

**MINUTES
BOARD OF EDUCATION
Livonia Public Schools
15125 Farmington Road
Regular Meeting
October 29, 2018**

President Johnson convened the meeting at 7:00 p.m. in the Board Room, 15125 Farmington Road, Livonia.

Members Present

Bonifield, Bradford, Burton, Centers, Frank, Jarvis, Johnson

Members Absent

None

Gift to Special Education Program

Stacy Jenkins, Administrator of Communications, relayed that Mr. Donny Orlando has donated funds to the Special Education Program at Livonia Public Schools. She noted that Mr. Orlando is a realtor who has graciously offered to donate 20% of his commission to the District's Special Education Program on an ongoing basis. Mrs. Beth Santers, Coordinator of Student Services, shared information about Mr. Orlando and thanked him for his first donation. Mr. Orlando stated that he is very appreciative of Livonia Public Schools and all they have done for his family.

Gift to Emerson MoCI Program

It was moved by Mrs. Burton and supported by Mrs. Bonifield that the Board of Education of the Livonia Public Schools School District accept the generous donation of \$1,000 from Peter and Wisam Khoury to the special education MoCI program at Emerson Middle School.

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

District Update from the Superintendent

Superintendent Oquist shared the following:

- Congratulations to Hoover Elementary for being the first Michigan school to achieve Green Flag School status from the National Wildlife Foundation.
- Three of our very talented vocalists from Stevenson High School were accepted into the Michigan School Vocal Music Association's Regional Honors Choir: Macade Ferguson, Emiliya Smyk, and Esin Ural.
- Johnson student Kate Evanoff exhibited very brave behavior that provided essential emergency medical support to her Mom and was recognized by the Canton Police Department.

- Grant Sobczek, a senior at Churchill, was recently featured on Channel 4 for his involvement in a Young Entrepreneurs Academy through the Dearborn Chamber of Commerce, and for his work on two startup companies.
- Congratulations to the Frost band students who were selected to participate in the 2018 Wayne State University Honors Band Day: Kathryn, Miles, Hunter, Nellie, Noelle, Michigan, Aibhlinn, Olivia, Ray, Olivia, and Henry.
- The fifth annual *Blessings in a Backpack* bowling fundraiser will take place at Merri-Bowl Lanes on November 10, 2-4 p.m. *Blessings in a Backpack* supplies food to hundreds of LPS students in need.
- The annual Frost PTSA Craft Show takes place November 3, 10 a.m. to 4 p.m.
- Athletic highlights:
 - Churchill Boys and Girls Cross Country are both Livonia City and KLAA East Division Champions.
 - Churchill and Franklin Varsity Football were both MHSAA State Playoff Qualifiers. Franklin continues into the playoffs this Friday.
 - Churchill volleyball won the KLAA East Division Championship against Stevenson.
 - Franklin volleyball competes in the first round of districts tonight against Wayne Memorial.
 - Tryouts for winter sports are just around the corner... conditioning for basketball, hockey, cheer, and our newly added bowling take place over the next couple of weeks.

**Audience
Communication**

Bradley Bonifield addressed the Board regarding his concerns with the inadequate school funding from the State.

Audrey Rodgers addressed the Board regarding her FERPA concerns.

**Written
Communication**

None

**Response to
Prior Audience
Communication**

None

**Consent
Agenda**

It was moved by Mrs. Frank and supported by Mrs. Bradford 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 24, 2018

- V.B. Minutes of the Closed Session of September 24, 2018
 V.C. Minutes of the Special Meeting of October 8, 2018
 VII.A. Approval of 2018-2019 Adult Education Program of Studies

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

Appointment of Assistant Principal at Johnson Upper Elementary School

It was moved by Mrs. Burton and supported by Mrs. Jarvis that the Board of Education of the Livonia Public Schools School District accept the recommendation of the superintendent and appoint Thomas Traub as assistant principal at Johnson Upper Elementary School, beginning November 5, 2018.

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

Teacher for Approval

It was moved by Mr. Centers and supported by Mrs. Burton that the Board of Education of the Livonia Public Schools School District accept the recommendation of the superintendent and offer employment for the 2018-19 school year to the teacher listed below:

Julia Palaian 1.0 Elementary Teacher Niji-Iro Elementary School

Ayes: Bonifield, Bradford, Burton, Centers, Frank, 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 dates:

<u>Name</u>	<u>Date</u>
Jessica Kusku	October 15, 2018
Erin Winslow	October 15, 2018

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

Leave of Absence

It was moved by Mrs. Jarvis 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 teacher:

Lisa Fritz November 2, 2018

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

Retirements

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

Jeffrey Armstrong will retire from the district on December 21, 2018, and will have devoted 30 years of dedicated, loyal, and outstanding service to the Livonia Public Schools as a custodian and building supervisor at Riley Elementary, Coolidge Elementary, and Cooper Upper Elementary.

Kathleen Coggins will retire from the district on November 20, 2018, and will have devoted 21.5 years of dedicated, loyal, and outstanding service to the students of Roosevelt Elementary, Hoover Elementary, Webster Elementary, Garfield Elementary, Cass Elementary, and Randolph Elementary as a special education paraprofessional, special education teacher and team leader.

Elizabeth Danko will retire from the district on January 11, 2019, and will have devoted 13.5 years of dedicated, loyal, and outstanding service to the Livonia Public Schools as a special education paraprofessional at Perrinville Early Childhood Center, Buchanan Elementary, and Western Wayne Skills Center.

Donna Dunn will retire from the district on November 30, 2018, and will have devoted 18 years of dedicated, loyal, and outstanding service to the students of Hayes Elementary, Nankin Mills Elementary, Taylor Elementary, Johnson Upper Elementary, Cooper Upper Elementary, Riley Upper Elementary, and Kennedy Elementary as a resource room teacher.

Diane Gallup retired from the district on August 1, 2018, and devoted 21 years of dedicated, loyal, and outstanding service to the students of Holmes Middle School and Frost Middle School as a teacher.

Daniel Walters will retire from the district on November 30, 2018, and will have devoted 25 years of dedicated, loyal, and outstanding service to the Livonia Public Schools as a warehouse worker at central office and custodian at the Ford Skills Center, Cooper Upper Elementary, and Churchill High School.

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

Approval to Purchase Guided Reading Materials

It was moved by Mrs. Jarvis and supported by Mrs. Frank that the Board of Education purchase *Literacy Footprints* Guided Reading Materials and five days of Professional Development from Pioneer Valley Books, for a total cost of \$222,328.00.

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

Approval to Retain Foresite Design for Completion of Athletic Field Projects at

It was moved by Mr. Centers and supported by Mrs. Bradford that the Livonia Public Schools School District Board of Education approve the recommendation of the Owner's Representative, Plante Moran CRESA, to award the contract for design work of Franklin High School and Stevenson High School athletic field replacement projects to Foresite Design, Berkley, Michigan, for a

Franklin and Stevenson High Schools

total estimated cost of \$99,000, based upon 4.5% of hard construction estimated amounts, and authorize the Superintendent or her designee to negotiate and execute final contract.

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

Approval to Purchase Equipment for Churchill High School

It was moved by Mrs. Bradford and supported by Mrs. Jarvis that the Board of Education of the Livonia Public Schools School District, authorize the purchase of technology equipment for Churchill High School from VSC, Inc., Novi, Michigan in the amount of \$40,678.89.

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

Approval of Agreement with Great Northern Consulting Group

It was moved by Mrs. Burton and supported by Mr. Centers that the Board of Education of the Livonia Public Schools School District approve delegating to the Superintendent or her designee the authority to enter into an agreement with Great Northern Consulting Group, Ann Arbor, Michigan for professional real estate services.

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

Approval to Purchase Flexible Furniture for Frost and Holmes Middle Schools – 2013 Bond

It was moved by Mrs. Frank and supported by Mrs. Bradford that the Board of Education of the Livonia Public Schools School District approve the purchase of flexible furniture for Frost Middle School from Yeo & Yeo Computer Consulting and Interior Environments for \$22,380.10, and for Holmes Middle School from CDW for \$39,959.71.

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

Approval of Financial Statements for 2017-2018

It was moved by Mrs. Bonifield and supported by Mrs. Burton that the Board of Education of the Livonia Public Schools School District accept the 2017-2018 audit report as presented by the audit firm of Plante Moran.

Livonia Public Schools

**Report to the Board of Education
June 30, 2018**

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, 2018. In addition to our audit report, we are providing the following results of the audit, other recommendations, and informational items that impact the School District.

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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 & Moran, PLLC

October 5, 2018

Results of the Audit

October 5, 2018

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, 2018 and have issued our report thereon dated October 5, 2018. 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 April 12, 2018, 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 Livonia Public Schools. 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, 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 5, 2018 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 14, 2018.

To the Board of Education
Livonia Public Schools

October 5, 2018

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.

As described in Note 2, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Accordingly, the accounting change has been retrospectively applied to July 1, 2017, as required by the standard.

We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus.

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

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

The most sensitive estimates affecting the financial statements were 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, 2018 were approximately \$251 million and \$96 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. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

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.

To the Board of Education
Livonia Public Schools

October 5, 2018

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. The School District omitted a disclosure from the financial statements that was requested to be disclosed for a potential range of loss on a lawsuit. Management has determined that its effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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 5, 2018.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2018.

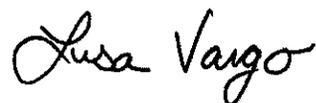
Management Consultations with Other Independent Accountants

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.

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



Lisa Vargo

Other Recommendations

Livonia Public Schools

Other Recommendations

Food Service Fund Balance

We noted that the fund balance of the Food Services Fund continues to grow toward the U.S. Department of Education's maximum allowance of three months' worth of operating expenditures. The School District should use this opportunity to upgrade or replenish equipment utilized by the food service department in order to reduce the fund balance in that fund. Furthermore, we would like to remind the School District that school food authorities (SFAs) are required to obtain prior written approval of its awarding agency before incurring the cost of a capital expenditure. For the purpose of obtaining prior approval, equipment is defined as any item of nonexpendable personal property with a useful life of one year or longer and an acquisition cost that equals or exceeds the federal per-unit capitalization threshold or a lower threshold set by the State or local level regulations. However, to help mitigate the burden of the approval process, a preapproved list of assets has been provided by the USDA, which do not require separate written approval.

Informational Items

Livonia Public Schools

Informational Items

STATE AID FUNDING

State Aid and the Foundation Allowance

State of Michigan funding for public schools continued to focus on several recurring themes and some new ones for the fiscal year ended June 30, 2018: limited increases in the foundation allowance; additional funding boosts for districts at the minimum foundation; continued student count blending formula; and additional resources dedicated to assisting with funding the School District's retirement/postretirement healthcare obligation (MPERS), including implications from changes in plan assumptions and costs incurred from changes to retirement system programs. A new revenue source provided an additional \$25 per pupil for high school enrollment. This was in addition to the School District's foundation allowance funding.

2017-2018 Foundation: For the 2017-2018 fiscal year, the base foundation increased once again by \$60, from \$8,229 to \$8,289. The State continued its use of the "2X formula," providing districts at the minimum foundation with an increase of \$120 per pupil to \$7,631. The School District's foundation allowance was increased to \$8,289. In 2011, the foundation allowance for school districts was cut \$470 per pupil as a budget balancing action. For comparison purposes, districts at the minimum foundation allowance are only now fully recovering those cuts, and districts near the base foundation are still yet to be fully restored. In the 2017-2018 State Aid Act, a minimum funding provision continued (Section 20f). This section recognizes that the funding shift toward paying the growing MPERS expense could significantly harm some districts. Just as in 2015-2016 and 2016-2017, this categorical guarantees at least a \$25 per pupil increase after giving account to the funding changes. The School District's net increase exceeded the \$25 minimum identified in 2015-2016, and no additional funding was provided under this section. This provision continues for 2018-2019.

2018-2019 Foundation: For the 2018-2019 fiscal year, the base foundation increases by \$120, from \$8,289 to \$8,409. Additionally, using the "2X formula," the minimum foundation allowance increases by \$240 per pupil to \$7,871. Based on these changes, the School District will receive a \$120 increase in its foundation allowance, representing an increase of 1.5 percent. In an attempt to consider the fact that educating high school students is more costly than those of lower grades, an additional \$25 per high school pupil allocation was created in 2017-2018 and continues for 2018-2019. This Section 22n funding is not rolled into the foundation calculation. Cyber schools and shared-time programs received significant attention during budget development, but in the end funding for these programs was not changed for 2018-2019.

Foundation Calculations for Hold Harmless Districts: Due to an inflationary cap on Hold Harmless District Foundation Allowances, which was put in statute along with the school funding reforms tied to Proposal A in 1994, Hold Harmless districts (currently foundation allowances greater than \$8,409) are capped. Beginning in 2017-2018, the State Aid Act provides funding for the difference between each Hold Harmless district's inflationary increase and the \$120 increase in the base foundation allowance to be allocated under a separate calculation. This supplemental payment now included in the foundation allowance calculation allows Hold Harmless districts to receive the same minimum funding increase as other districts in 2018-2019.

Livonia Public Schools

Informational Items (Continued)

Pupil Membership Blend for 2017-2018 and 2018-2019: The method for counting students was the same for 2017-2018 and for 2018-2019. The funding formula uses calendar year counts with a weighting of 90 percent of the fall count and 10 percent of the February count. The 2017 calendar year counts were used to for the 2017-2018 fiscal year funding, and 2018 calendar year counts are used for the 2018-2019 fiscal year funding. The shared-time program enrollment count cap of .75 for students enrolled in a shared-time program was retained. As in 2017-2018, the School District cannot generate more than a .75 FTE for a student participating in a shared-time program.

At Risk Funding: For 2018-2019, the funding level is unchanged, but several changes were made to the performance requirements for At Risk Funds, including use of a new funding formula not effective until the 2019-2020 school year. Key focus items include third grade English language learners' reading improvement, eighth grade math proficiency, and one year's growth on a benchmark test. Implications of these changes should be carefully evaluated, as they could have a significant effect on future district At Risk programming.

MPSERS Cost Support: Retirement system contributions are a significant part of the School District's labor costs. During 2017-2018, the contribution rate the School District is required to pay continued to rise, though the growth rate has slowed. In addition, as a result of PA 92, the program offerings have changed and increased in complexity. The School District has no ability to influence the rate and no choice regarding its participation in the program. To aid the School District in meeting its obligation, the 2017-2018 State Aid Act continued to include two funding sources and added three more to help pay for some of the increased cost. Each categorical aid section is formula driven using the School District's MPSERS payroll participation data, and each is designed to support a specific cost factor in the retirement contribution. Funding is provided in three separate sections of the State Aid Act, Sections 147a, 147c, and 147e. The School District received a total of \$1,319,494 in 147a1, \$580,947 in 147a2, \$11,397,325 in 1471c1, \$2,201,625 in 147c2, and \$50,280 of 147e categorical aid to help offset the impact of its retirement costs. Each of these sources continues for 2018-2019 except for 147c2, which was designed as a one-time payment to offset a one-time retirement cost. In general terms, this means that the total cost of the retirement system contributions in 2017-2018, representing approximately 37 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 26 percent contribution to the retirement system. The School District budgeted for additional state revenue and additional retirement expenditures in order to accommodate this funding mechanism, but may encounter some budget variances due to the fact that the state revenue provided is based on prior year school district payroll information, and some amounts were adjusted with the August 2018 state aid payment.

The changes referenced above are the result of many factors. A discussion of the key changes impacting retirement contributions and retirement funding follows. The first is the fact that the assumed rate of return within the retirement plan decreased to 7.5 percent from 8 percent. When this assumption is reduced, it has the net effect of increasing the value of the retirement obligation for the plan. This then increases the required contributions to fund the plan. Second, for staff hired on or after February 1, 2018, the default employee election will be into a defined contribution (DC) plan; however, an employee can elect the hybrid plan within a specified time frame. District contributions and state support are also modified for employees electing the new DC plan. This created a change in the School District's cost of the benefit for employees new to the retirement system beginning in February 2018. Additional funding is provided under a new State Aid Act, Section 147e, to help support the shift to the new design.

Livonia Public Schools

Informational Items (Continued)

Other State Aid Act Changes Impacting 2018-2019

Overall, 2018-2019 State Aid Act amendments did not include significant new program initiatives. This is a key reason why the per pupil foundation allowance funding was double what was provided in 2017-2018. Several changes of note that could impact the School District include the following:

Partnership Model: Section 21h continues funding to assist districts assigned by the MDE to participate in a partnership to improve student achievement, including funds for professional development, increased instructional time, mentors, and other costs impacting student achievement. The requirements were updated for 2018-2019, allowing the state superintendent to waive burdensome administrative rules for partnership districts and to require districts to include the crafting of goals that put students on track to meet or exceed grade level proficiency. In addition, the 2018-2019 amendments included new requirements for partnership districts to meet to receive the discretionary portion of their foundation allowance. The Partnership Model appears to be the primary approach to assist underperforming districts.

Assessment Changes: The grades were changed for the summative science test to be taken from fourth and seventh grades to fifth and eighth grades, and the Michigan Department of Education is required to provide guidance to districts on optionally adopting and implementing department-approved benchmark assessments and to recommend that districts commit to using the same benchmark assessment for no less than three years before changing to another test. Funding for a kindergarten entry observation tool was provided that added requirements for the summative assessments for math and ELA to be aligned to the PSAT and conditioned reimbursement for benchmark assessments on districts choosing one benchmark and using it for at least three years. These provisions are discussed in Sections 102d, 104, and 104c of the State Aid Act amendments and likely require planning for the School District to effectively implement them.

Career and Technical Education (CTE): A total of \$5.0 million in new funding was added to incentivize districts to enroll students in CTE programs.

Adult Education: Funding for adult education was increased modestly with no significant change in program operations.

Support from the State's General Fund: Since the adoption of Proposal A, the State's General Fund has provided support to the School Aid Fund. For the last several years, the level of General Fund support has continued to fall. For 2018-2019, the trend continues with a \$60 million reduction in support. On a statewide basis, the reduction in support equates to approximately \$40 per student.

Repayments to the State: If a district is overpaid by the State of Michigan, it is required to repay the State. If the repayment creates a hardship, a request for extending payments can be made. The amount of time the MDE may grant for a district to repay any overpayments is nine years. Beginning in 2018-2019, language was removed allowing for the MDE to waive all or a portion of a repayment under certain conditions.

Enrollment after Fall Count Day: For 2018-2019, the ability to prorate student count for pupils added after the count day continues.

Livonia Public Schools

Informational Items (Continued)

Transparency Reporting Requirements: These content posting requirements continue and include, but are not limited to, deficit elimination plans, enhanced deficit elimination plans, district credit card information, budget information, procurement and reimbursement policies, and out-of-state travel information. Transparency reports must be updated on the district's website within 15 days of the change.

State Aid Planning Considerations for 2018-2019 and Beyond

Michigan's economy is growing steadily, but, based on Revenue Estimating Conference predictions, there continue to be financial challenges ahead for the State. In addition, come 2019, a new administration will be in place and likely new educational priorities will follow. School Aid Fund revenue continues to grow at a modest pace, but the General Fund projections are at a slower pace with significant pressure on the state budget to fund continuing projects.

For 2018-2019, the funding increases were double those of the previous year. Only one significant initiative, the Marshall Plan, was put in place, and the Revenue Estimating Conference concluded there was sufficient growth to support the increase. These increases were the largest in well over 10 years. In planning for the future, districts should use care in estimating the future growth rates in per pupil funding. That is, it is unclear if the School Aid Fund will be able to provide similar increases in 2019-2020 and beyond. As the legislature and a new governor continue to modify tax policy, determine new educational initiatives, plan for state General Fund resource needs, assess retirement system performance and benefits, and revisit School Aid Fund resource allocations, the growth and availability of School Aid Fund resources to fund K-12 regular education programs is likely to be at or below the rate of inflation.

Clearly, the key issue continuing to face the future of school funding is the need to cover the cost of the retirement system. Public Act 92 and other modifications to the retirement system have been projected to create significant increased costs and modify how the retirement system is funded. While it appears the legislature has provided resources through the School Aid Fund to cover significant elements of the cost increase, this means those resources are not available to fund other K-12 operations. The need to fund this obligation will continue to impact the School District's ability to receive additional resources to fund general education initiatives, and monitoring legislative action in this area will be important in predicting future resource available for the School District.

Careful planning continues to be key for the School District to create a cost structure that is sustainable. The use of budget modeling is essential, especially as the School District looks to determine actual state funding available to fund regular education operations, as well as funding for specific initiatives. During the budget planning process, it is important to segregate resources required to fund specific activities, such as federal funding, special education, or At Risk, when assessing the resources available to fund continuing operations. We recommend the School District fully analyze the projected revenue assumptions to estimate resources available to fund operations when entering into multi-year expenditure agreements.

Livonia Public Schools

Informational Items (Continued)

Marshall Plan for Workforce Development

Over the last year, the governor focused on a new educational priority focused on career and technical education. He included elements of the plan in his budget proposal sent to the legislature. While the legislature did not embrace the proposal as part of the State Aid Act amendments, there was sufficient funding to provide resources as a separate initiative. This resulted in a \$100 million funding allocation. The fund will bolster career-oriented school programs to maintain a pipeline for students from graduation to jobs in professional trade, information technology, or other top career fields. The purpose is to train students in technical and trade skills in lieu of only promoting a traditional K-12 education path in order to help fill the talent gap in Michigan. As stated by the governor, the Marshall Plan for Talent's goal is to create, expand, and support educators and businesses that create innovative programs for high-demand, high-wage careers.

In addition to the specific educational initiatives, the multibill package requirements include: direction for the Department of Education to develop, in consultation with the Department of Talent and Economic Development, a model program of instruction in career development; promulgating rules allowing a person to use time spent engaging with local employers or technical centers to count toward renewing a teaching certificate; allowing people without a teaching certificate but with professional experience to teach in an industrial technology or career and technical education program for up to 10 years; using educational development plans for students; allowing students graduating high school through 2024 to fulfill one credit of the foreign language requirement by completing a career technical education program; removing the basic skills exam from the requirements to teach for more than a year as a noncertified teacher in a shortage area like computer science, foreign languages, math, biology, chemistry, engineering, physics, robotics, or other such courses; and allowing someone without a teaching certificate to serve as a substitute teacher if they have 60 hours of college credit or an associates degree.

Key objectives of the Marshall Plan include the following:

- Foster business and education collaboration
- Evolve to competency-based learning
- Increase the number of individuals with stackable credentials and/or certificates for high-demand, high-wage occupations
- Increase workforce planning (supply and demand)
- Increase career awareness and exploration
- Create multiple career pathways
- Focus on education linking competencies and opportunities
- Support funding and resources for programs

As part of the Marshall Plan, there is nearly \$59 million available in innovation grants. Funds will be awarded based on the level of innovation, the strength of the partnerships, and how well the application embraces the philosophies of competency-based learning for high-demand, high-wage careers.

Regional workshops occurred during the summer of 2018, and applications are scheduled to be available in the fall of 2018.

Participation in most elements of the Marshall Plan require membership in a talent consortium. For the School District, understanding the elements of the Marshall Plan, how the resources can be tapped into, and how to leverage school initiatives with the plan components could prove beneficial as part of the School District's overall educational mission.

Livonia Public Schools

Informational Items (Continued)

MPSERS Reform and Future Contribution Rates

There is a significant change on the horizon related to how school districts will make contributions to the MPSERS plans. Currently, MPSERS contributions are remitted to the Office of Retirement Services (ORS) after each pay period based on the payroll of participants in the plan multiplied by the applicable stated contribution rates, which are published by the ORS. Effective for the state fiscal year ending September 30, 2020, the calculation for MPSERS contributions will significantly change due to the recent passage of Public Act 181 in June 2018. Commencing October 1, 2019, the district's MPSERS contributions will no longer be tied to current payroll like they are today. Rather, contributions will be remitted to the plan following a formula that will start with a "base year" calculation of the district's payroll-related and purchased services expenditures. Each year after that base year, any increase in both payroll and purchased services will have a direct correlation to an increase in the base of the calculation for the amount of required MPSERS contributions. In short, the new law will include both payroll and purchased service expenditures when calculating a portion of the required contributions. One of the primary reasons for this change is that in general across the state, payroll is shrinking. The State of Michigan has a requirement to pay down the UAAL by a set date. At the current pace, given the contraction of payroll expenditures at most districts, it was anticipated that the UAAL was not on pace to be paid off by the set date. Essentially, the calculation of the UAAL contribution will compute a change in the payroll and purchase service base over time and apply that rate of change to an initial payroll level. The specifics of how the base will be determined and the initial period for payroll data are yet to be clarified. This modification in how districts contribute to the plan is one of the primary reasons for the shifts in how contributions are to be made.

An important goal for the timing of the change is to allow districts to be able to use the calculation model before the budget year begins so the actual expense can be determined and built into the district's budget. This change creates many questions that cannot yet be answered today. One of the primary issues at hand is whether or not the MPSERS contributions can continue to be charged to federal programs, now that the contributions will not be tied to current payroll. The School District should continue to keep an eye out for guidance on this important question as it becomes available; this is likely a regulatory matter on which we anticipate the department will need to publish guidance for the districts. The School District should also keep in mind that this will have a significant impact on how the School District prepares its budget in the spring of 2019 for the 2019-2020 fiscal year.

ORS 3 Percent Healthcare Contribution

PUBLIC ACT 75 (PA75)

Effective July 1, 2010, PA75 required school districts withhold 3 percent from each employee's compensation and send it to the Michigan Office of Retirement Services (ORS) for deposit into a healthcare trust. After a lengthy court battle, in December 2017, the Michigan Supreme Court ruled PA75 unconstitutional and ordered all contributions and interest be refunded back to the employees. Total contributions statewide under PA75 approximated \$550,000,000. In January 2018, ORS transferred the funds back to districts, which were then required to refund the dollars to the original contributors. This process was a significant administrative undertaking placed upon districts, and many continue efforts locating former employees who had separated from the districts years ago or families of employees who have since passed away. In addition, the refunded contributions are a return of wages withheld, and districts will be required to complete 2018 annual tax reporting related to the refunds in January 2019.

Livonia Public Schools

Informational Items (Continued)

There may be more refunds and more work ahead for districts related to the PA75 contributions refund matter. A court case contesting the “very minimal” interest earnings on the PA75 contributions withheld over the period from July 2010 until September 2012, and not refunded to districts until January 2018, was concluded in July 2018. The case evaluated the total interest earnings of approximately \$4,000,000 on the \$550,000,000 PA75 contributions earned over a seven-year period. The funds were held by the State in a low-interest, or “safe,” savings account. In its decision, the Michigan Court of Claims ruled that school employees were entitled to, and should collect, additional interest, although the court did not specify the amount. The State can appeal this ruling.

Prevailing Wage Repealed

On June 6, 2018, a legislative initiative with immediate effect repealed Michigan’s Prevailing Wages on State Projects law. Michigan’s Prevailing Wage law covers construction workers employed on state-financed or sponsored construction projects for which the State’s Wage and Hour Division establishes wage and fringe benefit rates to be paid to construction workers on projects. The Michigan Department of Licensing and Regulatory Affairs (LARA) issued communications and guidance on the repeal of the State’s Prevailing Wage law related to rate postings and treatment of pending contracts. The State will no longer post rates online, and LARA suggests entities consult legal counsel for interpreting requirements of ongoing contracts. Unchanged, the federal prevailing wage law under the Davis-Bacon Act of 1931 still requires contractors and subcontractors of federally funded construction project in excess of \$2,000 to apply a local prevailing wage, as determined by the U.S. Department of Labor.

Micropurchase and Simplified Acquisition Threshold Increases

In June 2018, the Office of Management and Budget (OMB) issued memorandum M-18-18 providing guidance on changes to micropurchase and simplified acquisition threshold requirements. The key changes are as follows:

- Increase micropurchase threshold to \$10,000 (or higher in certain limited circumstances)
- Increase simplified acquisition threshold (small purchase procedures limit) to \$250,000

The changes impacting districts were created by changes to the National Defense Authorization Act (NDAA) of 2018. NDAA 2018 impacts all recipients (prime recipients, pass-through entities, and subrecipients). The memorandum clarifies that all entities can take advantage of the increases to the micropurchase threshold to \$10,000 and the simplified acquisition threshold to \$250,000, effective upon the issuance of the OMB memorandum (the date appearing on the memorandum is June 20, 2018). If the School District will take advantage of the increase, it should be documented in accordance with the general procurement standards of the Uniform Guidance at 2 CFR 200.318. Key adoption considerations for micropurchase and simplified acquisition threshold changes include the following:

- When the UG procurement standards were initially implemented, were specific amounts included in the policy or were references to the UG sections or amounts as adjusted referenced?
 - If specific amounts were referenced in the policy, the School District will need to update its policy to take advantage of the changes.
 - If the policy was written to allow for changes in amounts, grantee procedures will need to be updated to conform.

Livonia Public Schools

Informational Items (Continued)

- If this change is inconsistent with other procurement policies within the School District, a decision must be made as to how the policy will be enacted. Remember, state law or other requirements may limit full utilization of the changes.
- Some districts may not choose to fully adopt the change, instead maintaining lower thresholds. Districts are not required to use these thresholds, but cannot exceed them.

Treasury Website Outlines School Finance

The Michigan Department of Treasury launched a new website that provides intuitive and helpful fiscal data for local education agencies and intermediate school districts across the state of Michigan. The website compiles fiscal data from academies and districts throughout the state and analyzes data based on local units of the same type. The dashboard illustrates “data snapshots” for an LEA or ISD, offering quick references for state foundation allowance per pupil, student counts, General Fund revenue and expenditures, General Fund fund balance, and General Fund fund balance as a percentage to revenue. Additional data analytics include General Fund revenue and expenditures per staff and per pupil. The website allows citizens, businesses, and officials to have access to useful information to measure an academy or district’s fiscal health. The MI School Financial Dashboard is provided by the Michigan Department of Treasury using data collected by the Center for Educational Performance and Information (CEPI).

Fund Balance

Prior to 2018-2019, the focus of state funding did not provide significant new resources for operations for most districts. In 2018-2019, the rate of increase for districts is essentially two times the rate of the previous two years. Unfortunately, current Revenue Estimating Conference estimates do not necessarily support a continuing rate of increase consistent with 2018-2019, making financial projections more difficult for districts. We feel that it is important for the School District to maintain an appropriate level of fund equity. We believe that the benefit of the School District maintaining an appropriate amount of fund equity allows the School District the ability to maintain its current level of programs, while being able to meet unforeseen circumstances, like the implementation of State Aid funding changes or a significant change in enrollment. This becomes especially important due to the funding caps imposed by school finance reform; increasing retirement and healthcare costs; other cost pressures the School District is facing, including cash flow needs due to the fact approximately 18 percent of the School District’s State Aid is received after the school year has ended; and concerns over the allocation of resources within the School Aid Fund in the future and the fact that the State is increasing its monitoring of each school district’s financial health, including implications from the Early Warning requirements.

During the 2017-2018 school year, the School District’s General Fund revenue exceeded expenditures by approximately \$5.8 million. This resulted in increasing the General Fund equity to approximately \$22.5 million at June 30, 2018. Fund balance goals are often stated in terms of a percentage of total expenditures (excluding transfers out). As a point of reference, the statewide average for school districts at June 30, 2017 is approximately 12.79 percent of expenditures (excluding transfers out). Fund equity of 5.5 percent of expenditures would approximately equal the School District’s average accounts payable and payroll for a three-week period, while 11 percent would approximately equal six weeks. The School District’s fund equity percentage is 14.20 percent and equals approximately seven weeks of operation. Clearly, the School District must continue focus on difficult budget projections in 2018-2019 and beyond to fund recurring operating costs. Given the current focus of how state funding is appropriated, budget planning and fund balance management will continue to be essential elements for the School District’s success.

Livonia Public Schools

Informational Items (Continued)

Budgeting for Sustainability

With stagnant revenue and costs that have already been cut and revised year after year, it becomes increasingly more difficult to budget for sustainability. The State has put an emphasis on striving for sustainability. Through the Early Warning legislation, any indicators in decline, even in budgets, are being closely scrutinized by the State Treasury. Many districts continue to eat into fund balance, an unsustainable practice. Looking forward, districts must evaluate long-term plans, including technology plans, capital plans, staff contract plans, and what needs the district will have. It must then be assessed, with revenue projections as they are, whether the district be able to address these needs. In order to maintain a healthy fund balance, the district must be proactive and plan strategically in managing contracts, offering programs to attract individuals, and continuing to invest in technology and infrastructure. Districts are faced with the challenge of thinking outside the box in order to find ways to compose sustainable budgets for the future.

GASB Statement No. 75 - Reporting for OPEB Obligations

Effective for the School District's June 30, 2018 financial statements is GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This OPEB standard requires the School District to recognize on the face of the government-wide financial statements its proportionate share of the net OPEB liability related to its participation in the MSPERS plan. While the School District has a very small share of the statewide OPEB liability (less than 1 percent), the obligation the School District recorded is significant.

The data required to record this liability has come from the retirement system using the plan's September 30, 2017 fiscal year end information. Changes in the net OPEB liability are reported as an expense at the government-wide level and in proprietary funds. The School District has recorded the deferred inflows and outflows with the plan as of the measurement date (September 30, 2017) and computed and reported the contributions expensed in the funds after the measurement date through the School District's fiscal year end.

The statement has a similar impact on the financial statements as did GASB No. 68 when it was adopted in 2015.

- The adoption of GASB 68 related to the MSPERS pension liability left many districts with a negative net position in the government-wide set of financial statements. The adoption of GASB 75 is likely to significantly increase that deficit.
- The adoption of the standard has not impacted the expenditures reported in the General Fund and has not impacted General Fund fund balance.
- Disclosures regarding the plan and data related to the plan are significantly expanded in the School District's financial statements.
- The adoption of the statement required adjustments to the beginning of the year net position.

Livonia Public Schools

Informational Items (Continued)

GASB Statement No. 84 - Fiduciary Activities

This statement is effective for the first time in the School District's June 30, 2020 financial statements. The statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The statement was issued as it was determined by the GASB that there was divergence in practice between governments in what was being reported in a fiduciary fund. This statement was designed to provide a principles-based approach that governments could apply against their situations to determine if certain activity should be reported in a fiduciary fund. The statement also establishes and defines four types of fiduciary funds: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. The School District will have to apply the new principle-based rules from this statement to determine if more or less reporting will be required related to fiduciary activities that may exist upon implementation of this standard, including the potential that certain activities could be reported as a new special revenue fund. This statement is expected to be significant for districts, as most districts have some form of fiduciary-type activities that will need to be evaluated using this new statement. The Michigan Department of Education (MDE) has communicated that additional guidance will be forthcoming from MDE in order to assist in assuring consistent application amongst districts.

INFORMATION TECHNOLOGY

Understanding and Managing Potential Threats to your Data

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 the employees and public. Even when the best controls are implemented internally, confidential student and employee information can still be at risk based on the variety of locations data is stored.

When it comes to cybersecurity, the human element is still the weakest link and most targeted - as passwords like "August2018" can be easily guessed and emails continue to trick people into clicking links and opening attachments. As information security is a district-wide issue, not just an IT department responsibility - security requires a combination of people, processes, and technology to effectively secure your student, employee and financial data. Now is the time to take a step back and assess exactly where your data is and the controls surrounding that data.

Key questions to ask include:

- Do you know where all of the various data resides in the district?
- Outside your data center network, are employees sending information to file-sharing sites, saving data on their computers, taking information home on flash drives, or sharing information with third parties? For example, do employees download reports or retain spreadsheets of information on their computers to work on and analyze?

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

Livonia Public Schools

**Federal Awards
Supplemental Information
June 30, 2018**

Livonia Public Schools

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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, 2018 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 5, 2018, which contained unmodified opinions on the financial statements of governmental activities, each major fund, and the aggregate remaining fund information. 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 5, 2018.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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.

Plante & Moran, PLLC

October 5, 2018

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, 2018 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 5, 2018.

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) to determine the 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 determination of financial statement amounts. 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*.

To Management and the Board of Education
Livonia Public Schools

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 School District'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.

Plante & Moran, PLLC

October 5, 2018

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

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 Schools' (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 the School District's major federal program for the year ended June 30, 2018. The School District's major federal program is 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 program.

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 its major federal program for the year ended June 30, 2018.

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.

Plante & Moran, PLLC

October 5, 2018

Livonia Public Schools

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Agency Name/Pass-through Agency/Federal Program Title	Grant/Project Number	CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue as of July 1, 2017	Federal Funds/Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2018	Total Amount Provided to Subrecipients
Clusters:									
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through Michigan Department of Education:									
Noncash assistance (commodities) - National School Lunch Program:									
Entitlement commodities 1617	N/A	10.555	\$ 225,946	\$ 206,057	\$ -	\$ 19,889	\$ 19,889	\$ -	\$ -
Entitlement commodities 1718	N/A	10.555	182,827	-	-	182,827	182,827	-	-
Total noncash assistance - Entitlement commodities		10.555	408,773	206,057	-	202,716	202,716	-	-
Cash assistance:									
National School Lunch Program 2016-2017	171960	10.555	1,390,828	1,390,828	72,160	72,160	-	-	-
National School Lunch Program 2017-2018	181960	10.555	1,451,993	-	-	1,380,253	1,451,993	71,740	-
Total National School Lunch Program (incl. commodities)		10.555	3,251,594	1,596,885	72,160	1,655,129	1,654,709	71,740	-
National School Breakfast Program 2016-2017	171970	10.553	326,046	326,046	21,080	21,080	-	-	-
National School Breakfast Program 2017-2018	181970	10.553	324,287	-	-	304,271	324,287	20,016	-
Total National School Breakfast Program		10.553	650,333	326,046	21,080	325,351	324,287	20,016	-
Total Child Nutrition Cluster			3,901,927	1,922,931	93,240	1,980,480	1,978,996	91,756	-
Special Education Cluster - U.S. Department of Education - Passed through Wayne County RESA:									
IDEA, Part B:									
IDEA Flowthrough 1617	170450	84.027A	3,173,412	3,020,252	698,647	698,647	153,160	153,160	-
IDEA Flowthrough 1718	180450	84.027A	3,034,410	-	-	2,932,529	3,034,410	101,881	-
IDEA Flowthrough - Regular subtotal		84.027A	6,207,822	3,020,252	698,647	3,631,176	3,187,570	255,041	-
IDEA Regular - CPE 1617	170450	84.027A	627,480	627,480	177,853	177,853	-	-	-
IDEA Regular - CPE 1718	180450	84.027A	811,727	-	-	287,980	811,727	523,747	-
IDEA Regular - CPE subtotal		84.027A	1,439,207	627,480	177,853	465,833	811,727	523,747	-
IDEA Preschool Incentive:									
IDEA Preschool 1617	170460	84.173A	181,386	181,386	792	792	-	-	-
IDEA Preschool 1718	180460	84.173A	195,149	-	-	145,508	195,149	49,641	-
Total IDEA Preschool Subtotal		84.173A	376,535	181,386	792	146,300	195,149	49,641	-
Total Special Education Cluster			8,023,564	3,829,118	877,292	4,243,309	4,194,446	828,429	-
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through Wayne County RESA - Medicaid Outreach 1718									
		93.778	23,661	-	-	23,661	23,661	-	-
Total of cluster programs			11,949,152	5,752,049	970,532	6,247,450	6,197,103	920,185	-

Livonia Public Schools

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

Federal Agency Name/Pass-through Agency/Federal Program Title	Grant/Project Number	CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue as of July 1, 2017	Federal Funds/Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2018	Total Amount Provided to Subrecipients
Other Federal Programs:									
U.S. Department of Education - Passed through Michigan Department of Education:									
TITLE I, Part A:									
Title I Part A 1617	171530	84.010	\$ 1,376,462	\$ 1,281,815	\$ 103,543	\$ 103,543	\$ -	\$ -	\$ -
Title I Part A 1718	181530	84.010	1,471,505	-	-	1,234,035	1,343,965	109,930	-
Total Title I Part A		84.010	2,847,967	1,281,815	103,543	1,337,578	1,343,965	109,930	-
TITLE II, Part A:									
Title II Part A 1617	170520	84.367	506,498	274,304	20,404	20,404	-	-	-
Title II Part A 1718	180520	84.367	377,622	-	-	246,812	269,462	22,650	-
Total Title II Part A		84.367	884,120	274,304	20,404	267,216	269,462	22,650	-
TITLE III, English Language Acquisition State Grants:									
Title III Immigrant Students 2016-2017	170570	84.365A	20,633	17,103	6,570	6,570	-	-	-
Title III Immigrant Students 2017-2018	180570	84.365A	21,763	-	-	21,054	21,054	-	-
Title III Limited English Proficient Students 2016-2017	170580	84.365A	60,799	53,850	4,208	4,208	-	-	-
Title III Limited English Proficient Students 2017-2018	180580	84.365A	60,546	-	-	60,353	60,546	193	-
Total Title III English Language Acquisition State Grants:		84.365A	163,741	70,953	10,778	92,185	81,600	193	-
Adult Learning WIA Core Programs									
Federal EL Civics 2016-2017	171120	84.002A	57,850	33,686	33,686	33,686	-	-	-
Federal General Instruction 2016-2017	171130	84.002A	166,075	166,075	26,430	26,430	-	-	-
Federal General Instruction 2017-2018	181130	84.002A	197,780	-	-	167,838	197,169	29,331	-
Total Adult Learning WIA Core Programs		84.002A	421,705	199,761	60,116	227,954	197,169	29,331	-
U.S. Department of Education - Passed through Wayne County RESA - Carl D. Perkins Career and Technical Education Program:									
Perkins 2016-2017	173520	84.048A	268,472	254,187	27,625	27,625	-	-	-
Perkins 2017-2018	183520	84.048A	236,446	-	-	194,202	232,828	38,626	-
Total Perkins Career and Technical Education Program		84.048A	504,918	254,187	27,625	221,827	232,828	38,626	-
U.S. Department of Agriculture - Passed through Michigan Department of Education - Child and Adult Care Food Program:									
CACFP Meals 2016-2017	171920	10.558	5,055	5,055	365	365	-	-	-
CACFP Meals 2017-2018	181920	10.558	4,920	-	-	4,148	4,920	772	-
Total Child and Adult Care Food Program		10.558	9,975	5,055	365	4,513	4,920	772	-
Total of Noncluster Programs			4,832,426	2,086,075	222,831	2,151,273	2,129,944	201,502	-
Total Federal Awards			\$ 16,781,578	\$ 7,838,124	\$ 1,193,363	\$ 8,398,723	\$ 8,327,047	\$ 1,121,687	\$ -

Livonia Public Schools

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Livonia Public Schools under programs of the federal government for the year ended June 30, 2018. 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 Livonia Public Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Livonia Public Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Livonia Public Schools 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.

Livonia Public Schools

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X None reported

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Audit Findings

Finding

None

Section III - Federal Program Audit Findings

Finding

None

Livonia Public Schools

**Financial Report
with Supplemental Information
June 30, 2018**

Livonia Public Schools

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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, 2018 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, 2018 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, as of July 1, 2017, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

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 an opinion 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 5, 2018 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 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 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.

Plante & Moran, PLLC

October 5, 2018

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, 2018. 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, as well as 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 Programs Fund, the Sinking Fund, and the 2013 Bond Series II 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 Information for Major Funds

Schedules of Proportionate Share of the Net Pension and OPEB Liabilities

Schedules of Pension and 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 Most Significant Funds - 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 Funds 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.

Agency Funds and Trust Funds

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in a separate statement of 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, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
Assets		
Current and other assets	\$ 106.2	\$ 126.1
Capital assets	247.6	226.6
Total assets	353.8	352.7
Deferred Outflows of Resources	63.4	34.9
Liabilities		
Current liabilities	32.8	62.0
Noncurrent liabilities	222.8	232.4
Net pension liability	287.2	278.5
Net OPEB liability	97.9	-
Total liabilities	640.7	572.9
Deferred Inflows of Resources	39.2	19.3
Net Position		
Net investment in capital assets	66.8	67.2
Restricted	3.2	0.4
Unrestricted	(332.7)	(239.5)
Total net position	\$ (262.7)	\$ (171.9)

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 \$(262.7) million at June 30, 2018. Net investment in capital assets totaling \$66.8 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 (\$(332.7) million) was unrestricted.

The \$(332.7) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. This deficit includes the impact of the 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 positive \$52.4 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, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 7.6	\$ 7.9
Operating grants and contributions	59.3	53.8
General revenue:		
Property taxes	47.6	46.7
Unrestricted state aid	91.2	92.8
Other	1.3	0.8
Total revenue	207.0	202.0
Expenses		
Instruction	103.6	101.3
Support services	68.1	72.2
Athletics	2.2	2.1
Food services	3.6	3.8
Community services	3.4	3.4
Interdistrict payments	0.1	0.1
Debt service	8.4	8.9
Unallocated depreciation	9.3	-
Loss on impairment of capital assets	-	1.2
Other	-	0.1
Total expenses	198.7	193.1
Change in Net Position	8.3	8.9
Net Position - Beginning of year, as previously reported	(171.9)	(180.8)
Cumulative Effect of Change in Accounting	(99.1)	-
Net Position - Beginning of year	(271.0)	(180.8)
Net Position - End of year	<u>\$ (262.7)</u>	<u>\$ (171.9)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$198.7 million. Certain activities were partially funded from those who benefited from the programs (\$7.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$59.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$47.6 million in taxes, \$91.2 million in state foundation allowance, and with \$1.3 million of other revenue (i.e., interest and general entitlements).

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the School District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$99.1 million and to include the net OPEB liability and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

Livonia Public Schools

Management's Discussion and Analysis (Continued)

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 \$71.7 million, which is an decrease of \$24.2 million from last year. This decrease is primarily the result of expending the proceeds from the 2013 bond on capital project expenditures that have included major upgrades to school buildings across the School District and the continuation of technology infrastructure upgrades through the School District.

The School District is pleased to report that in the General Fund, our principal operating fund, the fund balance increased from \$16.7 million to \$22.5 million. The presence of a fund balance allows the School District to better manage the impact of myriad things, such as mid-year reductions in funding, declining enrollment, and increased healthcare costs, all while avoiding drastic changes in educational programs and/or employee layoffs during the school year. The increase is a direct result of a district priority focus on establishing financial stability. Our goal is to be responsible stewards of our district's finances and resources and to use our financial resources to maximize educational achievement, sustain effective programming, and promote an environment of fiscal responsibility.

Fund balance of our special revenue funds decreased from \$2.1 million last year to \$1.6 million this year, a change of \$0.5 million, primarily as a result of transferring an indirect cost reimbursement out of our Special Education fund into our General fund.

Combined, the fund balance of our debt service funds increased \$1.2 million. Millage rates remained consistent with the prior year, but due to higher taxable values, the same millage rates generated additional revenue for the district. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved since they can only be used to pay debt service obligations.

Combined, the fund balance of our capital project funds decreased \$30.8 million. This decrease is primarily due to continued construction related to the 2013 bond issue and repairs made possible through our voter-approved sinking fund. There are plans for the remaining voter-approved 2013 bond funds to be expended in the next year and a half.

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 2018. 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.

There were revisions made to the 2017-2018 original revenue budget. Budgeted revenue was increased \$7.0 million as a result of additional information that became available after the adoption of the 2017-2018 budget back in June 2017. Local revenue and transfers in were adjusted up by \$1.4 million in categories such as property taxes, program income, and the Wayne County Enhancement Millage. State revenue was adjusted up by \$4.9 million. A total of \$2.6 million of the increase in state revenue is related to Section 147 revenue allocated by the State in an effort to offset the burdensome costs of the State's retirement plan. With this, particular additional revenue also came directly higher retirement costs on the expenditure side. Other budgeted revenue and financing sources were also increased by \$0.7 million.

Livonia Public Schools

Management's Discussion and Analysis (Continued)

Budgeted expenditures were also increased \$3.9 million from the original budget adopted in June 2017 to the final budget adopted in June 2018. The largest adjustment to the budgeted expenditures was an additional \$2.9 million for retirements costs largely as a result of the additional state revenue mentioned earlier to offset retirement costs. Another large adjustment was also in the benefits category in the form of health insurance. An additional \$0.7 million was budgeted for health insurance compared to the original budget. Open enrollment for employee benefits takes place midyear rather than before the start of our fiscal year, which generally does require some adjustments to be made to the budgeted insurance amounts once actual employee elections are made.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the School District had \$247.6 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$21.0 million, or 9.3 percent, from last year.

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 6,603,825	\$ 6,603,825
Construction in progress	31,024,918	27,985,647
Buildings and improvements	192,738,863	175,405,502
Furniture and equipment	12,400,290	11,130,655
Buses and other vehicles	4,879,251	5,490,844
Total capital assets - Net of accumulated depreciation	<u>\$ 247,647,147</u>	<u>\$ 226,616,473</u>

This year's additions of \$27.7 million included primarily building renovations. This year marked the fifth year of major expenditures of the 2013 bond proceeds. Projects that were completed during the 2017-2018 school year included major renovation and upgrades to Stevenson High School and Garfield Community School. Construction work was also started in the summer of 2017 at Churchill High School and was yet to be complete as of June 30, 2018. Additional projects that began near the end of the 2017-2018 year include major construction at Buchanan Elementary, Webster Elementary, Jackson Early Childhood Center, and the Livonia Career and Technical Center. Also continued this fiscal year was district-wide technology equipment purchases and infrastructure upgrades. 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 \$200.7 million in bonds outstanding versus \$209.0 million in the previous year - a change of 4.0 percent. Those bonds consisted of the following:

	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ 200,700,000	\$ 209,020,000

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 \$200.7 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 officials and administration considered many factors when setting the School District's 2018-2019 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. The blended count for the 2019 fiscal year is 10 percent of the February 2018 student count and 90 percent of the October 2018 student count. The 2018-2019 budget was adopted in June 2018 based on an estimate of students who will enroll in September 2018. Under state law, the School District cannot levy additional taxes for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2018-2019 budget. Once the final student count and related per pupil funding are validated, the School District will amend the budget based on the impact of the actual student. The School District amends the budget throughout the year to reflect the most accurate projections in revenue, including state aid, local revenue, and other revenue sources. We also amend our budgeted expenditures based on our analysis of potential changes in staffing, benefit costs, utilities, and other costs.

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 business office.

Livonia Public Schools

Statement of Net Position

June 30, 2018

Governmental
Activities

Assets

Cash and investments (Note 4)	\$ 29,517,374
Receivables:	
Property taxes receivable	13,701
Other receivables	79,570
Due from other governments	24,289,088
Inventory	134,751
Prepaid expenses and other assets	200,961
Restricted assets - Cash and cash equivalents (Note 4)	51,959,084
Capital assets - Net (Note 7)	<u>247,647,147</u>
Total assets	353,841,676

Deferred Outflows of Resources

Deferred pension costs (Note 10)	58,042,214
Deferred OPEB costs (Note 10)	<u>5,356,029</u>
Total deferred outflows of resources	63,398,243

Liabilities

Accounts payable	11,868,785
Due to other governmental units	6,816,596
Accrued liabilities and other	12,785,785
Unearned revenue (Note 6)	1,360,713
Noncurrent liabilities:	
Due within one year: (Note 9)	
Compensated absences	518,204
Current portion of bonds and contracts payable	9,831,501
Due in more than one year (Note 9)	212,441,889
Net pension liability (Note 10)	287,231,919
Net OPEB liability (Note 10)	<u>97,912,644</u>
Total liabilities	640,768,036

Deferred Inflows of Resources

Deferred benefit on bond refunding (Note 9)	2,913,239
Revenue in support of pension contributions made subsequent to the measurement date (Note 10)	11,397,325
Deferred pension cost reductions (Note 10)	21,555,739
Deferred OPEB cost reductions (Note 10)	<u>3,310,162</u>
Total deferred inflows of resources	<u>39,176,465</u>

Net Position

Net investment in capital assets	66,832,898
Restricted:	
Debt service	1,994,132
Capital projects	1,256,113
Unrestricted	<u>(332,787,725)</u>
Total net position	<u><u>\$ (262,704,582)</u></u>

Livonia Public Schools

Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 103,559,547	\$ 600,223	\$ 38,007,112	\$ (64,952,212)
Support services	68,102,033	74,351	19,196,035	(48,831,647)
Athletics	2,183,856	934,648	-	(1,249,208)
Food services	3,649,026	1,730,907	2,143,537	225,418
Community services	3,398,726	4,305,505	-	906,779
Interdistrict payments	59,838	-	-	(59,838)
Interest	8,367,465	-	-	(8,367,465)
Other debt costs	54,735	-	-	(54,735)
Depreciation expense (unallocated)	9,276,396	-	-	(9,276,396)
Total primary government	\$ 198,651,622	\$ 7,645,634	\$ 59,346,684	(131,659,304)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				23,679,160
Property taxes, levied for debt service				19,200,824
Property taxes, levied for capital projects				4,696,736
State aid not restricted to specific purposes				91,193,131
Interest and investment earnings				915,079
Loss on sale of capital assets				(50,916)
Other				299,083
Total general revenue				139,933,097
Change in Net Position				8,273,793
Net Position - Beginning of year, as previously reported				(171,910,299)
Cumulative Effect of Change in Accounting				(99,068,076)
Net Position - Beginning of year				(270,978,375)
Net Position - End of year				\$ (262,704,582)

Livonia Public Schools

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	Special Education Fund	Sinking Fund	2013 Bond Series II Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 4)	\$ 28,107,553	\$ -	\$ -	\$ 667,537	\$ 742,284	\$ 29,517,374
Receivables:						
Property taxes receivable	-	-	2,703	-	10,998	13,701
Other receivables	58,949	-	-	-	20,621	79,570
Due from other governments	23,995,677	-	-	172,491	120,920	24,289,088
Due from other funds (Note 8)	24,614	6,417,839	66,570	-	2,093,244	8,602,267
Inventory	106,757	-	-	-	27,994	134,751
Prepaid expenses and other assets	6,100	-	-	-	12,123	18,223
Restricted assets	-	-	12,735,934	36,323,437	2,899,713	51,959,084
Total assets	\$ 52,299,650	\$ 6,417,839	\$ 12,805,207	\$ 37,163,465	\$ 5,927,897	\$ 114,614,058
Liabilities						
Accounts payable	\$ 1,106,009	\$ 9,697	\$ 1,164,602	\$ 6,461,516	\$ 65,202	\$ 8,807,026
Due to other governmental units	2,075,927	4,740,669	-	-	-	6,816,596
Due to other funds (Note 8)	14,235,794	-	-	-	21,525	14,257,319
Accrued liabilities and other	10,375,299	690,586	-	-	2,974	11,068,859
Unearned revenue (Note 6)	1,360,713	-	-	-	-	1,360,713
Total liabilities	29,153,742	5,440,952	1,164,602	6,461,516	89,701	42,310,513
Deferred Inflows of Resources -						
Unavailable revenue (Note 6)	615,685	-	-	-	-	615,685
Fund Balances						
Nonspendable - Inventory and prepaid expenses	112,857	-	-	-	40,117	152,974
Restricted:						
Debt service	-	-	-	-	3,958,916	3,958,916
Capital projects	-	-	11,640,605	30,701,949	-	42,342,554
Food service	-	-	-	-	633,240	633,240
Committed - Approved vehicle purchases	845,571	-	-	-	-	845,571
Assigned:						
Subsequent year's budget	1,085,575	-	-	-	-	1,085,575
Capital projects	-	-	-	-	1,205,923	1,205,923
Center programs	-	976,887	-	-	-	976,887
Unassigned	20,486,220	-	-	-	-	20,486,220
Total fund balances	22,530,223	976,887	11,640,605	30,701,949	5,838,196	71,687,860
Total liabilities, deferred inflows of resources, and fund balances	\$ 52,299,650	\$ 6,417,839	\$ 12,805,207	\$ 37,163,465	\$ 5,927,897	\$ 114,614,058

Livonia Public Schools

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 71,687,860
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	391,077,584
Accumulated depreciation	<u>(143,430,437)</u>
Net capital assets used in governmental activities	247,647,147
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	615,685
Deferred inflows related to bond refundings are not reported in the funds	(2,913,239)
Bonds payable including premium are not due and payable in the current period and are not reported in the funds	(218,987,451)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,264,784)
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	(3,804,143)
Net pension liability and related deferred inflows and outflows	(250,745,444)
Net OPEB liability and related deferred inflows and outflows	(95,866,777)
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	(11,397,325)
Internal service funds (Health and Welfare Fund) are included as part of governmental activities all other items	<u>2,323,889</u>
Net Position of Governmental Activities	<u><u>\$ (262,704,582)</u></u>

Livonia Public Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	General Fund	Special Education Fund	Sinking Fund	2013 Bond Series II Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Local sources	\$ 30,324,533	\$ -	\$ 4,881,465	\$ 502,367	\$ 21,000,814	\$ 56,709,179
State sources	118,198,597	5,013,472	-	-	750,580	123,962,649
Federal sources	6,348,051	-	-	-	1,978,996	8,327,047
Interdistrict sources	8,160,139	9,346,479	-	-	-	17,506,618
Total revenue	163,031,320	14,359,951	4,881,465	502,367	23,730,390	206,505,493
Expenditures						
Current:						
Instruction	95,499,300	8,535,063	-	-	-	104,034,363
Support services	56,854,587	4,166,283	121,780	574,813	301,071	62,018,534
Athletics	2,247,341	-	-	-	-	2,247,341
Food services	-	-	-	-	3,653,507	3,653,507
Community services	3,408,786	-	-	-	-	3,408,786
Debt service:						
Principal	-	-	-	-	8,315,000	8,315,000
Interest	-	-	-	-	10,315,400	10,315,400
Other debt costs	-	-	-	4,435	50,300	54,735
Capital outlay	544,738	15,316	4,810,900	31,040,748	595,509	37,007,211
Interdistrict payments	59,838	-	-	-	-	59,838
Total expenditures	158,614,590	12,716,662	4,932,680	31,619,996	23,230,787	231,114,715
Excess of Revenue Over (Under) Expenditures	4,416,730	1,643,289	(51,215)	(31,117,629)	499,603	(24,609,222)
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	425,933	-	-	-	-	425,933
Transfers in (Note 8)	2,300,000	-	-	5,000,000	1,300,000	8,600,000
Transfers out (Note 8)	(1,300,000)	(2,100,000)	(5,000,000)	-	(200,000)	(8,600,000)
Total other financing sources (uses)	1,425,933	(2,100,000)	(5,000,000)	5,000,000	1,100,000	425,933
Net Change in Fund Balances	5,842,663	(456,711)	(5,051,215)	(26,117,629)	1,599,603	(24,183,289)
Fund Balances - Beginning of year	16,687,560	1,433,598	16,691,820	56,819,578	4,238,593	95,871,149
Fund Balances - End of year	\$ 22,530,223	\$ 976,887	\$ 11,640,605	\$ 30,701,949	\$ 5,838,196	\$ 71,687,860

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, 2018

Net Change in Fund Balance Reported in Governmental Funds	\$ (24,183,289)
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	30,783,919
Depreciation expense	(9,276,396)
Net book value of assets disposed of	(476,849)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	250,242
Revenue in support of pension contributions made subsequent to the measurement date	(2,930,184)
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	9,817,829
Interest expense is recognized in the government-wide statements as it accrues	445,106
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	3,789,922
Internal service funds (Health and Welfare Fund) are included as part of governmental activities	53,493
Change in Net Position of Governmental Activities	\$ 8,273,793

Livonia Public Schools

Proprietary Funds Statement of Net Position

June 30, 2018

Internal Service
Fund - Health
and Welfare
Fund

Assets

Current assets:

Due from other funds (Note 8)

\$ 4,356,876

Prepaid expenses and other assets

182,738

Total assets

4,539,614

Liabilities

Current liabilities:

Accounts payable

1,763,583

Claims payable (Note 11)

452,142

Total liabilities

2,215,725

Net Position - Unrestricted

\$ 2,323,889

Livonia Public Schools

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2018

	Internal Service Fund - Health and Welfare Fund
Operating Revenue	
Employee contributions	\$ 3,744,317
Employee contributions - Purchased insurance	502,616
Charges for services	<u>16,364,147</u>
Total operating revenue	20,611,080
Operating Expenses	
Cost of insurance claims	154,593
Employee premiums - Purchased insurance	502,616
Premiums and administrative costs	<u>19,900,378</u>
Total operating expenses	<u>20,557,587</u>
Change in Net Position	53,493
Net Position - Beginning of year	<u>2,270,396</u>
Net Position - End of year	<u><u>\$ 2,323,889</u></u>

Livonia Public Schools

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2018

	Internal Service Fund - Health and Welfare Fund
Cash Flows from Operating Activities	
Receipts from interfund services and reimbursements	\$ 20,899,574
Claims, premium, and administrative fees paid	<u>(20,899,574)</u>
Net cash provided by operating activities	<u>-</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	\$ 53,493
Adjustments to reconcile change in net position to net cash from operating activities:	
Changes in assets and liabilities:	
Due from other	370,002
Deposits	(6,938)
Accounts payable	(84,729)
Claims payable	<u>(331,828)</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

Livonia Public Schools

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2018

	<u>Scholarship</u>	<u>Student Activity</u>
Assets		
Cash and investments	\$ 35,088	\$ -
Due from other funds (Note 8)	-	1,301,265
	<u>35,088</u>	<u>1,301,265</u>
Total assets	<u>35,088</u>	<u>\$ 1,301,265</u>
Liabilities		
Accounts payable	-	\$ 24,456
Due to agency fund activities	-	1,276,809
Due to other funds (Note 8)	3,089	-
	<u>3,089</u>	<u>1,301,265</u>
Total liabilities	<u>3,089</u>	<u>\$ 1,301,265</u>
Net Position - Restricted for endowments	<u>\$ 31,999</u>	

Livonia Public Schools

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2018

	Scholarship
Additions - Local sources	\$ 500
Deductions - Scholarships awarded	3,027
Change in Net Position	(2,527)
Net Position - Beginning of year	34,526
Net Position - End of year	\$ 31,999

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

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 healthcare-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, 2018

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 healthcare, 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 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.
- The 2013 Bond Series II 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.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, technology upgrades, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 2 - Significant Accounting Policies (Continued)

- 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 2013 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.
- The 2012 Capital Projects Fund is used to account for the proceeds derived from the sale of real estate. These proceeds will be held in trust 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.
- Internal service funds (Health and Welfare Fund) account for risk management services provided to other departments of the School District on a cost-reimbursement basis.

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 healthcare, 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. Activities that are reported as fiduciary include the following:

- The Private Purpose Trust Fund is used to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.
- The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

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.

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, 2018

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 for the investments in commercial paper, U.S. Treasury bonds, and federal agency bonds, which 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, Sinking Fund, and Capital Projects Fund are required to be set aside for future bond principal and interest, school building construction or repair, and capital projects, respectively.

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 life 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, 2018

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 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 pension and OPEB costs.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 various types of deferred inflows. The first arises only under a modified accrual basis of accounting and is, therefore, only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes that are not collected during the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other types of deferred inflows of resources reported only in the statement of net position relate to deferred bond charges 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, 2018

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Policies

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- Committed: Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- Assigned: Intent to spend resources on specific purposes expressed by the Board of Education, superintendent, or finance committee, which is authorized by resolution approved by the Board of Education to make assignments
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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.

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. 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.

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 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, 2018

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, sick leave benefits, and early retirement 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 early retirement benefits consist of early retirement incentive cash payments provided to 40 employees over a three-year period. The cost of the obligation is reported in long-term debt.

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.

Adoption of New Accounting Pronouncement

As of July 1, 2017, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MSPERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

In accordance with the statement, the School District has reported a net OPEB liability of \$103,276,148, deferred outflows of financial resources for OPEB contributions of \$7,358,852 made subsequent to the June 30, 2017 measurement date, and deferred inflows of financial resources for revenue received from State Aid in support of OPEB contributions of \$3,150,780 that was received subsequent to the June 30, 2017 measurement date, as the effects of these changes in accounting principles on the School District's net position as of July 1, 2017.

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 2 - Significant Accounting Policies (Continued)

In June 2017, the GASB issued GASB 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 are effective for the School District's financial statements for the year ending June 30, 2021.

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 budgets for funded projects and athletics were adopted separately and separate budgets for each of these activities have been presented accordingly. Capital outlay is budgeted and included in the functions for budget purposes and reported separately on the statement of revenue, expenditures, and changes in fund balances at the fund level.

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, contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

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.

There are no limitations or restrictions on participant withdrawals for approximately \$1.7 million of the investment pools that are recorded at amortized costs, except for a minimum one-day investment period. For \$15.1 million of the investment pools, investments may not be redeemed for at least 14 calendar days with certain exceptions. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount redeemed.

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 \$32,744,939 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, 2018, 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.

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 4 - Deposits and Investments (Continued)

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 (other than the U.S. government) are as follows:

Investment	Carrying Value	Percent	Rating	Rating Organization
U.S. Government Money Market Fund Capital Share Class*	\$ 52,701,368	0.59 %	AAAmf	Moody's
Michigan Liquid Asset Fund - Investment Pool*	16,742,267	0.19	AAAm	S & P
Federal Agency Bond	19,581,170	0.22	AAA	S & P
Total	<u>\$ 89,024,805</u>	<u>1.00 %</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. More than 5 percent of the School District's investments are in two separate federal agency notes; these investments collectively are 17.5 percent of the School District's total investments.

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 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances whereby inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 5 - Fair Value Measurements (Continued)

The School District has the following recurring fair value measurements as of June 30, 2018:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in			Balance at June 30, 2018
	Active Markets	Significant Other	Significant	
	for Identical	Observable	Unobservable	
Assets	Inputs	Inputs		
	(Level 1)	(Level 2)	(Level 3)	
Debt securities - Federal agency securities	\$ -	\$ 19,581,170	\$ -	\$ 19,581,170

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The investment pool includes investments in pools that the School District does not control. The investment pool invests primarily in high-quality money market instruments, including certificates of deposits, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity. The fair value of the investment pool has been estimated using the net asset value per share of the investment pool.

Note 6 - 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. Governmental funds also report unearned revenue recognition in connection with resources that have been received, but not yet earned.

At June 30, 2018, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Delinquent property taxes	\$ 615,685	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	1,123,107
Program fees and tuition	-	212,301
Other	-	25,305
Total	\$ 615,685	\$ 1,360,713

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 7 - Capital Assets

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

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 6,603,825	\$ -	\$ -	\$ -	\$ 6,603,825
Construction in progress	27,985,647	-	3,039,271	-	31,024,918
Subtotal	34,589,472	-	3,039,271	-	37,628,743
Capital assets being depreciated:					
Buildings and improvements	292,801,660	17,796	24,783,608	-	317,603,064
Furniture and equipment	24,478,031	(17,796)	2,679,409	-	27,139,644
Buses and other vehicles	10,807,044	-	281,631	(2,382,542)	8,706,133
Subtotal	328,086,735	-	27,744,648	(2,382,542)	353,448,841
Accumulated depreciation:					
Buildings and improvements	117,396,158	(9,255)	7,477,298	-	124,864,201
Furniture and equipment	13,347,376	9,255	1,382,723	-	14,739,354
Buses and other vehicles	5,316,200	-	416,375	(1,905,693)	3,826,882
Subtotal	136,059,734	-	9,276,396	(1,905,693)	143,430,437
Net capital assets being depreciated	192,027,001	-	18,468,252	(476,849)	210,018,404
Net governmental activities capital assets	\$ 226,616,473	\$ -	\$ 21,507,523	\$ (476,849)	\$ 247,647,147

Depreciation expense was not charged to activities, as the School District considers its assets to benefit multiple activities and allocation is not practical.

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	\$ 969,380	\$ 1,556,467
2013 Bond Fund - Series II	42,356,184	17,315,893
Total	\$ 43,325,564	\$ 18,872,360

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Private Purpose Trust Fund	Nonmajor funds	
General Fund	\$ -	\$ 3,089	\$ 21,525	\$ 24,614
Special Education Fund	6,417,839	-	-	6,417,839
Sinking Fund	66,570	-	-	66,570
Internal Service - Health and Welfare Fund	4,356,876	-	-	4,356,876
Agency Fund	1,301,265	-	-	1,301,265
Nonmajor funds	2,093,244	-	-	2,093,244
Total	\$ 14,235,794	\$ 3,089	\$ 21,525	\$ 14,260,408

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	\$ 1,300,000
Special Education Fund	General Fund	2,100,000
Buildings and Repairs Fund	2013 Bond Series II Fund	5,000,000
Nonmajor governmental funds	General Fund	200,000
	Total	\$ 8,600,000

Interfund transfers were made during the year between the General Fund and the Special Education Fund to cover indirect costs and to transfer the State's portion of LRE (least restrictive environment) paraprofessional costs. A transfer was made from the Food Service Fund to the General Fund to pay for indirect costs. Transfers were made from the General Fund to the 2012 Capital Projects Fund for ongoing building renovations. Transfers were also made from the Buildings and Repairs Fund to the 2013 Bond Series II Fund to subsidize bond project costs associated with allowable sinking fund expenditures.

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligations	\$ 209,020,000	\$ -	\$ (8,315,000)	\$ 200,705,000	\$ 8,755,000
Unamortized bond premiums	19,358,952	-	(1,076,501)	18,282,451	1,076,501
Employee-related liabilities	3,992,094	-	(187,951)	3,804,143	518,204
Total governmental activities long-term debt	\$ 232,371,046	\$ -	\$ (9,579,452)	\$ 222,791,594	\$ 10,349,705

The School District had deferred inflows of \$2,913,239 related to deferred benefit on bond refundings at June 30, 2018.

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 9 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Qualified bonds are fully guaranteed by the State of Michigan. General obligations outstanding at June 30, 2018 are as follows:

Purpose	Remaining Annual Installments	Interest Rates	Maturing May 1	Outstanding
\$65,025,000 refunding bonds	\$4,125,000 - \$7,810,000	4.00 - 5.00	2025	\$ 41,555,000
\$103,330,000 school building and site bonds	\$825,000 - \$5,500,000	4.00 - 5.00	2043	85,050,000
\$76,180,000 school building and site bonds	\$1,175,000 - \$4,175,000	5.00	2045	74,100,000
Total governmental activities				<u>\$ 200,705,000</u>

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2019	\$ 8,755,000	\$ 9,926,450	\$ 18,681,450
2020	9,220,000	9,496,950	18,716,950
2021	9,680,000	9,044,450	18,724,450
2022	10,160,000	8,560,450	18,720,450
2023	7,210,000	8,061,450	15,271,450
2024-2028	31,955,000	35,333,150	67,288,150
Thereafter	123,725,000	56,416,250	180,141,250
Total	<u>\$ 200,705,000</u>	<u>\$ 136,839,150</u>	<u>\$ 337,544,150</u>

Bond Refunding

In previous years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2018, there is still \$13,089,686 of bonds outstanding that is considered defeased.

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 10 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS 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 healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare 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 healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

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. For some members who do not receive an annual increase, they 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 healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 10 - Michigan Public School Employees' Retirement System (Continued)

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 retiree healthcare 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 healthcare 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 stop paying the 3 percent contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are multiple different pension and healthcare 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 range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

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, 2018 were \$30,678,394, 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 \$11,397,325 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147c(2) of the State Aid act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were \$6,946,386, which include the School District's contributions required for those members with a defined contribution benefit.

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2018, the School District reported a liability of \$287,231,919 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. 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, 2017 and 2016, the School District's proportion was 1.11% and 1.12%, respectively.

Net OPEB Liability

At June 30, 2018, the School District reported a liability of \$97,912,644 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. 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, 2017 and 2016, the School District's proportion was 1.11%.

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

For the year ended June 30, 2018, the School District recognized pension expense of \$27,346,600, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, 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	\$ 2,496,241	\$ (1,409,387)
Changes in assumptions	31,468,539	-
Net difference between projected and actual earnings on pension plan investments	-	(13,731,575)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	245,760	(6,414,777)
The School District's contributions to the plan subsequent to the measurement date	23,831,674	-
Total	<u>\$ 58,042,214</u>	<u>\$ (21,555,739)</u>

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 10 - Michigan Public School Employees' Retirement System (Continued)

The \$11,397,325 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 ending June 30, 2019. 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
2019	\$ 2,807,136
2020	7,731,047
2021	2,946,453
2022	(829,835)
Total	<u>\$ 12,654,801</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, 2018, the School District recognized OPEB expense of \$6,549,900.

At June 30, 2018, 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	\$ -	\$ (1,042,482)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,267,680)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	3,401	-
Employer contributions to the plan subsequent to the measurement date	<u>5,352,628</u>	<u>-</u>
Total	<u>\$ 5,356,029</u>	<u>\$ (3,310,162)</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
2019	\$ (799,148)
2020	(799,148)
2021	(799,148)
2022	(799,148)
2023	(110,169)
Total	<u>\$ (3,306,761)</u>

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2017 are based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50 percent
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5 percent year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
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 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent as of September 30, 2017 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. 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	28.00 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pool	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 10 - Michigan Public School Employees' Retirement System (Continued)

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ended September 30, 2018.

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 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the School District	\$ 374,167,654	\$ 287,231,919	\$ 214,037,567

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 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 114,684,006	\$ 97,912,644	\$ 83,679,010

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

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

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 82,918,848	\$ 97,912,644	\$ 114,937,055

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, 2018, the School District reported a payable of \$1,290,974 and \$555,727 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

Livonia Public Schools

Notes to Financial Statements

June 30, 2018

Note 11 - 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.

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:

	2018	2017
Estimated liability - Beginning of year	\$ 783,970	\$ 559,326
Estimated claims incurred, including changes in estimates	154,593	642,439
Claim payments	(486,421)	(417,795)
Estimated liability - End of year	<u>\$ 452,142</u>	<u>\$ 783,970</u>

Note 12 - Contingent Liabilities

The School District is a defendant in claims related to alleged abuse of students. The School District is vigorously defending these claims and does not believe that there will be any liability to the School District. The School District is also a defendant in various other claims. Although the outcome of these claims is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District. The School District has not accrued for any potential losses related to these claims.

Note 13 - Tax Abatements

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and 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; Personal property tax relief agreements are intended to promote business investment in distressed communities.

For the fiscal year ended June 30, 2018, the School District's property tax revenue was reduced by \$1,583,000 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 \$1,104,000 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

Livonia Public Schools

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 28,383,371	\$ 29,328,711	\$ 29,240,156	\$ (88,555)
State sources	111,835,684	116,752,634	116,596,185	(156,449)
Federal sources	47,082	36,700	28,581	(8,119)
Interdistrict sources	5,173,289	6,368,488	8,160,139	1,791,651
Total revenue	145,439,426	152,486,533	154,025,061	1,538,528
Expenditures				
Current:				
Instruction:				
Basic programs	74,429,289	74,782,342	74,414,507	(367,835)
Added needs	11,901,180	15,071,893	15,059,635	(12,258)
Support services:				
Pupil	11,093,386	11,060,764	10,947,174	(113,590)
Instructional staff	5,679,016	5,796,759	5,648,152	(148,607)
General administration	885,561	1,019,758	886,762	(132,996)
School administration	9,958,712	9,490,489	9,471,376	(19,113)
Business	3,704,789	2,500,688	2,463,716	(36,972)
Operations and maintenance	14,251,565	16,028,711	16,010,638	(18,073)
Pupil transportation services	7,361,480	7,279,297	7,200,054	(79,243)
Central	2,956,403	3,061,702	3,058,322	(3,380)
Community services	3,330,188	3,308,033	3,166,952	(141,081)
Interdistrict payments	50,000	59,945	59,838	(107)
Total expenditures	145,601,569	149,460,381	148,387,126	(1,073,255)
Excess of Revenue (Under) Over Expenditures	(162,143)	3,026,152	5,637,935	2,611,783
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	1,030,539	522,476	425,933	(96,543)
Transfers in	1,866,086	2,300,000	2,395,477	95,477
Transfers out	(2,580,000)	(2,620,000)	(2,616,682)	3,318
Total other financing sources	316,625	202,476	204,728	2,252
Net Change in Fund Balance	154,482	3,228,628	5,842,663	2,614,035
Fund Balance - Beginning of year	16,687,560	16,687,560	16,687,560	-
Fund Balance - End of year	\$ 16,842,042	\$ 19,916,188	\$ 22,530,223	\$ 2,614,035

Livonia Public Schools

Required Supplemental Information Budgetary Comparison Schedule General Fund - Funded Projects

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 117,734	\$ 173,809	\$ 149,729	\$ (24,080)
State sources	1,079,504	1,924,157	1,602,412	(321,745)
Federal sources	5,751,750	6,406,948	6,319,470	(87,478)
Total revenue	6,948,988	8,504,914	8,071,611	(433,303)
Expenditures				
Current:				
Instruction	4,968,700	6,147,494	6,207,698	60,204
Support services	1,634,488	2,084,888	1,530,591	(554,297)
Community services	220,800	176,520	241,834	65,314
Total expenditures	6,823,988	8,408,902	7,980,123	(428,779)
Excess of Revenue Over Expenditures	125,000	96,012	91,488	(4,524)
Other Financing Sources (Uses)				
Transfers in	-	-	3,989	3,989
Transfers out	(125,000)	(96,012)	(95,477)	535
Total other financing uses	(125,000)	(96,012)	(91,488)	4,524
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Livonia Public Schools

Required Supplemental Information Budgetary Comparison Schedule General Fund - Athletic Activities

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue - Local sources	\$ 942,000	\$ 940,000	\$ 934,648	\$ (5,352)
Expenditures - Athletics	2,092,000	2,170,870	2,247,341	76,471
Excess of Expenditures Over Revenue	(1,150,000)	(1,230,870)	(1,312,693)	(81,823)
Other Financing Sources - Transfers in	1,150,000	1,230,870	1,312,693	81,823
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Livonia Public Schools

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

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
State sources	\$ 5,027,960	\$ 5,388,523	\$ 5,013,472	\$ (375,051)
Interdistrict sources	12,433,812	10,560,623	9,346,479	(1,214,144)
Total revenue	17,461,772	15,949,146	14,359,951	(1,589,195)
Expenditures				
Current:				
Instruction	12,747,470	10,209,380	8,550,379	(1,659,001)
Support services	3,798,984	4,067,184	4,166,283	99,099
Total expenditures	16,546,454	14,276,564	12,716,662	(1,559,902)
Excess of Revenue Over Expenditures	915,318	1,672,582	1,643,289	(29,293)
Other Financing Sources (Uses)				
Transfers in	900,000	-	-	-
Transfers out	(1,700,000)	(2,100,000)	(2,100,000)	-
Total other financing uses	(800,000)	(2,100,000)	(2,100,000)	-
Net Change in Fund Balance	115,318	(427,418)	(456,711)	(29,293)
Fund Balance - Beginning of year	1,433,598	1,433,598	1,433,598	-
Fund Balance - End of year	<u>\$ 1,548,916</u>	<u>\$ 1,006,180</u>	<u>\$ 976,887</u>	<u>\$ (29,293)</u>

Livonia Public Schools

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

	Last Four Plan Years			
	Plan Years Ended September 30			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	1.10839 %	1.11646 %	1.14578 %	1.15492 %
School District's proportionate share of the net pension liability	\$ 287,231,919	\$ 278,547,083	\$ 279,856,068	\$ 254,389,073
School District's covered employee payroll	\$ 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 employee payroll	309.92 %	299.31 %	294.15 %	264.66 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.20 %

Livonia Public Schools

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

	Last Four Fiscal Years			
	Years Ended June 30			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 28,273,165	\$ 26,551,658	\$ 26,167,534	\$ 20,507,422
Contributions in relation to the statutorily required contribution	<u>28,273,165</u>	<u>26,551,658</u>	<u>26,167,534</u>	<u>20,507,422</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Employee Payroll	\$ 93,813,172	\$ 95,901,095	\$ 92,940,215	\$ 93,694,674
Contributions as a Percentage of Covered Employee Payroll	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 One Plan Year
Plan Year Ended September 30**

	2017
School District's proportion of the net OPEB liability	1.10567 %
School District's proportionate share of the net OPEB liability	\$ 97,912,644
School District's covered employee payroll	\$ 92,678,036
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	105.65 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

Livonia Public Schools

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

	Last Fiscal Year Year Ended June 30
	2018
Statutorily required contribution	\$ 6,728,930
Contributions in relation to the statutorily required contribution	6,728,930
Contribution Deficiency	\$ -
School District's Covered Employee Payroll	\$ 93,813,172
Contributions as a Percentage of Covered Employee Payroll	7.17 %

Livonia Public Schools

Notes to Required Supplemental Information

June 30, 2018

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 in 2017.

Changes in Assumptions

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00 - 7.50 percent based on the group.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

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 in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

Other Supplemental Information

Livonia Public Schools

	Special	Debt Service Funds		
	Revenue Fund	2014		
	Food Service	2013 Bond	Refunding	2016 Bond
Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Receivables:				
Property taxes receivable	-	3,125	4,845	3,028
Other receivables	20,621	-	-	-
Due from other governments	120,920	-	-	-
Due from other funds	502,858	103,263	154,447	90,495
Inventory	27,994	-	-	-
Prepaid expenses	-	-	-	-
Restricted assets	-	853,074	1,282,081	764,558
Total assets	\$ 672,393	\$ 959,462	\$ 1,441,373	\$ 858,081
Liabilities				
Accounts payable	\$ 8,185	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Accrued liabilities and other	2,974	-	-	-
Total liabilities	11,159	-	-	-
Fund Balances				
Nonspendable - Inventory and prepaid expenses	27,994	-	-	-
Restricted:				
Debt service	-	959,462	1,441,373	858,081
Food service	633,240	-	-	-
Assigned - Capital projects	-	-	-	-
Total fund balances	661,234	959,462	1,441,373	858,081
Total liabilities and fund balances	\$ 672,393	\$ 959,462	\$ 1,441,373	\$ 858,081

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

Capital Project Funds			
Technology	2012 Capital Projects	2013 Bond Series I Fund	Total
\$ 742,284	\$ -	\$ -	\$ 742,284
-	-	-	10,998
-	-	-	20,621
-	-	-	120,920
-	1,242,181	-	2,093,244
-	-	-	27,994
12,123	-	-	12,123
-	-	-	2,899,713
\$ 754,407	\$ 1,242,181	\$ -	\$ 5,927,897
\$ -	\$ 57,017	\$ -	\$ 65,202
21,525	-	-	21,525
-	-	-	2,974
21,525	57,017	-	89,701
12,123	-	-	40,117
-	700,000	-	3,958,916
-	-	-	633,240
720,759	485,164	-	1,205,923
732,882	1,185,164	-	5,838,196
\$ 754,407	\$ 1,242,181	\$ -	\$ 5,927,897

Livonia Public Schools

	Special	Debt Service Funds		
	Revenue Fund	2014		
	Food Service	2013 Bond	Refunding	2016 Bond
Revenue				
Local sources	\$ 1,730,907	\$ 5,481,682	\$ 8,487,792	\$ 5,291,468
State sources	170,262	-	580,318	-
Federal sources	1,978,996	-	-	-
Total revenue	3,880,165	5,481,682	9,068,110	5,291,468
Expenditures				
Current:				
Support services - Current	-	-	-	-
Food services	3,653,507	-	-	-
Debt service:				
Principal	-	800,000	6,435,000	1,080,000
Interest	-	4,250,750	2,316,450	3,748,200
Other debt costs	-	13,174	28,495	8,631
Capital outlay	-	-	-	-
Total expenditures	3,653,507	5,063,924	8,779,945	4,836,831
Excess of Revenue Over (Under) Expenditures	226,658	417,758	288,165	454,637
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(200,000)	-	-	-
Total other financing (uses) sources	(200,000)	-	-	-
Net Change in Fund Balances	26,658	417,758	288,165	454,637
Fund Balances - Beginning of year	634,576	541,704	1,153,208	403,444
Fund Balances - End of year	\$ 661,234	\$ 959,462	\$ 1,441,373	\$ 858,081

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

Year Ended June 30, 2018

Capital Project Funds			
Technology	2012 Capital Projects	2013 Bond Series I Fund	Total
\$ 8,965	\$ -	\$ -	\$ 21,000,814
-	-	-	750,580
-	-	-	1,978,996
8,965	-	-	23,730,390
33,665	267,406	-	301,071
-	-	-	3,653,507
-	-	-	8,315,000
-	-	-	10,315,400
-	-	-	50,300
48,079	547,430	-	595,509
81,744	814,836	-	23,230,787
(72,779)	(814,836)	-	499,603
-	1,300,000	-	1,300,000
-	-	-	(200,000)
-	1,300,000	-	1,100,000
(72,779)	485,164	-	1,599,603
805,661	700,000	-	4,238,593
\$ 732,882	\$ 1,185,164	\$ -	\$ 5,838,196

Livonia Public Schools

Other Supplemental Information Combining Balance Sheet General Fund

June 30, 2018

	General Fund	Athletic Activities	Funded Projects	Total
Assets				
Cash and investments	\$ 28,107,553	\$ -	\$ -	\$ 28,107,553
Receivables:				
Other receivables	58,949	-	-	58,949
Due from other governments	22,663,589	-	1,332,088	23,995,677
Due from other funds	-	24,614	-	24,614
Inventory	106,757	-	-	106,757
Prepaid expenses	4,000	-	2,100	6,100
	<u>\$ 50,940,848</u>	<u>\$ 24,614</u>	<u>\$ 1,334,188</u>	<u>\$ 52,299,650</u>
Total assets				
Liabilities				
Accounts payable	\$ 984,591	\$ 3,457	\$ 117,961	\$ 1,106,009
Due to other governmental units	2,073,173	-	2,754	2,075,927
Due to other funds	13,770,847	(3,423)	468,370	14,235,794
Accrued liabilities and other	10,028,723	24,580	321,996	10,375,299
Unearned revenue	937,606	-	423,107	1,360,713
	<u>27,794,940</u>	<u>24,614</u>	<u>1,334,188</u>	<u>29,153,742</u>
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue				
	<u>615,685</u>	<u>-</u>	<u>-</u>	<u>615,685</u>
Total liabilities and deferred inflows of resources	28,410,625	24,614	1,334,188	29,769,427
Fund Balances				
Nonspendable - Inventory and prepaid expenses	110,757	-	2,100	112,857
Committed - Approved vehicle purchases	845,571	-	-	845,571
Assigned - Subsequent year's budget	1,085,575	-	-	1,085,575
Unassigned	20,488,320	-	(2,100)	20,486,220
	<u>22,530,223</u>	<u>-</u>	<u>-</u>	<u>22,530,223</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 50,940,848</u>	<u>\$ 24,614</u>	<u>\$ 1,334,188</u>	<u>\$ 52,299,650</u>

Livonia Public Schools

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

Year Ended June 30, 2018

	General Fund	Athletic Activities	Funded Projects	Total
Revenue				
Local sources	\$ 29,240,156	\$ 934,648	\$ 149,729	\$ 30,324,533
State sources	116,596,185	-	1,602,412	118,198,597
Federal sources	28,581	-	6,319,470	6,348,051
Interdistrict sources	8,160,139	-	-	8,160,139
Total revenue	154,025,061	934,648	8,071,611	163,031,320
Expenditures				
Current:				
Instruction:				
Basic programs	74,413,230	-	580,162	74,993,392
Added needs	15,047,981	-	5,207,915	20,255,896
Adult/Continuing education	-	-	250,012	250,012
Support services:				
Pupil	10,947,174	-	118,441	11,065,615
Instructional staff	5,648,152	-	1,207,187	6,855,339
General administration	886,762	-	-	886,762
School administration	9,471,376	-	133,569	9,604,945
Business	2,462,632	-	17,927	2,480,559
Operations and maintenance	15,662,226	-	24,899	15,687,125
Pupil transportation services	7,200,054	-	11,700	7,211,754
Central	3,055,689	-	6,799	3,062,488
Athletics	-	2,247,341	-	2,247,341
Community services	3,166,952	-	241,834	3,408,786
Capital outlay	365,060	-	179,678	544,738
Interdistrict payments	59,838	-	-	59,838
Total expenditures	148,387,126	2,247,341	7,980,123	158,614,590
Excess of Revenue Over (Under)				
Expenditures	5,637,935	(1,312,693)	91,488	4,416,730
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	425,933	-	-	425,933
Transfers in	2,395,477	1,312,693	3,989	3,712,159
Transfers out	(2,616,682)	-	(95,477)	(2,712,159)
Total other financing sources (uses)	204,728	1,312,693	(91,488)	1,425,933
Net Change in Fund Balances	5,842,663	-	-	5,842,663
Fund Balances - Beginning of year	16,687,560	-	-	16,687,560
Fund Balances - End of year	<u>\$ 22,530,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,530,223</u>

Livonia Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2018

Years Ending June 30	2013 Bond	2014 Refunding	2013 Bond	Total
	Series I Fund		Series II Fund	
	Principal	Principal	Principal	
2019	\$ 825,000	\$ 6,755,000	\$ 1,175,000	\$ 8,755,000
2020	850,000	7,095,000	1,275,000	9,220,000
2021	900,000	7,405,000	1,375,000	9,680,000
2022	900,000	7,810,000	1,450,000	10,160,000
2023	1,175,000	4,185,000	1,850,000	7,210,000
2024	1,325,000	4,125,000	1,975,000	7,425,000
2025	1,475,000	4,180,000	2,075,000	7,730,000
2026	3,200,000	-	2,175,000	5,375,000
2027	3,325,000	-	2,275,000	5,600,000
2028	3,450,000	-	2,375,000	5,825,000
2029	3,575,000	-	2,475,000	6,050,000
2030	3,700,000	-	2,575,000	6,275,000
2031	3,825,000	-	2,675,000	6,500,000
2032	3,950,000	-	2,775,000	6,725,000
2033	4,075,000	-	2,875,000	6,950,000
2034	4,200,000	-	2,975,000	7,175,000
2035	4,325,000	-	3,075,000	7,400,000
2036	4,475,000	-	3,175,000	7,650,000
2037	4,625,000	-	3,275,000	7,900,000
2038	4,775,000	-	3,375,000	8,150,000
2039	4,925,000	-	3,475,000	8,400,000
2040	5,075,000	-	3,600,000	8,675,000
2041	5,225,000	-	3,725,000	8,950,000
2042	5,375,000	-	3,850,000	9,225,000
2043	5,500,000	-	3,950,000	9,450,000
2044	-	-	4,075,000	4,075,000
2045	-	-	4,175,000	4,175,000
Total remaining payments	\$ 85,050,000	\$ 41,555,000	\$ 74,100,000	\$ 200,705,000
Principal payments due	May	May	May	
Interest payments due	May and November	May and November	May and November	
Interest rate	4.00 - 5.00%	4.00 - 5.00%	5.00%	
Original issue	\$ 103,330,000	\$ 65,025,000	\$ 76,180,000	

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

**Second
Reading of
Board Policy:**

It was moved by Mrs. Jarvis 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:

**JCDAE –
Personal
Communication
Devices**

**BOARD POLICY
STUDENTS
PERSONAL COMMUNICATION DEVICES**

**JCDAE
OCTOBER 29, 2018**

The Board recognizes that Personal Communication Devices (PCDs), such as cellular phones and electronic tablets, are a convenient means for students to contact parents and can also be a valuable tool for instruction and learning.

Technology, including but not limited to PCDs, will be permitted as approved by the classroom teacher or the building administration. Students may not use PCDs on school property or during school sponsored activities to access and/or view Internet web sites that are otherwise blocked or prohibited for students at school.

Recording a building incident or a communication with a school district employee without expressed permission is not allowed. The rule against recording without permission is included under "Prohibited Acts" in Board Policy JD – Student Discipline and the penalty for violation of this rule shall range from warning to expulsion.

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

**Second
Reading of
Board Policy:
JCDA –
Prohibited Use
of Tobacco
Substances**

It was moved by Mr. Centers and supported by Mrs. Bradford 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:

**BOARD POLICY
STUDENTS
PROHIBITED USE OF TOBACCO SUBSTANCES**

**JCDA
OCTOBER 29, 2018**

The Board of Education has determined that a nonsmoking policy is appropriate in order to:

- Discourage smoking/chewing/vaping and other use of tobacco by students;
- Protect the health of others who may be affected by secondary smoke; and
- Enhance and promote a school district curriculum designed to enlighten students on the health hazards of smoking, chewing, and vaping tobacco products or other inhalants.

The Board of Education has established that students shall not smoke, chew, or otherwise use tobacco or other smoking or tobacco substitutes on school property nor shall any student, while on school property, have in his/her possession or under his/her control, cigarettes, e-cigarettes, vaping mechanisms, or tobacco in any form, including tobacco substitutes or other inhalants.

The rule against the use and possession of tobacco and tobacco substitutes is included under "Prohibited Acts" in Board Policy JD – Student Discipline and the penalty for violation of this rule shall range from warning to expulsion.

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

First Reading of Board Policy:

The Policy Committee has reviewed the following policies and recommends that they be on the agenda of the next regular Board meeting for a second reading and potential approval.

DFKA – Crowd Sourced Fundraising

**BOARD POLICY
FISCAL MANAGEMENT
CROWD SOURCED FUNDRAISING**

**DFKA
NOVEMBER 26, 2018**

GAC – Staff Job-Related Accident/Injury

Crowd Sourced Fundraising is the process of creating, posting, or sponsoring an online fundraiser to seek to secure or generate a specific gift or donation to fund a specific purchase or project, typically through websites or social media designated for this purpose. This policy applies, but is not limited to, online fundraising services such as GoFundMe.com, DonorsChoose.org, Kickstarter.com, CrowdRise.com, and similar sites. Specific gifts or donation requests must be consistent with District standards and promote the education of all students.

GAEA – Discriminatory Harassment of Employees or Applicants for Employment

No employee, volunteer, or agent of the District shall create, post, or sponsor any online fundraiser seeking to secure or generate funds from the public for school purposes, purchases for school, or utilizing the District's name, logo, or likeness, without prior written consent from the school principal and Superintendent or her designee.

GAF – Workplace Violence

Monies raised by employees through Crowd Sourced Fundraising must be expended for the benefit of the students. Monies or items secured through Crowd Sourced Fundraising become the property of the District. Employees who seek Crowd Sourced Fundraising should be explicit about the ownership of such items, so that donors understand this point for tax and other purposes. All such funds and/or items must be accounted for through the District/school's business office. The preference of the District is for employees to utilize crowdfunding sites that collect the dollars, purchase the described items, and send them to the employee. A simple record of the acquisition should be sent to the building administrator and District/school's business office. If the employee is the recipient of cash or check, then an itemized record of received funds with the monies donated must be submitted to and accessed through the District/school's business office.

When making requests for donations through crowdfunding, employees must comply with student privacy and other requirements set out in the Family Educational Rights and Privacy Act (FERPA). As a result, student images, names, and descriptions which would cause students to be identifiable or allow logical deductions about disabilities or other factors deemed to be within the sphere of student privacy, must not be used on such websites or elsewhere unless written parental permission is secured in advance.

The Superintendent shall establish appropriate rules and regulations for the implementation of this policy.

**BOARD POLICY
PERSONNEL
STAFF JOB-RELATED ACCIDENT/INJURY**

**GAC
NOVEMBER 26, 2018**

For the safety and well-being of our staff, the District has established administrative procedures to be followed regarding the medical treatment and reporting of job-related injury, illness, or accident.

**BOARD POLICY
PERSONNEL
DISCRIMINATORY HARASSMENT OF EMPLOYEES
OR APPLICANTS FOR EMPLOYMENT**

**GAEA
DECEMBER 3, 2001**

Discriminatory harassment of employees or applicants for employment by School District employees, Board members, vendors, contractors or others doing business with the School District, students, parents, invitees, guests, volunteers, etc., will not be tolerated. "Discriminatory harassment" means unwelcome sexual advances, requests for sexual favors or other verbal or physical conduct relating to an individual's sex, race, color, national origin, age, religion, height, weight, marital status or disability when (a) submission to the conduct is made a condition of obtaining employment; (b) submission to, or rejection of, the conduct is used as a factor in decisions affecting the individual's employment; or (c) such conduct or communication has the purpose or effect of substantially interfering with the individual's employment, or creates an intimidating, hostile or offensive work environment.

Any employee or applicant who believes that he or she has suffered discriminatory harassment shall immediately report the incident(s) to the Superintendent or Assistant Superintendent of Human Resources. In the event the employee or applicant cannot report to the Assistant Superintendent of Human Resources, the employee shall report the incident(s) to the Superintendent. -In the event that the employee or applicant is charging the Superintendent or a Board member with such discriminatory harassment, he or she shall immediately report the incident(s) to the Board President. In the event that the employee or applicant is charging the Board President with such harassment, he or she shall report the incident to the Vice President of the Board. Any member of administration who becomes aware of discriminatory harassment of an employee or applicant shall immediately notify the Assistant Superintendent of Human Resources. Reports of discriminatory harassment may be made orally or in writing.

The School District guarantees that an employee or applicant reporting an incident(s) of discriminatory harassment will not suffer any form of reprisal.

In determining whether the alleged conduct constitutes discriminatory harassment, the totality of their circumstances, the nature of the conduct and the context in which the alleged incident(s) occurred will be investigated. The School District has the responsibility of investigating and resolving complaints of discriminatory harassment. In cases where the alleged discriminatory harassment was committed by the Superintendent or a member of the Board of Education, the School District will appoint outside legal counsel to investigate the alleged incident(s). The results of an investigation and any action taken thereon will be communicated to the complaining person.

The School District considers discriminatory harassment to be a major offense which will result in corrective action, regardless of the offender's position with the School District. Corrective action of a School District employee may include disciplinary action, up to and including, termination of employment. Corrective action of a student may include disciplinary action, up to and including, expulsion.

**BOARD POLICY
PERSONNEL
WORKPLACE VIOLENCE**

**GAF
OCTOBER 15, 2001**

Livonia Public Schools is committed to providing students, employees, volunteers, and visitors a safe environment. Accordingly, the school district prohibits acts of violence or threats of violence on school property, at school-sponsored events or involving school vehicles.

Workplace violence is defined as acts or threats of violence against persons or property that is sufficiently severe, offensive or intimidating to alter the employment conditions or to create a hostile, abusive, or intimidating work environment for employees. Workplace violence includes, but is not limited to, threats, physical attack or property damage.

Specific examples of conduct prohibited under this policy include, but are not limited to, the following:

- Physical attack such as hitting, fighting, pushing or shoving another or throwing objects at an individual.
- Threatening to harm an individual or his/her family, friends, associates or their property.
- The intentional destruction or threat of destruction of property owned, operated or controlled by the district.
- Threatening statements by any means including, but not limited to, telephone calls, letters, or other forms of written or electronic communications.
- Intimidating or attempting to coerce an employee to do wrongful acts.
- Possession or use of firearms, weapons or other dangerous devices on school property, including but not limited to, parking lots.

All employees are prohibited from possessing on district property or vehicles any item to be deemed a dangerous weapon. For the purposes of this policy, dangerous weapons include, but are not limited to, firearms, explosives, knives (with a blade over 3 inches in length), clubs, sticks, martial arts implements or other items which are intended to be used to cause death or inflict bodily harm. All district property including buildings, grounds, office areas, desks, file cabinets, storage containers, are for official district use and employees can have no expectation of privacy in these areas. All district property is at all times subject to examination and inspection by district officials in the discharge of their duty and enforcement of the district's policies.

Any employee, applicant for employment, student, or board member who believes that he/she has been the victim of such actions, or who has observed such action, must promptly report such action(s) to the applicable School ~~Principal~~ **Administrator** or the ~~Supervisor~~ **Administrator** of Public Safety. If, for any reason, the individual does not feel that he/she can report the action(s) to the applicable School ~~Principal~~ **Administrator** or the ~~Supervisor~~ **Administrator** of Public Safety, he/she shall promptly report the action(s) to the ~~Superintendent of Schools~~ **Assistant Superintendent of Human Resources**.

The School District has the responsibility for investigating and resolving such complaints.

Violations of this policy will result in disciplinary action up to and including discharge.

Adjournment

President Johnson adjourned the meeting at 9:06 p.m.

Off/Supt/jw