

Livonia Public Schools

**Financial Report
with Supplemental Information
June 30, 2016**

Draft

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, 2016 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.

To the Board of Education
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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, 2016 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion analysis, major fund budgetary comparison schedules, schedule of Livonia Public Schools' proportionate share of the net pension liability for MPSERS determined as of the plan year ended September 30, and the schedule of Livonia Public Schools' contributions to MPSERS determined as of the year ended June 30, as identified on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

To the Board of Education
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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 September 26, 2016 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.

September 26, 2016

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, 2016. 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 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 fund - the General Fund, the 2013 Series I Bond Fund, and the 2013 Series II Bond 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 relate to the School District's internal service fund.

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

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Schedule of Proportionate Share of MPSERS Net Pension Liability

Schedule of MPSERS Contributions

Other Supplemental Information

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Management's Discussion and Analysis (Continued)

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 and liabilities, 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. These two statements report the School District's net position - the difference between assets and deferred outflows of resources versus liabilities and 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 and Special Education Center Program 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). The governmental funds of the School District use the following accounting approach:

Governmental Funds - All of the School District's services are reported in 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 you 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 reconciliations.

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Management's Discussion and Analysis (Continued)

Proprietary Fund - Proprietary fund reporting focuses on 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 they provide to the other funds.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity 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.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2016 and 2015:

Table I

	Governmental Activities	
	June 30	
	2016	2015
	(in millions)	
Assets		
Current and other assets	\$ 176.2	\$ 130.3
Capital assets	194.6	154.7
Total assets	370.8	285.0
Deferred Outflows of Resources - Deferred outflows related to pensions	29.7	16.2
Total assets and deferred outflows of resources	400.5	301.2
Liabilities		
Current liabilities	45.7	44.0
Long-term liabilities	241.7	167.2
Net pension liability	279.9	254.4
Total liabilities	567.3	465.6
Deferred Inflows of Resources		
Deferred charges on bond refunding	3.8	4.2
Deferred inflows related to pensions and revenue contributions	10.2	18.7
Total liabilities and deferred inflows of resources	581.3	488.5
Net Position		
Net investment in capital assets	54.8	51.3
Restricted	13.9	12.2
Unrestricted (deficit)	(249.5)	(250.8)
Total net position	<u>\$ (180.8)</u>	<u>\$ (187.3)</u>

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Management's Discussion and Analysis (Continued)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$180.8) million at June 30, 2016. The School District experienced an increase in net position of \$6.5 million. Changes during the year resulted from several changes including current assets (cash) increasing \$45.9 million, long-term liabilities (bond debt), including deferred charges on refunding, increasing \$74.1 million, and net pension liability, including deferred inflows related to pensions and revenue contributions, increasing \$17.0 million. Further, capital assets net of depreciation increased approximately \$39.9 million and current liabilities increased \$1.7 million.

Net investment in capital assets totaling \$54.8 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 of \$13.9 million 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 (\$249.5) million was unrestricted.

The (\$249.5) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. This includes all of the different governmental fund types. Thus, it is important to note that not all unrestricted net position is set aside for day-to-day General Fund operations. It includes funds set aside to complete capital projects, provide for food service, and cover special education shortfalls. The negative unrestricted net position balance is attributed to the \$279.9 million net pension liability and pension related activity arising from the underfunded MPERS pension obligation.

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Management's Discussion and Analysis (Continued)

The change in net position of the School District's governmental activities is discussed below.

Table 2

	Governmental Activities	
	Year Ended June 30	
	2016	2015
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 7.7	\$ 7.6
Operating grants and contributions	33.4	30.8
General revenue:		
Property taxes	46.7	46.0
State foundation allowance	99.1	110.0
Gain on sale of capital assets	0.6	-
Other	0.4	0.4
Total revenue	187.9	194.8
Functions/Program Expenses		
Instruction	98.8	110.2
Support services	66.2	61.7
Athletics	1.6	1.7
Food services	3.6	3.7
Community services	2.9	2.4
Payments to other public schools	0.1	0.1
Interest on long-term debt	7.5	6.7
Debt issuance costs	0.7	-
Total functions/program expenses	181.4	186.5
Increase in Net Position	6.5	8.3
Net Position - Beginning of year	(187.3)	(195.6)
Net Position - End of year	\$ (180.8)	\$ (187.3)

Livonia Public Schools

Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$181.4 million. Certain activities were partially funded from those who benefited from the programs with \$7.7 million of charges for services or by other governments and organizations that subsidized certain programs with grants and contributions of \$33.4 million. We paid for the remaining "public benefit" portion of our governmental activities with \$46.7 million in taxes, and \$99.1 million in State foundation allowance.

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 funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being held 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 \$129.6 million, which is an increase of \$46.5 million from last year. This is primarily a result of the issuance of the 2013 Bond Fund Series II bond, (\$86.8 million increase in bond fund balance as of year-end) and capital spending of proceeds related to the 2013 Series I Bond Fund. Other governmental funds increased in fund balance including the General Fund (\$4.0 million) and other nonmajor governmental funds increased by approximately \$4.0 million.

The School District's budget has been pressured for many years from the overall economic downturn in Michigan, as well as declining enrollment, increased costs for health care, and mandatory pension contributions. The district is pleased to report that in the General Fund, our principal operating fund, the fund balance increased from \$4.0 million to \$8.3 million. While it was the School District's budget plan for 2016 to utilize fund balance to meet budget targets, the School District continues to evaluate the budget and make reductions, increase revenues, and find cost-saving measures whenever possible.

While we are pleased with the increase to our General Fund fund balance, we are mindful that we still have financial challenges ahead of us. Declining enrollment presents a myriad of problems for school districts. The presence of a fund balance allows the district to better manage the decline. Fund balance also provides flexibility in dealing with unanticipated emergencies such as mid-year reductions in funding. Finally having an adequate fund balance allows the district to avoid drastic changes in educational programs and/or employee layoffs during the school year.

The 2013 Bond Series I Fund balance decreased by approximately \$48.3 million. This is a result of the continued capital project expenditures that included major upgrades to six additional schools and the continuation of technology infrastructure being upgraded throughout the

Livonia Public Schools

Management's Discussion and Analysis (Continued)

district. There are plans for the remaining voter-approved bond funds to be expended over the next three years.

The special revenue funds remained comparable to the prior year. The Food Service Fund and Special Education Fund experienced \$78,000 and \$419,000 increases, respectively, in fund balance. In addition, indirect costs in the Special Education Fund and Food Service Fund were transferred to the General Fund.

Combined, the Debt Service Funds showed a fund balance increase of approximately \$450,000. The School District millage rates decreased from the prior year to 4.54 mills. The millage rate for debt service results from the Construction Bond of \$195 million approved by the Livonia Public School voters in May 2013 and the 2014 Refunding Bonds of \$65 million refinanced in February 2014. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service funds fund balances are restricted since they can only be used to pay debt service obligations.

The combined Capital Projects Funds (excluding the 2013 Bond Funds) fund balance increased approximately \$3.1 million mostly as a result of the School District's decreased sinking fund spending while the bonded capital project funds are expended. The School District collected \$4.6 million in voter-approved sinking fund millage and expended \$1.6 million on facility improvements. This millage is available to fund specific capital projects allowed by State law and approved by the voters. The Capital Projects Funds also include \$.9 million of fund balance in the Building and Site Technology Fund, which is used to upgrade and replace technology.

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 revenues 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 just before year end. 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 2015-2016 General Fund original budget. The major change was an increase in budgeted revenues and expenditures to reflect the State of Michigan's UAAL rate stabilization transaction. The State increased the retirement rate for mandated pension costs for 2015-16 and also provided state aid payments to (generally) offset the increased costs. These amounts were not known when the budget was originally adopted and the budget was updated during the year to reflect the increased revenues and expenditures for the State UAAL rate stabilization transaction.

The final budgeted revenues increased \$2.8 million from the original budget. A large part of the increase in revenue was a result of the UAAL state aid payment mentioned above as well as a one-time payment made by Wayne County RESA to offset Special Education Transportation costs.

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Management's Discussion and Analysis (Continued)

There were minor variances between the final budget and actual amounts received in revenues. The district recorded an additional \$620,000 in revenue over what we anticipated during the preparation of our final budget amendment. Two variances of note are an additional \$302,000 of Section 31a At-Risk funding recognized as well as a State Aid adjustment of \$247,000 related to a prior year Special Education reimbursement.

There were adjustments to the original expenditure budget of \$.4 million. This is primarily a result of the increased expenditures for employee benefit costs including the increase in retirement costs as discussed earlier offset by decreased expenditures in other areas such as salaries, purchased services, and supplies.

There were variances between the final budget and the actual expenditures. Overall expenditures were \$2.2 million less than anticipated. Salaries and benefits were less than budgeted by approximately \$965,000. Utility costs and other purchased services were approximately \$632,000 less than anticipated. Maintenance supplies and transportation supplies including fuel were also less than anticipated by approximately \$568,000 in the fiscal year.

This may impact the 2016-2017 budget and will be reviewed for any future budget amendment adjustments.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2016, the School District had \$325.0 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 \$44.4 million, or 15.8 percent, from last year.

	2016	2015
Land	\$ 6,603,825	\$ 6,694,178
Construction in progress	38,238,677	18,529,336
Buildings and building improvements	249,048,184	227,311,557
Furniture and equipment	22,166,173	19,739,226
Buses and other vehicles	8,968,766	8,368,834
Total capital assets	325,025,625	280,643,131
Less accumulated depreciation	130,451,080	125,956,709
Net capital assets	<u>\$ 194,574,545</u>	<u>\$ 154,686,422</u>

This year's net additions of \$44.4 million included primarily building renovations. This year marked the third year of major expenditures of the 2013 bond proceeds. Phase 2 projects that were completed in beginning of the school year included major renovation and upgrades to five schools: Hayes, Kennedy, Roosevelt Elementary schools, Riley Upper Elementary school, as well

Livonia Public Schools

Management's Discussion and Analysis (Continued)

as Emerson Middle School. Other ongoing Phase 2 projects included Franklin High School and technology infrastructure upgrades across the School District. Phase 3 projects include major renovation and upgrade to six schools, Grant, Hoover, and Randolph Elementary Schools, Johnson Upper Elementary School, Holmes Middle School, as well as Stevenson High School. Also continued this fiscal year were the technology infrastructure upgrades across the School District and the purchase of additional school buses. There were other upgrades and renovations utilizing the sinking fund proceeds during the year. 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 \$217.0 million in bonds outstanding versus \$152.4 million in the previous year - a change of 42.4 percent. This increase is a result of the issuance of the 2013 Bond Fund Series II. Those outstanding bonds consist of the following:

	<u>2016</u>	<u>2015</u>
General obligation bonds	<u>\$ 216,990,000</u>	<u>\$ 152,365,000</u>

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 \$217.0 million is significantly below the statutorily imposed limit. Bond payments are due annually and extend through the year 2045. The annual property tax levy to extinguish current debt in 2015-2016 is 4.6 mills. Other long-term obligations include accrued vacation pay, sick leave, and severance pay. We present more detailed information about our long-term liabilities in the notes to the financial statements.

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Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2016-2017 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 2017 fiscal year is 10 percent and 90 percent of the February 2016 and October 2016 student counts, respectively. The 2016-2017 budget was adopted in June 2016, based on an estimate of students that will be enrolled in September 2016. Almost 73 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, the 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 2016-2017 school year, we anticipate that the fall student count will be less than the estimates used in creating the 2016-2017 budget. Once the final student count and related per pupil funding are validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations. The School District amends the budget two to three times per year to reflect the most accurate projections in revenue including state aid, local revenue, or other resources. We also analyze the budget for potential changes in staffing, healthcare costs, utilities, and other costs.

The 2016-2017 budget includes a decrease in revenue based on the estimated decline in enrollment in the School District, a trend that is continuing throughout the state of Michigan. In order to more closely match revenue to expenditures, the School District made revenue enhancements and cost reductions of approximately \$2.7 million. The District will review the budget assumptions in the fall and make recommendations and budget amendments to reflect any changes in the budget estimates. As in the past few years, budget adjustments in fiscal year 2017 will include changes in revenue and expenditures to match the state's change in retirement costs and revenue off set amounts.

Over the past several years, the School District has worked with all employee groups to provide savings in salaries and benefits including reduced salary schedules, changes to healthcare benefit plans, changes in healthcare providers, and changes in employee contributions to health care.

Each year, the School District considers critical budget issues including long-range planning, state aid funding, student enrollment, program reductions, and revenue enhancement - cost containment efforts.

Future year operating budgets will also be challenged as the ability of the State to provide funding for schools is in question due to state budget priorities. In addition, student enrollment is projected to continue to decline based on existing demographics, both in the School District and across the state. In future budget planning, the School District will also be challenged to continue efforts to provide a balanced budget without depleting all of the School District's fund equity.

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Management's Discussion and Analysis (Continued)

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.

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Statement of Net Position June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 3)	\$ 23,630,418
Receivables	23,756,495
Inventories	186,881
Prepaid costs and other assets	635,481
Restricted assets (Notes 3 & 10)	128,075,026
Capital assets - Net (Note 6)	<u>194,574,545</u>
Total assets	370,858,846
Deferred Outflows of Resources -	
Deferred outflows related to pensions (Note 13)	<u>29,659,668</u>
Total assets and deferred outflows of resources	400,518,514
Liabilities	
Accounts payable	14,495,825
Accrued payroll-related liabilities	14,151,705
State aid anticipation note (Note 8)	6,557,837
Accrued interest	2,661,897
Due to other governmental units	5,818,830
Claims payable (Note 11)	559,326
Unearned revenue (Note 5)	1,522,014
Long-term liabilities (Note 9):	
Due within one year	10,093,932
Due in more than one year	231,638,613
Net pension liability (Note 13)	<u>279,856,068</u>
Total liabilities	567,356,047
Deferred Inflows of Resources	
Deferred charges on refunding	3,765,895
Deferred inflows related to pensions and revenue contributions (Note 13)	<u>10,229,452</u>
Total deferred inflows of resources	<u>13,995,347</u>
Total liabilities and deferred inflows of resources	<u>581,351,394</u>
Net Position	
Net investment in capital assets	54,797,719
Restricted:	
Building and Repairs Fund	13,889,884
Unrestricted (deficit)	<u>(249,520,483)</u>
Total net position	<u>\$ (180,832,880)</u>

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Statement of Activities Year Ended June 30, 2016

	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 98,829,552	\$ 579,720	\$ 18,775,023	\$ (79,474,809)
Support services	66,205,192	79,498	12,577,251	(53,548,443)
Athletics	1,634,548	845,830	-	(788,718)
Food services	3,661,354	1,782,275	2,047,045	167,966
Community services	2,896,288	4,390,615	-	1,494,327
Payments to other public schools (ISDs, LEAs)	42,844	-	-	(42,844)
Interest on long-term debt	7,449,308	-	-	(7,449,308)
Debt issuance costs	713,330	-	-	(713,330)
Total primary government	\$ 181,432,416	\$ 7,677,938	\$ 33,399,319	(140,355,159)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				23,052,199
Property taxes, levied for debt service				19,077,846
Property taxes, levied for capital projects				4,622,608
State aid not restricted to specific purposes				99,073,300
Interest and investment earnings				193,278
Gain on the sale of capital assets				589,194
Other sources				244,261
				<u>146,852,686</u>
				Change in Net Position 6,497,527
				Net Position - Beginning of year (187,330,407)
				Net Position - End of year <u>\$ (180,832,880)</u>

Livonia Public Schools

Governmental Funds Balance Sheet June 30, 2016

	General Fund	2013 Bond Series I Fund	2013 Bond Series II Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 22,801,980	\$ -	\$ -	\$ 828,438	\$ 23,630,418
Receivables:					
Taxes receivable	4,276	-	-	16,506	20,782
Accounts receivable	31,916	-	-	69,594	101,510
Due from other governmental units					
	21,827,922	4,800	3,000	1,798,481	23,634,203
Due from other funds (Note 7)	47,253	41,000	-	6,043,876	6,132,129
Inventories	149,024	-	-	37,857	186,881
Prepaid costs and other assets	11,613	481,444	-	24,246	517,303
Restricted assets (Note 10)	-	25,410,027	86,875,365	15,789,634	128,075,026
Total assets	\$ 44,873,984	\$ 25,937,271	\$ 86,878,365	\$ 24,608,632	\$ 182,298,252
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 604,617	\$ 10,667,474	\$ -	\$ 361,652	\$ 11,633,743
Accrued payroll-related liabilities	12,934,104	-	-	1,217,601	14,151,705
State aid anticipation note (Note 8)	6,557,837	-	-	-	6,557,837
Due to other governmental units	1,990,343	-	-	3,828,487	5,818,830
Due to other funds	11,970,760	14,530	41,000	32,723	12,059,013
Unearned revenue (Note 5)	1,522,014	-	-	-	1,522,014
Total liabilities	35,579,675	10,682,004	41,000	5,440,463	51,743,142
Deferred Inflows of Resources -					
Unavailable revenue (Note 5)	975,785	-	-	-	975,785
Total liabilities and deferred inflows of resources	36,555,460	10,682,004	41,000	5,440,463	52,718,927
Fund Balances					
Nonspendable:					
Inventory	149,024	-	-	37,857	186,881
Prepaid assets	11,613	481,444	-	24,246	517,303
Restricted:					
Capital projects	-	14,773,823	86,837,365	13,889,884	115,501,072
Debt service	-	-	-	1,996,998	1,996,998
Food service	-	-	-	572,603	572,603
Assigned:					
Capital projects	-	-	-	828,438	828,438
Center Program	-	-	-	1,818,143	1,818,143
Budgeted use of fund balance in subsequent year	489,631	-	-	-	489,631
Unassigned	7,668,256	-	-	-	7,668,256
Total fund balances	8,318,524	15,255,267	86,837,365	19,168,169	129,579,325
Total liabilities, deferred inflows of resources, and fund balances	\$ 44,873,984	\$ 25,937,271	\$ 86,878,365	\$ 24,608,632	\$ 182,298,252

The Notes to Financial Statements are an
Integral Part of this Statement.

Livonia Public Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position Year Ended June 30, 2016

Fund Balance Reported in Governmental Funds \$ 129,579,325

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	\$ 325,025,625	
Accumulated depreciation	<u>(130,451,080)</u>	194,574,545

Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds 975,785

Deferred outflows related to pension payments made subsequent to the measurement date 20,807,208

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

Bonds payable including premium	(237,425,453)	
Compensated absences	<u>(4,307,092)</u>	(241,732,545)

Accrued interest payable is not included as a liability in governmental funds (2,661,897)

Deferred inflows of resources (deferred interest) that do not benefit the current period are not reported in the governmental funds (3,765,895)

Deferred outflows related to pensions 8,852,460

Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position 2,623,654

Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities (279,856,068)

Deferred inflows related to pensions and revenue contributions are not reported in the governmental funds (10,229,452)

Net Position of Governmental Activities **\$ (180,832,880)**

Livonia Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	2013 Bond Series I Fund	2013 Bond Series II Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Local sources	\$ 29,668,380	\$ 152,932	\$ 26,681	\$ 25,713,406	\$ 55,561,399
State sources	114,380,602	-	-	5,150,159	119,530,761
Federal sources	6,078,781	-	-	1,888,058	7,966,839
Interdistrict sources	1,338,580	-	-	10,729,284	12,067,864
Total revenue	151,466,343	152,932	26,681	43,480,907	195,126,863
Expenditures					
Current:					
Instruction	89,567,059	-	-	11,274,538	100,841,597
Support services	54,532,643	682,805	95,736	4,246,318	59,557,502
Athletics	1,500,673	-	-	-	1,500,673
Food services	-	-	-	3,701,055	3,701,055
Community services	2,971,906	-	-	-	2,971,906
Debt service:					
Principal	-	-	-	11,555,000	11,555,000
Interest	-	-	-	7,242,950	7,242,950
Other	-	-	627,642	85,688	713,330
Capital outlay	501,482	47,810,974	5,053	1,479,524	49,797,033
Payments to other public schools (ISDs, LEAs)	42,844	-	-	-	42,844
Total expenditures	149,116,607	48,493,779	728,431	39,585,073	237,923,890
Excess of Revenue Over (Under) Expenditures	2,349,736	(48,340,847)	(701,750)	3,895,834	(42,797,027)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	61,559	-	-	1,706,039	1,767,598
Transfers in (Note 7)	2,656,039	-	-	1,050,744	3,706,783
Transfers out (Note 7)	(1,050,744)	-	-	(2,656,039)	(3,706,783)
Face value of debt issued	-	-	76,180,000	-	76,180,000
Premium on debt issued	-	-	11,359,115	-	11,359,115
Other	11,744	-	-	-	11,744
Total other financing sources (uses)	1,678,598	-	87,539,115	100,744	89,318,457
Net Change in Fund Balances	4,028,334	(48,340,847)	86,837,365	3,996,578	46,521,430
Fund Balances - Beginning of year	4,290,190	63,596,114	-	15,171,591	83,057,895
Fund Balances - End of year	\$ 8,318,524	\$ 15,255,267	\$ 86,837,365	\$ 19,168,169	\$ 129,579,325

The Notes to Financial Statements are an Integral Part of this Statement.

Livonia Public Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 46,521,430

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:

Depreciation expense	\$	(7,058,493)	
Capitalized capital outlay		48,125,021	41,066,528

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (1,178,405)

Revenue is reported in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end (188,035)

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (76,180,000)

Underwriter's discount/premium and deferred charges reported as expenditures/revenue in the funds and amortized in the statement of activities (10,115,917)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 11,555,000

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid (1,461,299)

Revenue in support of pension contributions made subsequent to the measurement date (7,598,079)

Change in pension expense related to deferred items 4,081,841

Compensated absences, as well as self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was paid out than was earned 604,948

Internal service funds are included as part of governmental activities (610,485)

Change in Net Position of Governmental Activities **\$ 6,497,527**

Livonia Public Schools

Proprietary Fund Internal Service Fund - Health and Welfare Fund Statement of Net Position June 30, 2016

Assets - Current assets	
Due from other funds (Note 7)	\$ 5,089,993
Prepaid costs and other assets	<u>118,178</u>
Total assets	5,208,171
Liabilities - Current liabilities	
Accounts payable	2,025,191
Claims payable (Note 11)	<u>559,326</u>
Total liabilities	<u>2,584,517</u>
Net Position - Unrestricted	<u>\$ 2,623,654</u>

Draft

Livonia Public Schools

Proprietary Fund Internal Service Fund - Health and Welfare Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

Operating Revenue	
Employee contributions	\$ 4,366,073
Employee contributions - Purchased insurance	324,104
Charges for services	<u>15,790,395</u>
Total operating revenue	20,480,572
Operating Expenses	
Cost of insurance claims	238,734
Premiums	20,127,188
Employee premiums - Purchased insurance	305,444
Administrative costs	<u>419,691</u>
Total operating expenses	<u>21,091,057</u>
Change in Net Position	(610,485)
Net Position - Beginning of year	<u>3,234,139</u>
Net Position - End of year	<u><u>\$ 2,623,654</u></u>

Livonia Public Schools

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2016

Cash Flows from Operating Activities	
Receipts from interfund services and reimbursements	\$ 20,636,833
Claims, premiums, and administrative fees paid	<u>(20,636,833)</u>
Net cash used in operating activities	<u>-</u>
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents - Beginning of year	<u>-</u>
Cash and Cash Equivalents - End of year	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (610,485)
Adjustments to reconcile operating loss to net cash from operating activities -	
Changes in assets and liabilities:	
Due from others	156,261
Prepaid and other assets	153,121
Accounts payable	371,229
Claims payable	<u>(70,126)</u>
Net cash used in operating activities	<u>\$ -</u>

Livonia Public Schools

Fiduciary Funds Statement of Net Position June 30, 2016

	Private Purpose	
	<u>Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and investments	\$ 35,088	\$ 478,713
Due from other funds (Note 7)	1,992	834,899
Total assets	37,080	1,313,612
Liabilities		
Accounts payable	-	5,712
Due to agency fund activities	-	1,307,900
Total liabilities	-	1,313,612
Net Position - Restricted for endowments	\$ 37,080	\$ -

Livonia Public Schools

Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2016

	Private Purpose Trust Funds
Additions - Local sources	\$ 500
Deductions - Scholarships awarded	<u>3,030</u>
Change in Net Position	(2,530)
Net Position - Beginning of year	<u>39,610</u>
Net Position - End of year	<u><u>\$ 37,080</u></u>

Draft

Note 1 - Nature of Business and Significant Accounting Policies

The accounting policies of Livonia Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. 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. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the School District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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 are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes, unrestricted state aid, unrestricted federal funds.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund. The School District's General Funds include the General Fund, athletic activities, and funded projects.

2013 Bond Series I Fund - 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.

2013 Bond Series II Fund - 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 fund types:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or assigned to expenditures for specified purposes. The School District's special revenue funds include the Food Service and Center Program Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Debt Service Funds - Debt service funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term bond debt.

Capital Projects Funds - The Building and Site Fund was used to record Durant plaintiff court settlement proceeds and other revenue. Disbursements are specifically for acquiring capital improvements, technology replacement, or other improvements determined by the Board of Education. 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 district and/or for renovating, replacing, or developing real estate, facilities, or capital equipment as authorized by the Board of Education.

The Building and Repairs 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.

Internal Service Fund - Internal service funds account for risk management services provided to other departments of the School District on a cost-reimbursement basis.

Fiduciary Funds - Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent. 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.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income is recorded in the fund for which the investment account was established.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds 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 costs in both government-wide and fund financial statements.

Restricted Assets - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. In addition, the unspent property taxes levied in the Debt Service Funds, Building and Repairs 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. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, 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. 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.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	20 to 50 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

Note 1 - Nature of Business and 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 absences 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.

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.

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 financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District only has one item that qualifies for reporting in this category. It is the deferred outflow related to the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources

Note I - Nature of Business and Significant Accounting Policies (Continued)

(revenue) until that time. The School District has three types of deferred inflows of resources. 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 revenues 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 two types of deferred inflow of resources relate to deferred bond charges on refunding and the pension plan and revenue contributions. These are reported only in the statement of net position. Deferred inflows at June 30, 2016 include \$7,598,079 for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date and \$2,631,373 related to the pension plan described in Note 13.

Fund Balance - 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 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 or superintendent, or finance committee, who 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.

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.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (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 expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Adoption of New Standard - As of June 30, 2016, the Organization adopted Governmental Accounting Standards Board ("GASB") Statements No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 79 provides guidance for determining whether certain investment pools can continue to be accounted for using amortized cost. The adoption did not have a significant impact on amounts reported in the financial statements.

Note 2 - 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.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

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

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The School District did not have significant expenditure budget variances.

Note 3 - 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, 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 \$29,000,000 of the investment pools that are recorded at amortized costs except for a minimum one day investment period.

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

Note 3 - Deposits and Investments (Continued)

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's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$27,512,863 had \$26,762,863 of bank deposits (certificates of deposit, 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 pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The following investment securities were uninsured and unregistered and held in the following manner:

Investment Type	Carrying Value	How Held
U.S. Treasury notes	\$ 26,356,740	Held by counterparty

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.

Note 3 - 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.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
U.S. Government Money Market Fund Capital Share Class*	\$ 16,618,072	N/A	AAAmf	Moody's
Federated Government Obligations Fund*	2,754,205	N/A	AAAmf	Moody's
Commercial Paper	12,911,300	Less than 1 year	P-1	Moody's
Michigan Liquid Asset Fund - Investment Pool*	29,038,767	N/A	AAAm	S & P
U.S. Treasury notes	26,356,740	Less than 1 year	Aaa	Moody's
Federal Agency Bond	39,386,519	3.44 years	AAA	Moody's
Total investments	<u>\$ 127,065,603</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 12.4 percent of the School District's total investments, respectively.

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 policy prohibit investment in foreign currency.

Note 4 - Fair Value Measurement

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 asset. 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 below.

Note 4 - Fair Value Measurement (Continued)

In instances where inputs used to measure fair value fall into different levels in the above 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 or liability.

The School District has the following recurring fair value measurements as of June 30, 2016:

	Balance at June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasury securities	\$ 26,356,740	\$ -	\$ 26,356,740	\$ -
Federal agency securities	39,386,519	-	39,386,519	-
Commercial paper	12,911,300	-	12,911,300	-
Total debt securities	78,654,559	-	78,654,559	-
Total investments by fair value level	78,654,559	\$ -	\$ 78,654,559	\$ -
Total investments measured at fair value	\$ 78,654,559			

The fair value of U.S. treasuries, federal agency securities, and commercial paper at June 30, 2016 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned and unavailable revenue are as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Delinquent property taxes	\$ 975,785	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	1,345,661

Livonia Public Schools

Notes to Financial Statements June 30, 2016

Note 5 - Unavailable/Unearned Revenue (Continued)

Program fees and tuition	-	129,505
Other	-	46,848
Total	<u>\$ 975,785</u>	<u>\$ 1,522,014</u>

Note 6 - Capital Assets

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

	Balance July 1, 2015	Additions and Adjustments	Disposals and Adjustments	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 6,694,178	\$ -	\$ 90,353	\$ 6,603,825
Construction in progress	18,529,336	36,604,394	16,895,053	38,238,677
Subtotal	25,223,514	36,604,394	16,985,406	44,842,502
Capital assets being depreciated:				
Buildings and improvements	227,311,557	23,979,754	2,243,127	249,048,184
Furniture and equipment	19,739,226	2,831,466	404,519	22,166,173
Buses and other vehicles	8,368,834	1,604,460	1,004,528	8,968,766
Subtotal	255,419,617	28,415,680	3,652,174	280,183,123
Accumulated depreciation:				
Buildings and improvements	108,979,388	5,839,517	1,454,601	113,364,304
Furniture and equipment	11,389,249	1,021,665	305,899	12,105,015
Buses and other vehicles	5,588,072	197,311	803,622	4,981,761
Subtotal	125,956,709	7,058,493	2,564,122	130,451,080
Net capital assets being depreciated	129,462,908	21,357,187	1,088,052	149,732,043
Net capital assets	<u>\$ 154,686,422</u>	<u>\$ 57,961,581</u>	<u>\$ 18,073,458</u>	<u>\$ 194,574,545</u>

Depreciation expense was charged to activities of the School District (primary government) as follows:

Governmental activities:	
Instruction	\$ 333,616
Support services	6,619,594
Athletics	105,283
Total governmental activities	<u>\$ 7,058,493</u>

Livonia Public Schools

Notes to Financial Statements June 30, 2016

Note 6 - Capital Assets (Continued)

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:

	Total Contracts	Remaining Commitment
Building and Repairs Fund	\$ 662,905	\$ 91,630
2013 Bond Fund - Series I and II	87,345,419	34,667,209
Total	<u>\$ 88,008,324</u>	<u>\$ 34,758,839</u>

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	2013 Bond Fund Series I	2013 Bond Fund Series II	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 14,530	\$ -	\$ 32,723	\$ 47,253
2013 Bond Fund Series I	-	-	41,000	-	41,000
Internal Service Fund	5,089,993	-	-	-	5,089,993
Private Purpose Trust Fund	1,992	-	-	-	1,992
Agency Fund	834,899	-	-	-	834,899
Nonmajor governmental funds	6,043,876	-	-	-	6,043,876
Total	<u>\$ 11,970,760</u>	<u>\$ 14,530</u>	<u>\$ 41,000</u>	<u>\$ 32,723</u>	<u>\$ 12,059,013</u>

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

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

Fund Transferred To	Fund Transferred From		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 2,656,039	\$ 2,656,039
Nonmajor governmental funds	\$ 1,050,744	\$ -	\$ 1,050,744
Total	<u>1,050,744</u>	<u>2,656,039</u>	<u>3,706,783</u>

Interfund transfers were made during the year between the General Fund and the Special Education Center Program to cover indirect costs and to transfer the State's

Livonia Public Schools

Notes to Financial Statements June 30, 2016

Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

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 also made from the 2012 Capital Projects Fund to the General Fund for the proceeds from sale of land. Amounts transferred between the 2013 Bond Funds represent issuance costs paid between the funds.

Note 8 - State Aid Anticipation Note

On August 20, 2015, Livonia Public Schools borrowed \$6,500,000 on a state aid anticipation note from FirstMerit Bank. The note bears interest at 1.03 percent and is due on August 22, 2016. At June 30, 2016, Livonia Public Schools has accrued interest of \$57,837 on this note. This note was fully repaid subsequent to year end.

Note 9 - Long-term Debt

The School District issues 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. Other long-term obligations include employment related liabilities.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government obligation bonds	\$ 152,365,000	\$ 76,180,000	\$ 11,555,000	\$ 216,990,000	\$ 7,970,000
Employee Related liabilities	4,912,040	-	604,948	4,307,092	1,047,431
Premium on bonds	9,893,208	11,359,115	816,870	20,435,453	1,076,501
Deferred inflows - Deferred charges on bond refunding	4,192,223	-	426,328	3,765,895	426,328
Total governmental entities	\$ 171,362,471	\$ 87,539,115	\$ 13,403,146	\$ 245,498,440	\$ 10,520,260

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2017	\$ 7,970,000	\$ 11,318,865	\$ 19,288,865
2018	8,315,000	10,315,400	18,630,400
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
2022-2026	37,900,000	38,720,050	76,620,050
2027-2031	30,250,000	30,875,000	61,125,000
2032-2036	35,900,000	22,750,000	58,650,000

Livonia Public Schools

Notes to Financial Statements June 30, 2016

Note 9 - Long-term Debt (Continued)

2037-2041	42,075,000	13,173,750	55,248,750
2042-2045	<u>26,925,000</u>	<u>2,852,500</u>	<u>29,777,500</u>
Total	<u>\$ 216,990,000</u>	<u>\$ 158,473,415</u>	<u>\$ 375,463,415</u>

Governmental Activities

General obligation bonds consist of the following:

\$65,025,000 refunding bonds due in annual installments of \$4,125,000 to \$7,810,000 through May 1, 2025; interest at 4.00 percent to 5.00 percent	\$ 54,110,000
\$103,330,000 school building and site bonds due in annual installments of \$800,000 to \$5,675,000 through May 1, 2043; interest at 3.00 percent to 5.00 percent	86,700,000
\$76,180,000 school building and site bonds due in annual installments of \$1,000,000 to \$4,175,000 through May 1, 2045; interest at 3.00 percent to 5.00 percent	<u>76,180,000</u>
Total bonded debt	<u>\$216,990,000</u>

In prior 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 accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2016, \$15,943,147 of bonds outstanding are considered defeased.

Note 10 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	<u>Governmental Activities</u>
Unspent bond proceeds and related interest	\$ 112,285,392
Unspent sinking fund property taxes levied	14,243,464
Unspent debt service property taxes levied	<u>1,546,170</u>
Total restricted assets	<u>\$ 128,075,026</u>

Note 11 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, medical benefits provided to employees, 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 related to commercial insurance have not exceeded the amount of insurance coverage in any of the last 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 that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	2016	2015
Estimated liability - Beginning of year	\$ 629,452	\$ 664,793
Estimated claims incurred - Including changes in estimates	238,734	342,391
Claim payments	<u>(308,860)</u>	<u>(377,732)</u>
Unpaid claims - End of year	<u>\$ 559,326</u>	<u>\$ 629,452</u>

Note 12 - Contingent Liabilities

The School District is a defendant in claims related to alleged abuse to 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 - Michigan Public School Employees' Retirement System

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or 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. 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 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.

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.

School District's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

The range of rates are as follows:

School District

October 1, 2014 - September 30, 2015	18.76 to 23.07 percent
October 1, 2015 - June 30, 2016	14.56 to 18.95 percent

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the year ended June 30, 2016 was \$26,257,664. The School District required and actual contributions include an allocation of \$7,598,079 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, 2016.

Note 13 - Michigan Public School Employees' Retirement System (Continued)

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

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service 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.

Members are eligible for non-duty 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.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2016, the School District reported a liability of \$279,856,068 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, which used update procedures to roll forward the estimated liability to September 30, 2015. 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, 2015, the School District's proportion was 1.145776 percent.

Livonia Public Schools

Notes to Financial Statements June 30, 2016

Note 13 - Michigan Public School Employees' Retirement System (Continued)

For the year ended June 30, 2016, the School District recognized pension expense of \$23,338,956 exclusive of payments to fund the MPSERS UAAL Stabilization Rate. At June 30, 2016, 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 Resources
Difference between expected and actual experience	\$ -	\$ 926,965
Changes of assumptions	6,890,649	-
Net difference between projected and actual earnings on pension plan assets	1,428,439	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	533,372	1,704,408
The School District's contributions subsequent to the measurement date	20,807,208	-
Total	<u>\$ 29,659,668</u>	<u>\$ 2,631,373</u>

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

Years Ending June 30	Amount
2017	\$ 470,427
2018	470,427
2019	96,626
2020	5,183,607
2021	-
Thereafter	-
Total	<u>\$ 6,221,087</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.

Note 13 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions - The total pension liability as of September 30, 2015 is based on the results of an actuarial valuation date of September 30, 2014 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Salary increases	3.5 to 12.3 percent, including wage inflation of 3.5 percent
Mortality basis	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3% annual non-compounded for MIP members

The actuarial assumptions used for the September 30, 2014 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

Discount Rate - The discount rate used to measure the total pension liability was 7.00 to 8.00 percent depending on the plan option. 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 employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 13 - Michigan Public School Employees' Retirement System (Continued)

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.0 %	5.9 %
Private equity pools	18.0 %	9.2 %
International equity pools	16.0 %	7.2 %
Fixed-income pools	10.5 %	0.9 %
Real estate and infrastructure pools	10.0 %	4.3 %
Real return, opportunistic, and absolute pool	15.5 %	6.0 %
Short-term investment pools	2.0 %	- %
Total	100.0 %	

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 of 8.00 percent, 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 1.00 percentage point lower (7.00 percent) or 1.00 percentage point higher (9.00 percent) than the current rate:

1.00 Percent Decrease (7.00 Percent)	Current Discount Rate (8.00 Percent)	1.00 Percent Increase (9.00 Percent)
\$ 360,806,212	\$ 279,856,068	\$ 211,611,782

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan - At June 30, 2016, the School District reported a payable of \$3,342,987 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

Note 13 - Michigan Public School Employees' Retirement System (Continued)

Postemployment Benefits Other Than Pensions (OPEB) - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. 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 on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period from July 1, 2014 to September 30, 2014, 2.20 percent to 2.71 percent of covered payroll for the period from October 1, 2014 to September 30, 2015, and from 6.40 percent to 6.83 percent of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were \$5,410,024, \$3,683,053, and \$8,483,340, respectively. In addition, a portion ranging from 35 to 100 percent of the the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate is considered a contribution to the retiree healthcare plan.

Note 14 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued 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 District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The 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 District's financial statements for the year ending June 30, 2018.

Required Supplemental Information

Draft

Livonia Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 28,380,389	\$ 27,946,912	\$ 28,688,979	\$ 742,067
State sources	110,296,437	112,694,128	113,047,028	352,900
Federal sources	41,700	8,500	11,510	3,010
Interdistrict sources	319,000	470,000	1,338,580	868,580
Total revenue	<u>139,037,526</u>	<u>141,119,540</u>	<u>143,086,097</u>	<u>1,966,557</u>
Expenditures				
Current:				
Instruction:				
Basic program	72,309,836	73,127,318	72,672,815	(454,503)
Added needs	11,062,108	11,277,772	11,254,491	(23,281)
Adult/Continuing education	477,774	-	-	-
Total instruction	<u>83,849,718</u>	<u>84,405,090</u>	<u>83,927,306</u>	<u>(477,784)</u>
Support services:				
Pupil	10,473,696	10,295,320	10,165,030	(130,290)
Instructional staff	6,637,863	6,203,200	5,949,735	(253,465)
General administration	852,988	822,086	797,582	(24,504)
School administration	10,018,664	10,172,751	10,003,773	(168,978)
Business	3,812,834	3,637,232	3,442,783	(194,449)
Operations and maintenance	14,058,381	13,955,953	13,209,517	(746,436)
Pupil transportation services	7,379,632	6,984,420	6,810,996	(173,424)
Central	2,753,488	3,011,895	2,849,510	(162,385)
Total support services	<u>55,987,546</u>	<u>55,082,857</u>	<u>53,228,926</u>	<u>(1,853,931)</u>
Community services	2,206,327	2,935,610	2,936,601	991
Payments to other public schools (ISDs, LEAs)	50,000	50,000	42,844	(7,156)
Total expenditures	<u>142,093,591</u>	<u>142,473,557</u>	<u>140,135,677</u>	<u>(2,337,880)</u>
Excess of Expenditures (Under) Over Revenue	(3,056,065)	(1,354,017)	2,950,420	4,304,437
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	44,000	52,555	61,559	9,004
Transfers in	3,364,376	4,120,751	2,754,451	(1,366,300)
Transfers out	(1,524,869)	(1,565,978)	(1,749,840)	(183,862)
Other	25,000	900	11,744	10,844
Total other financing sources (uses)	<u>1,908,507</u>	<u>2,608,228</u>	<u>1,077,914</u>	<u>(1,530,314)</u>
Net Change in Fund Balance	(1,147,558)	1,254,211	4,028,334	2,774,123
Fund Balance - July 1, 2015	4,290,190	4,290,190	4,290,190	-
Fund Balance - June 30, 2016	<u>\$ 3,142,632</u>	<u>\$ 5,544,401</u>	<u>\$ 8,318,524</u>	<u>\$ 2,774,123</u>

Livonia Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Funded Projects Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 64,393	\$ 174,444	\$ 133,571	\$ (40,873)
State sources	612,866	1,544,812	1,333,574	(211,238)
Federal sources	6,759,504	7,009,205	6,067,271	(941,934)
Total revenue	<u>7,436,763</u>	<u>8,728,461</u>	<u>7,534,416</u>	<u>(1,194,045)</u>
Expenditures - Current				
Instruction	5,657,075	6,528,005	5,953,582	(574,423)
Support services	1,625,347	1,984,816	1,447,117	(537,699)
Community services	67,077	64,994	35,305	(29,689)
Total expenditures	<u>7,349,499</u>	<u>8,577,815</u>	<u>7,436,004</u>	<u>(1,141,811)</u>
Excess of Revenue Over (Under)				
Expenditures	87,264	150,646	98,412	(52,234)
Transfers out	<u>(87,264)</u>	<u>(150,646)</u>	<u>(98,412)</u>	<u>52,234</u>
Net Change in Fund Balance				
	-	-	-	-
Fund Balance - July 1, 2015				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - June 30, 2016				
	<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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue - Local sources	\$ 830,100	\$ 830,100	\$ 845,830	\$ 15,730
Expenditures - Athletics	1,546,078	1,564,078	1,544,926	(19,152)
Excess of Expenditures Over Revenue	(715,978)	(733,978)	(699,096)	34,882
Other Financing Sources - Transfers in	715,978	733,978	699,096	(34,882)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2015	-	-	-	-
Fund Balance - June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Draft

Livonia Public Schools

Required Supplemental Information Schedule of Livonia Public Schools' Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System Determined as of the Plan Year Ended September 30

	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability (asset)	1.14578 %	1.15492 %
School District's proportionate share of the net pension liability (asset)	\$,856,068	\$ 254,389,073
School District's covered employee payroll	5,140,276	96,119,058
School District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	294.15 %	264.66 %
Plan fiduciary net position as a % of the total pension liability	62.92 %	66.20 %

Livonia Public Schools

Required Supplemental Information Schedule of Livonia Public Schools' Contributions Michigan Public School Employees' Retirement System Determined as of the Year Ended June 30

	2016	2015
Statutorily required contribution	\$ 26,167,534	\$ 20,507,422
Contributions in relation to the statutorily required contribution	26,167,534	20,507,422
Contribution deficiency (excess)	-	-
School District's covered employee payroll	92,940,215	93,694,674
Contributions as a percentage of covered employee payroll	28.16 %	21.89 %

Livonia Public Schools

Note to Pension Required Supplemental Information Schedules Year Plan Ended September 30, 2015

Benefit Changes - There were no changes of benefit terms in 2015

Changes in Assumptions - There were no changes of benefit assumptions in 2015

Draft

Other Supplemental Information

Draft

Livonia Public Schools

	Special Revenue Funds		Debt Service Funds	
	Food Service	Special Education Center Programs	2013	2014 Refunding
Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Receivables:				
Taxes receivable	-	-	6,503	6,512
Accounts receivable	69,594	-	-	-
Due from other governmental units	127,279	1,671,202	-	-
Due from other funds	420,437	5,185,626	175,952	261,861
Inventories	37,857	-	-	-
Prepaid costs and other assets	-	-	-	-
Restricted assets	-	-	823,072	723,098
Total assets	\$ 655,167	\$ 6,856,828	\$ 1,005,527	\$ 991,471
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 19,054	\$ 18,250	\$ -	\$ -
Accrued payroll - Salaries payable	24,871	1,192,730	-	-
Due to other governmental units	782	3,827,705	-	-
Due to other funds	-	-	-	-
Total liabilities	44,707	5,038,685	-	-
Fund Balances				
Nonspendable:				
Inventory	37,857	-	-	-
Prepaid assets	-	-	-	-
Restricted:				
Capital projects	-	-	-	-
Debt service	-	-	1,005,527	991,471
Food service	572,603	-	-	-
Assigned:				
Capital projects	-	-	-	-
Center Program	-	1,818,143	-	-
Total fund balances	610,460	1,818,143	1,005,527	991,471
Total liabilities and fund balances	\$ 655,167	\$ 6,856,828	\$ 1,005,527	\$ 991,471

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

Capital Projects Funds			Total Nonmajor Governmental Funds
Building and Repairs Fund	Building and Site	2012 Capital Projects	
\$ -	\$ 828,438	\$ -	\$ 828,438
3,491	-	-	16,506
-	-	-	69,594
-	-	-	1,798,481
-	-	-	6,043,876
-	-	-	37,857
-	24,246	-	24,246
<u>14,243,464</u>	<u>-</u>	<u>-</u>	<u>15,789,634</u>
<u>\$ 14,246,955</u>	<u>\$ 852,684</u>	<u>\$ -</u>	<u>\$ 24,608,632</u>
\$ 324,348	\$ -	\$ -	\$ 361,652
-	-	-	1,217,601
-	-	-	3,828,487
<u>32,723</u>	<u>-</u>	<u>-</u>	<u>32,723</u>
357,071	-	-	5,440,463
-	-	-	37,857
-	24,246	-	24,246
13,889,884	-	-	13,889,884
-	-	-	1,996,998
-	-	-	572,603
-	828,438	-	828,438
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,818,143</u>
<u>13,889,884</u>	<u>852,684</u>	<u>-</u>	<u>19,168,169</u>
<u>\$ 14,246,955</u>	<u>\$ 852,684</u>	<u>\$ -</u>	<u>\$ 24,608,632</u>

Livonia Public Schools

	Special Revenue Funds		Debt Service Fund	
	Food Service	Special Education Center Programs	2013	2014 Refunding
Revenue				
Local sources	\$ 1,782,275	\$ 13,835	\$ 10,361,756	\$ 8,880,406
State sources	158,987	4,900,126	-	91,046
Federal sources	1,888,058	-	-	-
Interdistrict sources	-	10,729,284	-	-
Total revenue	3,829,320	15,643,245	10,361,756	8,971,452
Expenditures - Current				
Instruction:				
Basic program	-	52,082	-	-
Added needs	-	11,222,456	-	-
Support services	-	4,071,544	-	-
Food services	3,701,055	-	-	-
Debt service:				
Principal	-	-	5,675,000	5,880,000
Interest	-	-	4,446,500	2,796,450
Other	-	-	44,961	40,727
Capital outlay	19	29,178	-	-
Total expenditures	3,701,074	15,375,260	10,166,461	8,717,177
Excess of Revenue Over (Under) Expenditures	128,246	267,985	195,295	254,275
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	1,050,744	-	-
Transfers out	(50,000)	(900,000)	-	-
Total other financing uses	(50,000)	150,744	-	-
Net Change in Fund Balances	78,246	418,729	195,295	254,275
Fund Balances - Beginning of year	532,214	1,399,414	810,232	737,196
Fund Balances - End of year	\$ 610,460	\$ 1,818,143	\$ 1,005,527	\$ 991,471

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

Capital Projects Fund			Total
Buildings and Repairs Fund	Building and Site	2012 Capital Projects	Nonmajor Governmental Funds
\$ 4,674,049	\$ 1,085	\$ -	\$ 25,713,406
-	-	-	5,150,159
-	-	-	1,888,058
-	-	-	10,729,284
<u>4,674,049</u>	<u>1,085</u>	<u>-</u>	<u>43,480,907</u>
-	-	-	52,082
-	-	-	11,222,456
139,039	35,735	-	4,246,318
-	-	-	3,701,055
-	-	-	-
-	-	-	11,555,000
-	-	-	7,242,950
-	-	-	85,688
<u>1,432,546</u>	<u>17,781</u>	<u>-</u>	<u>1,479,524</u>
<u>1,571,585</u>	<u>53,516</u>	<u>-</u>	<u>39,585,073</u>
3,102,464	(52,431)	-	3,895,834
-	-	1,706,039	1,706,039
-	-	-	1,050,744
-	-	(1,706,039)	(2,656,039)
<u>-</u>	<u>-</u>	<u>-</u>	<u>100,744</u>
3,102,464	(52,431)	-	3,996,578
<u>10,787,420</u>	<u>905,115</u>	<u>-</u>	<u>15,171,591</u>
<u>\$ 13,889,884</u>	<u>\$ 852,684</u>	<u>\$ -</u>	<u>\$ 19,168,169</u>

Livonia Public Schools

Other Supplemental Information Combining Balance Sheet General Fund June 30, 2016

	General Fund	Athletic Activities	Funded Projects	Total
Assets				
Cash and cash equivalents	\$ 22,801,980	\$ -	\$ -	\$ 22,801,980
Receivables:				
Taxes receivable	4,276	-	-	4,276
Accounts receivable	31,916	-	-	31,916
Due from other governmental units	20,372,106	-	1,455,816	21,827,922
Due from other funds	47,253	-	-	47,253
Inventories	149,024	-	-	149,024
Prepaid costs and other assets	11,052	-	561	11,613
	<u>\$ 43,417,607</u>	<u>\$ -</u>	<u>\$ 1,456,377</u>	<u>\$ 44,873,984</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 504,165	\$ 21,072	\$ 79,380	\$ 604,617
Accrued payroll-related liabilities	12,459,351	10,497	464,256	12,934,104
State aid anticipation note	6,557,837	-	-	6,557,837
Due to other governmental units	1,990,051	-	292	1,990,343
Due to other funds	11,664,087	(31,569)	338,242	11,970,760
Unearned revenue	947,807	-	574,207	1,522,014
	<u>34,123,298</u>	<u>-</u>	<u>1,456,377</u>	<u>35,579,675</u>
Deferred Inflows of Resources -				
Unavailable revenue	975,785	-	-	975,785
	<u>35,099,083</u>	<u>-</u>	<u>1,456,377</u>	<u>36,555,460</u>
Fund Balances				
Nonspendable:				
Inventory	149,024	-	-	149,024
Prepaid assets	11,613	-	-	11,613
Assigned - Budgeted use of fund balance in subsequent year	489,631	-	-	489,631
Unassigned	7,668,256	-	-	7,668,256
	<u>8,318,524</u>	<u>-</u>	<u>-</u>	<u>8,318,524</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 43,417,607</u>	<u>\$ -</u>	<u>\$ 1,456,377</u>	<u>\$ 44,873,984</u>

Livonia Public Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances General Fund Year Ended June 30, 2016

	General Fund	Athletic Activities	Funded Projects	Total
Revenue				
Local sources	\$ 28,688,979	\$ 845,830	\$ 133,571	\$ 29,668,380
State sources	113,047,028	-	1,333,574	114,380,602
Federal sources	11,510	-	6,067,271	6,078,781
Interdistrict sources	1,338,580	-	-	1,338,580
Total revenue	143,086,097	845,830	7,534,416	151,466,343
Expenditures				
Current:				
Instruction:				
Basic program	72,661,206	-	642,744	73,303,950
Added needs	11,254,491	-	4,759,054	16,013,545
Adult/Continuing education	-	-	249,564	249,564
Support services:				
Pupil	10,165,030	-	229,655	10,394,685
Instructional staff	5,949,735	-	911,165	6,860,900
General administration	797,582	-	-	797,582
School administration	10,003,773	-	174,564	10,178,337
Business	3,442,783	-	21,277	3,464,060
Operations and maintenance	13,167,900	-	712	13,168,612
Pupil transportation services	6,810,996	-	-	6,810,996
Central	2,848,133	-	9,338	2,857,471
Athletics	-	1,500,673	-	1,500,673
Community services	2,936,601	-	35,305	2,971,906
Capital outlay	54,603	44,253	402,626	501,482
Payments to other public schools (ISDs, LEAs)	42,844	-	-	42,844
Total expenditures	140,135,677	1,544,926	7,436,004	149,116,607
Excess of Expenditures (Over) Under Revenue	2,950,420	(699,096)	98,412	2,349,736
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	61,559	-	-	61,559
Transfers in	2,754,451	699,096	-	3,453,547
Transfers out	(1,749,840)	-	(98,412)	(1,848,252)
Other	11,744	-	-	11,744
Total other financing sources (uses)	1,077,914	699,096	(98,412)	1,678,598
Net Change in Fund Balances	4,028,334	-	-	4,028,334
Fund Balances - Beginning of year	4,290,190	-	-	4,290,190
Fund Balances - End of year	\$ 8,318,524	\$ -	\$ -	\$ 8,318,524

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget Year Ended June 30, 2016

	Original Budget	Final Budget	Actual
Revenues			
Revenue from Local Sources			
Property tax levy	\$ 23,179,265	\$ 22,573,438	\$ 23,052,198
Tuition	495,000	533,000	553,715
Transportation fees	75,000	70,000	79,498
Student activities	13,800	14,300	14,450
Other local revenues	4,617,324	4,756,174	4,989,118
Total revenues from local sources	28,380,389	27,946,912	28,688,979
Revenues from State Sources			
Grants - Unrestricted	94,920,663	94,618,118	94,570,819
Grants - Restricted	15,375,774	18,076,010	18,476,209
Total revenues from state sources	110,296,437	112,694,128	113,047,028
Revenues from Federal Sources - Grants			
	41,700	8,500	11,510
Interdistrict Sources			
Tuition Payments	319,000	470,000	482,205
Transportation Payments	-	-	856,375
Total interdistrict sources	319,000	470,000	1,338,580
Other Financing Sources			
Proceeds from sale of capital assets	44,000	52,555	61,559
Refunds	25,000	900	11,744
Transfer in	3,364,376	4,120,751	2,754,451
Total other financing sources	3,433,376	4,174,206	2,827,754
Total revenue and other financing sources	\$ 142,470,902	\$ 145,293,746	\$ 145,913,851
Expenditures			
Basic Program - Elementary			
Salaries	21,103,561	21,056,940	20,995,582
Employee Benefits	11,850,454	12,745,215	12,737,057
Purchased services	447,800	396,527	369,620
Supplies and materials	386,197	381,530	349,428
Total elementary	33,788,012	34,580,212	34,451,687
Basic Program - Middle School			
Salaries	7,514,800	7,259,611	7,256,154
Employee benefits	4,121,908	4,419,127	4,386,100
Purchased services	117,230	104,730	80,951
Supplies and materials	181,339	133,244	77,043
Capital Outlays	-	2,096	2,096
Total middle school	11,935,277	11,918,808	11,802,344
Basic Program - High School			
Salaries	15,591,009	15,149,975	15,112,788
Employee benefits	8,673,905	9,076,533	9,042,553
Purchased services	253,375	298,607	208,670
Supplies and materials	183,309	219,619	224,706
Capital Outlays	-	6,900	6,885
Other	10,820	11,090	11,090
Transfers	15,000	60,000	43,394
Total high school	24,727,418	24,822,724	24,650,086

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2016

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
Basic Program - Pre-school			
Salaries	364,251	320,056	302,306
Employee benefits	193,581	172,835	162,708
Purchased services	1,100	7,700	9,380
Supplies and materials	6,596	6,650	5,837
Total pre-school	565,528	507,241	480,231
Basic Program - Summer School			
Salaries	731,690	720,699	723,281
Employee benefits	496,312	548,490	546,427
Purchased services	16,000	8,644	8,971
Supplies and materials	24,199	15,500	7,160
Capital outlay	25,400	5,000	2,628
Total summer school	1,293,601	1,298,333	1,288,467
Added Needs - Special Education			
Salaries	4,511,883	4,553,724	4,567,345
Employee benefits	2,691,882	2,965,347	2,997,583
Purchased services	134,500	131,200	88,674
Supplies and materials	23,289	23,550	20,357
Total special education	7,361,554	7,673,821	7,673,959
Added Needs - Compensatory Education			
Salaries	430,610	492,121	484,454
Employee benefits	266,677	313,453	303,470
Purchased services	2,355	3,000	2,132
Total compensatory education	699,642	808,574	790,056
Added Needs - Career and Technical Education			
Salaries	1,719,339	1,740,961	1,735,728
Employee benefits	937,980	1,028,416	1,030,831
Purchased services	29,800	26,000	23,917
Supplies and materials	205,793	-	-
Capital outlay	108,000	-	-
Total career and technical education	3,000,912	2,795,377	2,790,476
Adult and Continuing Education - Basic			
Salaries	9,324	-	-
Employee benefits	9,000	-	-
Supplies and materials	1,000	-	-
Total basic	19,324	-	-
Adult and Continuing Education - Secondary			
Salaries	52,836	-	-
Employee benefits	19,549	-	-
Supplies and materials	1,000	-	-
Total secondary	73,385	-	-

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2016

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
Adult and Continuing Education - Occupational			
Salaries	232,298	-	-
Employee benefits	93,051	-	-
Purchased services	54,350	-	-
Supplies and materials	5,366	-	-
Total secondary	385,065	-	-
Pupil - Guidance Services			
Salaries	3,130,532	3,166,644	3,150,460
Employee benefits	1,775,366	1,834,864	1,820,881
Purchased services	15,300	300	243
Total guidance services	4,921,198	5,001,808	4,971,584
Pupil - Health Services			
Salaries	115,241	97,566	97,566
Employee benefits	69,926	53,284	55,204
Purchased services	10,700	6,026	3,092
Supplies and materials	4,950	4,000	977
Total health services	200,817	160,876	156,839
Pupil - Psychological Services			
Salaries	528,966	511,285	511,285
Employee benefits	280,496	300,783	295,238
Purchased services	1,800	14,400	12,972
Total psychological services	811,262	826,468	819,495
Pupil - Speech Services			
Salaries	1,572,929	1,444,070	1,428,296
Employee benefits	837,083	800,405	805,347
Purchased services	29,300	12,300	28,573
Total speech services	2,439,312	2,256,775	2,262,216
Pupil - Social Work Services			
Salaries	588,554	514,082	492,253
Employee benefits	302,964	291,919	286,220
Purchased services	500	14,824	20,902
Total social work services	892,018	820,825	799,375
Pupil - Teacher Consultant			
Salaries	379,271	390,429	390,429
Employee benefits	204,982	228,475	227,388
Purchased services	1,400	3,000	4,045
Total teacher consultant	585,653	621,904	621,862

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2016

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
Pupil - Other Support Services			
Salaries	371,347	384,862	339,527
Employee benefits	236,980	207,202	184,393
Purchased services	15,109	14,600	9,739
Total other pupil support services	623,436	606,664	533,659
Instructional Staff - Improvement of Education			
Salaries and materials	1,060,492	908,670	817,422
Employee benefits	530,464	460,715	414,794
Purchased services	256,336	200,636	147,166
Supplies and materials	22,866	15,049	8,384
Other	1,500	22,800	22,008
Total improvement of education	1,871,658	1,607,870	1,409,774
Instructional Staff - Educational Media Services			
Salaries and materials	1,705,898	1,619,267	1,607,711
Employee benefits	891,122	970,946	956,291
Purchased services	15,500	38,010	40,948
Supplies and materials	44,153	50,100	41,597
Other	125	125	125
Total education media services	2,656,798	2,678,448	2,646,672
Instructional Staff - Technology Assisted Instruction			
Supplies and materials	1,505	-	-
Total technology assisted instruction	1,505	-	-
Instructional Staff - Supervision and Direction of Instructional Staff			
Salaries and materials	952,409	983,501	983,954
Employee benefits	526,990	569,923	573,661
Purchased services	5,822	4,300	4,007
Supplies and materials	19,800	12,000	1,902
Other	2,000	2,800	2,188
Total supervision and direction of instructional staff	1,507,021	1,572,524	1,565,712
Instructional Staff - Academic Student Assessment			
Supplies and materials	49,206	49,206	33,429
Total academic student assessment	49,206	49,206	33,429
Instructional Staff - Other Services			
Salaries	300,781	170,557	171,249
Employee benefits	187,683	120,595	108,398
Purchased services	58,350	-	10,488
Supplies and materials	4,483	4,000	4,013
Other	378	-	-
Total other instructional staff services	551,675	295,152	294,148

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2016

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
General Administration - Board of Education			
Salaries	25,376	25,250	27,800
Purchased services	296,200	349,000	369,683
Supplies and materials	1,980	6,500	2,097
Other	8,500	9,500	110
Total board of education	332,056	390,250	399,690
General Administration - Executive Administration			
Salaries	271,078	249,771	258,278
Employee benefits	167,706	112,290	104,082
Purchased services	2,312	2,000	1,632
Supplies and materials	24,336	21,000	7,026
Other	55,500	46,775	26,874
Total executive administration	520,932	431,836	397,892
School Administration - Office of the Principal			
Salaries	6,147,311	6,138,216	6,058,202
Employee benefits	3,709,562	3,883,655	3,809,943
Purchased services	73,280	72,100	78,390
Supplies and materials	58,511	48,780	35,351
Other	30,000	30,000	21,887
Total office of the principal	10,018,664	10,172,751	10,003,773
Business - Fiscal Services			
Salaries	579,048	592,824	591,529
Employee benefits	384,710	369,028	363,343
Purchased services	17,375	38,300	42,625
Supplies and materials	19,636	20,000	7,506
Other	381,220	390,000	394,040
Total fiscal services	1,381,989	1,410,152	1,399,043
Business - Internal Services			
Salaries	142,576	136,786	129,998
Employee benefits	137,072	105,219	100,435
Purchased services	55,000	55,000	49,715
Supplies and materials	16,218	21,233	9,020
Total internal services	350,866	318,238	289,168
Business - Other Business Services			
Salaries	110,141	108,235	105,756
Employee benefits	77,239	81,657	79,129
Purchased services	1,116,350	1,107,050	1,084,199
Supplies and materials	990	900	47
Other	775,259	611,000	485,441
Total other business services	2,079,979	1,908,842	1,754,572

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2016

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
Operations and Maintenance - Operating Building Services			
Salaries	5,145,452	5,234,821	5,174,365
Employee benefits	3,588,066	3,791,642	3,739,538
Purchased services	3,874,640	3,275,624	2,899,731
Supplies and materials	622,583	779,952	522,496
Capital outlay	20,000	66,000	41,616
Other	2,845	3,659	3,262
	<u>13,253,586</u>	<u>13,151,698</u>	<u>12,381,008</u>
Operations and Maintenance - Security Services			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	796,495	796,500	823,489
Supplies and materials	2,945	2,400	(180)
Capital outlay	4,800	4,800	-
Other	555	555	5,200
	<u>804,795</u>	<u>804,255</u>	<u>828,509</u>
Pupil Transportation Services			
Salaries	3,485,128	3,409,078	3,379,293
Employee benefits	2,494,922	2,515,027	2,480,565
Purchased services	427,979	469,700	425,032
Supplies and materials	1,113,238	709,750	615,553
Other	(141,635)	(119,135)	(89,447)
	<u>7,379,632</u>	<u>6,984,420</u>	<u>6,810,996</u>
Central - Planning, Research Development, and Evaluation			
Salaries	74,519	74,475	74,475
Employee benefits	48,106	51,147	51,328
Purchased services	50	50	25
	<u>122,675</u>	<u>125,672</u>	<u>125,828</u>
Central - Communication Services			
Salaries	116,849	152,077	131,146
Employee benefits	72,888	95,712	76,626
Purchased services	48,580	68,400	61,114
Supplies and materials	1,881	1,500	1,037
Other	-	180	180
	<u>240,198</u>	<u>317,869</u>	<u>270,103</u>
Central - Staff/Personnel Services			
Salaries	590,035	582,900	575,278
Employee benefits	352,651	381,576	363,550
Purchased services	85,687	86,820	58,365
Supplies and materials	9,162	7,800	5,501
Other	200	900	888
	<u>1,037,735</u>	<u>1,059,996</u>	<u>1,003,582</u>

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2016

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
Central - Support Services Technology			
Salaries	492,240	513,874	458,556
Employee benefits	286,883	335,161	307,923
Purchased services	7,380	527,000	565,372
Supplies and materials		11,000	11,512
Total pupil accounting	786,503	1,387,035	1,343,363
Central - Pupil Accounting			
Salaries	70,682	57,739	51,863
Employee benefits	72,670	39,252	36,276
Purchased services	396,691	21,332	15,172
Supplies and materials	14,850	3,000	1,946
Other	11,484	-	1,377
Total support services technology	566,377	121,323	106,634
Community Services - Community Recreation			
Salaries	-	317,161	306,300
Employee benefits	-	141,033	136,925
Purchased services	-	121,620	85,882
Supplies and materials	-	600	-
Total occupational training	-	580,414	529,107
Community Services - Custody and Care of Children			
Salaries	1,458,560	1,496,815	1,531,354
Employee benefits	660,261	714,141	729,210
Purchased services	2,798	49,600	57,188
Supplies and materials	84,708	94,640	89,742
Total custody and care of children	2,206,327	2,355,196	2,407,494
Intergovernmental Payments - Payments to other public schools	50,000	50,000	42,844
Other Financing Uses - Transfers	1,524,869	1,565,978	1,749,840
Total expenditures and financing uses	143,618,460	144,039,535	141,885,517

Livonia Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2016

June 30	2013 Issue - Series I	2014 Refunding	2013 Issue - Series II	Total
2017	\$ 850,000	\$ 6,120,000	\$ 1,000,000	\$ 7,970,000
2018	800,000	6,435,000	1,080,000	8,315,000
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	4,180,000
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 principal	<u>\$ 86,700,000</u>	<u>\$ 54,110,000</u>	<u>\$ 76,180,000</u>	<u>\$ 216,990,000</u>
Principal payments due	May	May	May	
Interest payments due	May and November	May and November	May and November	
Interest rate	3.00 to 5.00%	4.00 to 5.00%	3.00 to 5.00%	
Original issue	<u>\$ 103,330,000</u>	<u>\$ 65,025,000</u>	<u>\$ 76,180,000</u>	<u>\$ 244,535,000</u>