	1.0 Media Specialist	Churchill
Rautio, Matthew	1.0 Music Teacher	.6 Cleveland; .4 Webster

Ayes: Acosta, Bonifield, Bradford, Burton, Centers, Jarvis, Johnson
Nays: None

**Teachers for
Tenure**

It was moved by Mrs. Bradford and supported by Mr. Centers that the Board of Education of the Livonia Public Schools School District accept the recommendation of the superintendent and acknowledge that tenure status has been granted to the following teachers, effective on the respective date:

Jill Fawkes	10/17/21
Tracy Jubenville-Lutz	9/30/21

Ayes: Acosta, Bonifield, Bradford, Burton, Centers, Jarvis, Johnson
Nays: None

Resignation

The Board was informed of the following resignations:

Jeffrey Gowman	10/22/21
David Kobal	6/21/21
Amy Makins	8/30/21

Retirements

It was moved by Mr. Centers and supported by Mrs. Jarvis that the Board of Education of the Livonia Public Schools School District adopt a resolution of appreciation for services rendered by:

Carol Stewart, who retired from the district on June 18, 2021; and devoted 23.7 years of dedicated, loyal, and outstanding service to the Livonia Public Schools as a paraprofessional at Cooper Elementary, Perrinville Early Childhood Center,

Riley Upper Elementary, Emerson Middle School, Stevenson High School and the Western Wayne Skill Center.

Ayes: Acosta, Bonifield, Bradford, Burton, Centers, Jarvis, Johnson
Nays: None

**First Reading of
Board Policy
JCAB –
Investigations
and Searches
of Individual
Students,
Lockers, and
Other Personal
Property**

The Policy Committee has reviewed the proposed revisions for the policy below, which will be brought to the next regular meeting for a second reading and possible approval.

**BOARD POLICY
STUDENTS**

**JCAB
OCTOBER 15, 2001**

**INVESTIGATIONS AND SEARCHES OF INDIVIDUAL
STUDENTS, LOCKERS, AND OTHER PERSONAL PROPERTY
~~INVESTIGATIONS AND SEARCHES BY SCHOOL OFFICIALS~~**

~~Administrators, teachers, and other employees~~ and other school officials who have reasonable suspicion shall have the right to detain, and question, and search students and their personal belongings based upon reasonable suspicion that a prohibited or illegal act has occurred, when in their judgment it is necessary to do so. A student's person may be searched by the principal or his or her designee based upon a reasonable suspicion that a prohibited act, as set forth in the Student Code of Conduct, has occurred.

~~A student~~ All lockers is the are school property of the school district, and a principal or his or her designee may enter the locker from time to time and inspect the contents contained therein without reasonable suspicion and without notice to or approval by the student. of which students must have no expectation of privacy. Locker searches may be conducted at any time and may include sniffer dogs. Students are solely responsible for the contents of their lockers and are not to share their lockers or divulge their locker combinations to other students. Students are prohibited from placing locks on any locker without the advanced approval of school administration.

~~A student's automobile parked on school property may be searched without notice to or approval by the student.~~ Administrators and other school officials may conduct a search based upon reasonable suspicion, of any vehicle driven onto school property by a student, regardless of actual vehicle ownership.

In the course of a search conducted pursuant to this policy, the privacy rights of the student shall be respected regarding any items that are not illegal or against school policy rules. Illegal drugs, alcohol, weapons and other dangerous instruments, unauthorized items, items in violation of Board policy or school/district rules, and other items reasonably determined to be a potential threat to the safety or security of others, which are found during a search shall be seized by school personnel and may be used as evidence in a suspension or ~~expulsion~~ disciplinary hearing, and in addition, these items may be turned over to the proper ~~police~~ legal authority.

**Second
Reading of
Board Bylaws:**

It was moved by Mr. Johnson and supported by Mr. Centers that the Board of Education of the Livonia Public Schools School District accept the recommendation of the Policy Committee and adopt Board Policy language for the policies below:

**BCBF – Rules
of Order****BYLAWS OF THE BOARD
BOARD OPERATIONS
RULES OF ORDER****BCBF
OCTOBER 18, 2021**

The Board of Education shall observe **Robert's Rules of Order** (most current version) where such procedure does not conflict with the Board's bylaws and/or laws governing the operation of a board of education.

**BCBFA –
Quorum****BYLAWS OF THE BOARD
BOARD OPERATIONS
QUORUM****BCBFA
OCTOBER 18, 2021**

A majority of the members elected or appointed to **and** serving on the Board is required to constitute a quorum. The same majority is required to approve a motion.

**BCBG – Voting
Methods at
Meetings****BYLAWS OF THE BOARD
BOARD OPERATIONS
VOTING METHOD AT MEETINGS****BCBG
OCTOBER 18, 2021**

Voting shall be by voice roll call. All roll call votes shall be recorded by the Board secretary and included in the minutes of the meetings.

**BCBH –
Minutes of
Board Meetings****BYLAWS OF THE BOARD
BOARD OPERATIONS
MINUTES OF BOARD MEETINGS****BCBH
OCTOBER 18, 2021**

The Board secretary shall keep a proper record of Board of Education proceedings. In the absence of the Board secretary, the president shall appoint a secretary pro tempore.

The minutes shall include the date, time, place, members present, members absent, all decisions made at open meetings and the purpose or purposes for which closed sessions are called, and all roll call votes. Proposed and approved minutes of the Board are public records open to public inspection. Copies shall be provided upon request to members of the public in accordance with law.

The minutes shall be signed by the Board secretary or by the secretary pro tempore.

Proposed minutes of the Board will be available for public inspection during regular business hours at the Board of Education offices, 15125 Farmington Road, Livonia, Michigan, not more than eight business days after the meeting to which the minutes refer, and approved minutes of each meeting will be available for public inspection during regular business hours at the same location not more than five business days after the meeting at which the minutes are approved.

Ayes: Acosta, Bonifield, Bradford, Burton, Centers, Jarvis, Johnson
Nays: None

Adjournment

President Burton adjourned the meeting at 8:42 p.m.

Off/Supt/jw