Livonia Public Schools

Report to the Board of Education

June 30, 2019

Plante & Moran, PLLC
Suite 500
2601 Cambridge Court
Auburn Hills, MI 48326
Tel: 248.375.7100
Fax: 248.375.7101
plantemoran.com

To the Board of Education
Livonia Public Schools

We have recently completed our audit of the basic financial statements of Livonia Public Schools (the "School District") as of and for the year ended June 30, 2019. In addition to our audit report, we are providing the following results of the audit, summary of unrecorded possible adjustments, other recommendations, and informational items that impact the School District:

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

Plante & Moran, PLLC

October 7, 2019

Results of the Audit

Plante & Moran, PLLC
Suite 500
2601 Cambridge Court
Auburn Hills, MI 48326
Tel: 248.375.7100
Fax: 248.375.7101
plantemoran.com

October 7, 2019

To the Board of Education
Livonia Public Schools

We have audited the financial statements of Livonia Public Schools (the "School District") as of and for the year ended June 30, 2019 and have issued our report thereon dated October 7, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 7, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the School District, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 7, 2019 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 14, 2019.

To the Board of Education
Livonia Public Schools

October 7, 2019

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School District are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2019.

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

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

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

The most sensitive estimates affecting the financial statements were the School District's share of the MPSERS net liabilities for the pension and other postemployment benefit (OPEB) plans recorded on the government-wide statements related to GASB Statement Nos. 68 and 75, respectively. The School District's estimates as of June 30, 2019 were approximately $334 million and $88 million for the net pension and OPEB liabilities, respectively, based on data received from the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the accounting estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Significant Findings or Issues

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

As required by 2 CFR Part 200, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the board in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with 2 CFR Part 200 dated October 7, 2019.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 2019.

Management Consultations with Other Independent Accountants

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

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

Very truly yours,

Plante & Moran, PLLC

Lisa Vargo

Lisa Vargo

Summary of Unrecorded Possible Adjustments

Client: Livonia Public Schools
Opinion Unit: General Fund
Y/E: 6/30/2019

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Deferred Outflows of Resources	Current Liabilities	Long-term Liabilities	Deferred Inflows of Resources	Fund Balance	Revenue	Expenses	Change in Fund Balance Impact
FACTUAL MISSTATEMENTS:											
A1	Title I, II, III, and IV proceeds were received on September 10, 2019. These proceeds were not received within 60 days of year end and, therefore, must be removed from revenue and recorded as unavailable revenue						$ 284,299		$ (284,299)		$ (284,299)
JUDGMENTAL ADJUSTMENTS:											
B1	None										
PROJECTED ADJUSTMENTS:											
C1	None										
		$ -	$ -	$ -	$ -	$ -	-	$ -	-	$ -	-
	Total	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 284,299**	**$ -**	**$ (284,299)**	**$ -**	**$ (284,299)**

PASSED DISCLOSURES:

D1	None

Other Recommendations

Operations Review and Controls Assessment

Given the current economic climate, school districts face continued pressure to do more with fewer resources. Staff sizes have been reduced in many districts, while demands for services and reporting requirements have increased. An operations review can be very helpful to the School District in identifying ways to optimize the resources it has. The School District may benefit from reviewing and redesigning processes to ensure that only value-added steps are included in the process. Process redesign involves mapping current processes (e.g., facilities work orders, purchasing, and payroll) and identifying potential improvements by leveraging technology systems and/or eliminating steps.

When making changes to operations and processes, it is important for the proper controls to be implemented or remain in place. We have performed numerous reviews for school districts regarding the staffing, functions, responsibilities, controls, and communication within the business office in order to provide suggestions for increased efficiency, operational effectiveness, and/or improved reporting and analysis capabilities. We would be happy to discuss our capabilities in this area and the value we can bring to the process.

Informational Items

State Aid Funding

State Aid and the Foundation Allowance

With a new governor comes new funding priorities. The governor has laid out her executive recommendations, which include a comprehensive plan to fund roads and school funding improvements. These initiatives created significant discussion and encouraged the legislature to develop its own plans and strategies. This meant that Michigan schools began the July 1, 2019 budget year without knowing what their funding levels would be for the 2019-2020 school year. It also meant a lack of clarity surrounding which initiatives would survive the legislative process and whether any new initiatives would be funded, which limited the ability to plan and staff for these initiatives accordingly. Districts were required to use the best information at hand to estimate what funding levels might be in place in order to develop annual budgets. As a result, districts will be required to revisit budget assumptions once the State of Michigan finalizes its funding plan for public schools. Factors continuing to impact school funding include the level of increase for the foundation allowance; additional funding boosts for districts at the minimum foundation; the student count blending formula; resources dedicated to assisting with funding the School District's retirement/postretirement healthcare obligation (MPSERS), including implications from changes in plan assumptions and costs incurred from changes to retirement system programs; and what, if any, supplemental funding is provided based on the School Finance Collaborative recommendations.

2018-2019 Foundation: For the 2018-2019 fiscal year, the base foundation increased by $120, from $8,289 to $8,409. The State continued its use of the "2X formula," providing districts at the minimum foundation with an increase of $240 per pupil to $7,871. The School District's foundation allowance was increased to $8,409. In 2011, the foundation allowance for school districts was cut $470 per pupil as a budget balancing action. For comparison purposes, districts at the minimum foundation allowance have now finally recovered those cuts, and districts near the base foundation are close to full restoration. In the 2018-2019 State Aid Act, a minimum funding provision continued (Section 20f). This section recognizes that the funding shift toward paying the growing MPSERS expense could significantly harm some districts. This categorical guarantees at least a $25 per pupil increase after taking into account the funding changes. In an attempt to consider the fact that educating high school students is more costly than those of lower grades, an additional $25 per high school pupil allocation was created in 2017-2018 and continued for 2018-2019.

2019-2020 Foundation: For the 2019-2020 fiscal year, the target foundation allowance (formerly known as the basic foundation allowance) increases by $120, from $8,409 to $8,529. Additionally, using the "2X formula," the minimum foundation allowance increases by $240 per pupil to $8,111. Based on these changes, the School District will receive a $120 increase in its foundation allowance, representing an increase of 1.4 percent. When signing the bill, the governor exercised several significant line item vetoes. As a result, it is likely that there will be additional changes to funding for public education for 2019-2020. What will ultimately occur is unclear and will require careful monitoring by the School District. Although the foundation allowance for school districts has been finalized, the governor has made multiple line item vetoes to the School Aid bill that impact various funding categoricals. The impact to each local district will not be determined until the governor signs the final bill.

Pupil Membership Blend for 2018-2019 and 2019-2020: The method for counting students for 2018-2019 used calendar year counts with a weighting of 90 percent of the fall count and 10 percent of the February count. The 2018 calendar year counts were used to for the 2018-2019 fiscal year funding. It is expected that this methodology will continue for 2019-2020.

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

MPSERS Cost Support: Retirement system contributions are a significant part of the School District's labor costs. During 2018-2019, the contribution rate the School District is required to pay continued to rise, though the growth rate has slowed. In addition, as a result of PA 92, the program offerings have changed and increased in complexity. The School District has no ability to influence the rate and no choice regarding its participation in the program. To aid the School District in meeting its obligation, the 2018-2019 State Aid Act continued to include several funding sources to help pay for some of the increased cost. Each categorical aid section is formula driven using the School District's MPSERS payroll participation data, and each is designed to support a specific cost factor in the retirement contribution. Funding is provided in three separate sections of the State Aid Act, Sections 147a, 147c, and 147e. The School District received a total of $1,318,699 in 147a1, $1,042,622in 147a2, $12,214,482 in 147c1, and $141,261 of 147e categorical aid to help offset the impact of its retirement costs. Both governor and legislative proposals included these categoricals for 2019-2020. Included in the final house bill presented to the governor were increases to the MPSERS retirement rates. The estimated contribution rate now ranges from 36.44 to 39.91 percent, of which the rate paid directly by the employer now ranges from 24.03 to 27.50 percent. To help offset the increase in retirement rates, and also to help offset reduced assumed rate of return in the pension plan, the bill also provides for an increase in 147a2 funding provided to the districts. In general terms, this means that the total cost of the retirement system contributions in 2018-2019, representing approximately 39 percent of covered payroll, is recognized as an expenditure in the School District's financial statements along with related revenue that was previously considered state support to the system. The net effect is that the School District is responsible for approximately a 27 percent contribution to the retirement system. The School District budgeted for additional state revenue and additional retirement expenditures in order to accommodate this funding mechanism, but may encounter some budget variances due to the fact that the state revenue provided is based on prior year school district payroll information, and some amounts were adjusted with the August 2019 state aid payment.

Many factors influence the retirement rate. Two significant factors include rate of return and employee benefit elections. The assumed rate of return within the retirement plan decreased from 7.5 percent to approximately 7.05 percent. When this assumption is reduced, it has the net effect of increasing the value of the retirement obligation for the plan. This then increases the required contributions to fund the plan. For staff hired on or after February 1, 2018, the default employee election is the defined contribution (DC) plan; however, an employee can elect the hybrid plan within a specified time frame. District contributions and state support are also modified for employees electing the new DC plan. This benefit election changes the School District's cost of the benefit for employees new to the retirement system beginning in February 2018. To offset some of the additional cost, funding is provided under Section 147e.

Other State Aid Act Changes Impacting 2018-2019

Overall, 2018-2019 State Aid Act amendments did not include significant new program initiatives. Several changes of note impacting the School District's 2018-2019 revenue include the following:

Partnership Model: Section 21h provided funding to assist districts assigned by the Michigan Department of Education (MDE) to participate in a partnership to improve student achievement, including funds for professional development, increased instructional time, mentors, and other costs impacting student achievement. The requirements were updated for 2018-2019, allowing the state superintendent to waive burdensome administrative rules for partnership districts and to require districts to include the crafting of goals that put students on track to meet or exceed grade level proficiency. The Partnership Model appears to be the primary approach to assist underperforming districts.

Student Assessment Changes: The grades that take the summative science test were changed from fourth and seventh grades to fifth and eighth grades. New state funding for a kindergarten entry observation tool was provided that also added requirements for the summative assessments for math and ELA to be aligned to the PSAT. In addition, conditioned reimbursement was set for benchmark assessments on districts choosing one benchmark and using it for at least three years. These provisions were discussed in Sections 102d, 104, and 104c of the 2018-2019 State Aid Act amendments.

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

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

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

State Aid Planning Considerations for 2019-2020 and Beyond

Michigan's economy is growing steadily, and continued growth is expected, but at a slower pace based on the May 2019 Revenue Estimating Conference predictions. A new governor has brought revised priorities for education and for state operations. The State's budget process demonstrates that state leaders are struggling with how best to address the State's policy needs. This struggle directly impacts the level of school funding, the allocation of school funding resources, and the educational initiatives. Regardless of the results of the 2019-2020 state budget process, it is likely that there will continue to be strains placed on the School Aid Fund resources. How these issues are worked through the legislative process will have a direct impact on the School District's near-term and long-term funding structures. Careful review of the budget priorities and budget development process will be essential as the School District continues to craft its plans for delivery of educational services.

Regardless of the results from the 2019-2020 State Aid Act amendments, careful planning will continue to be key for the School District to create a cost structure that is sustainable. The use of budget modeling is essential, especially as the School District looks to determine actual state funding available to fund regular education operations, as well as funding for specific initiatives. During the budget planning process, it is important to segregate resources required to fund specific activities, such as federal funding, special education, or At-Risk, when assessing the resources available to fund continuing operations. Especially when facing uncertainty, we recommend the School District fully analyze the projected revenue assumptions to estimate resources available to fund operations when entering into multiyear expenditure agreements.

Fund Balance

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

During the 2018-2019 school year, the School District’s General Fund revenue exceeded expenditures by approximately $8.4 million. This resulted in increasing the General Fund equity to approximately $30.9 million at June 30, 2019. Fund balance goals are often stated in terms of a percentage of total expenditures (excluding transfers out). As a point of reference, the statewide average for school districts at June 30, 2018 is approximately 13.96 percent of expenditures (excluding transfers out). Fund equity of 5.5 percent of expenditures would approximately equal the School District's average accounts payable balance and payroll for a three-week period. The School District’s fund equity percentage is 19.30 percent and equals approximately 10 weeks of operation. Clearly, the School District must continue focus on difficult budget projections in 2019-2020 and beyond to fund recurring operating costs. Given the current focus of how state funding is appropriated, budget planning and fund balance management will continue to be essential elements for the School District’s success.

Single Audit Update - Changes to Auditor Required Testing and Data Collection Forms

The 2019 Compliance Supplement has been released. This supplement is issued as one stand-alone document and includes significant and extensive changes this year compared to recent years. The 2019 Compliance Supplement will be effective for audits of fiscal years beginning after June 30, 2018. Appendix V of the 2019 Compliance Supplement identifies all changes at a high level and identifies specific programmatic changes by CFDA number. The most significant change implemented is the six-requirement mandate, in which the Office of Management and Budget (OMB) requires agencies to limit compliance requirements subject to the compliance audit to six per program or cluster included in the 2019 Compliance Supplement. For "counting" purposes, the requirements relating to (a) activities allowed and unallowed and (b) allowable costs and cost principles are counted as one requirement. In addition, at the 11th hour, OMB issued a revision to the Supplement issued in July. These changes issued in September did have some impact on grants provided to public education, further complicating the 2019 audit process. It is important to note that auditees are still required to comply with all applicable grant regulations. While auditees may experience some change in audit focus in preparing for the audit, facts and circumstances of each grant will dictate the impact on the audit of federal grants.

The new 2019 data collection form (DCF) has been issued and is effective for period ending dates in 2019 through 2021. This form is very important, as it is the key document reporting federal program grants, auditor opinions, grants tested, and now detailed footnotes and findings to the federal government. A summary of changes to the DCF this year are as follows:

- The collections system now allows all respondents to enter the federal awards and notes to the SEFA prior to the end of their fiscal period and the audit work being conducted. Once this information is entered, users may generate a customizable SEFA and notes to the SEFA from the system to include in their reporting package.

- Part II, Item 2 will be used to provide the notes to the SEFA, including a description of the significant accounting policies used in preparing the SEFA, whether the auditee elected to use the *de minimis* cost rate, and any additional notes included in the reporting package, excluding charts, tables, or footnotes.

- Part III, Item 5 will be used to collect the full, detailed text of any audit findings exactly as it appears in the schedule of findings and questioned costs (2 CFR 200.516(b)), excluding charts, tables, or footnotes. This information is now being collected at the request of federal agencies for audit finding resolution purposes.

- Part IV will be used to collect the full, detailed text of the corrective action plan exactly as it appears in the auditee's corrective action plan (CAP) (2 CFR 200.511(c)), excluding charts, tables, or footnotes. This information is now being collected at the request of federal agencies for audit finding resolution purposes.

GASB Statement No. 84 - Fiduciary Activities

GASB Statement No. 84, *Fiduciary Activities*, is effective as of July 1, 2019. The statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The statement was issued because it was determined by the GASB that there was divergence in practice between governments in what was being reported in a fiduciary fund. This statement was designed to provide a principles-based approach that governments could apply against their situation to determine if certain activity should be reported in a fiduciary fund. The statement also establishes and defines four types of fiduciary funds: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. The School District will have to apply the new principles-based rules from this statement to determine if more or less reporting will be required related to fiduciary activities that may exist upon implementation of this standard, including the potential that certain activities could be reported as a new special revenue fund.

This statement is significant for districts, as most districts have some form of fiduciary-type activities. The Michigan Department of Education (MDE) and, specifically, the 1022 subcommittee developed additional implementation guidance released in March in order to assist in assuring consistent application amongst districts. The additional guidance focuses primarily on custodial funds, private purpose trust funds, and the newly created special revenue governmental fund: Fund 29. The standard has created a number of legal and operational questions surrounding allowable and unallowable activities if accounted within a special revenue fund, accounting for wage-related activities if funds are used to pay employees from the accounts, and revising board policies. While it is not expected that additional guidance relating to these matters will be provided, consultation with district legal counsel is encouraged. This new governmental accounting standard is effective as of July 1, 2019, and, therefore, the School District is required to work through implementing the various process and reporting changes prior to June 30, 2020.

Potential Significant Changes in the Future to the Financial Reporting Model for Schools

Under the current Governmental Accounting Standards Board (GASB) standards, school districts have been reporting using the current framework for approximately 18 years. While the current financial statement presentation has worked, the GASB is looking to improve its effectiveness for all governments.

In the fall of 2018, the GASB issued certain preliminary views (or PV), which were titled “Financial Reporting Model Improvements” and “Recognition of Elements of Financial Statements.” PVs are issued as part of the initial steps that the GASB takes before issuing a new financial reporting standard or modification to an existing standard.

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

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

- Requiring a statement of cash flows for governmental-type funds (currently only required for enterprise-type funds)

- In the budget to actual statements, requiring a column that would show the variances between the original and amended budget

- In the fund-based statements:

    - Significant terminology changes

    - Alternative 1: GASB to attempt to list out all possible transactions and then attempt to provide guidance on how/when to account for them in the funds

    - Alternative 2: GASB to adopt a framework that would help to define "short term." The School District would then apply the transaction against the framework to determine how/when to account for it in the fund-level financial statements.

    - Under either alternative, there would likely be significant changes to when certain transactions are being accounted for in the funds. A typical example would be revenue recognition. Under today's rules, if a receivable is not collected within 60 days of the school district's year end, then the related revenue, generally, must be deferred until the following year. Under the proposed changes, the revenue can be recognized in the current period as long as it will be collected within one year of the current period end. In this example, revenue in the funds may be recognized sooner in the proposed new model as compared to the current model.

When a PV is issued, there is typically a stated time period in which the GASB will accept written comments from the public for its consideration. For these particular PVs, the public comment window closed on February 15, 2019. As a firm, Plante & Moran, PLLC provided a written response to the GASB regarding our initial thoughts on the proposed changes. We were also invited to testify in front of the GASB, during March 2019, regarding our written comments. Our responses considered the stakeholders of the School District, which include the Board of Education, community members, various state agencies, and the business office, in order to help ensure that any changes made to the financial reporting model will provide benefit to the stakeholders while balancing the consideration of resources that could be required for any future adoption should a final standard be issued. We will monitor any progression very closely, and, if a standard is ultimately issued, we will work with your business office to ensure smooth and efficient adoption.

GASB Statement No. 87 - Leases

GASB Statement No. 87, *Leases*, is effective for the first time in the School District's June 30, 2021 financial statements. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the lease. The statement was issued to improve accounting and financial reporting for leases by governments. The statement establishes a single model for lease accounting for both lessees and lessors based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset on the lessee's government-wide financial statements, and a lessor is required to recognize a lease receivable and a deferred inflow of resources on the lessor's government-wide financial statements. Furthermore, there are additional financial statement disclosures required for the lessee and lessor as a result of the standard. The School District will have to identify and analyze all significant lease contracts to determine the lease asset and lease liability or deferred inflow or outflow of resources that will be required to be recognized upon implementation of the standard. This review should include all existing lease contracts and contracts that may have embedded lease arrangements that were not previously considered.

Information Technology

Understanding and Managing Potential Threats to Your Data

In today's age of continual reports of cyberattacks, school districts need to be aware of where potential risks lie and how they are addressed and communicated to the employees and public. Even when the best controls are implemented internally, confidential student and employee information can still be at risk based on the variety of locations data is stored.

When it comes to cybersecurity, the human element is still the weakest link and most targeted, as passwords like "August2019" can be easily guessed and emails continue to trick people into clicking links and opening attachments. As information security is a district-wide issue, not just an IT department responsibility, security requires a combination of people, processes, and technology to effectively secure your student, employee, and financial data. Now is the time to take a step back and assess exactly where your data is and the controls surrounding that data.

Key questions to ask include the following:

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

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

The Importance of Data Governance

The School District has a number of information systems that do not necessarily integrate with one another, inhibiting the ability to analyze across different software platforms. You probably have disparate systems in place to manage the data from the various sources throughout the School District, including instruction, assessments, professional development, special education, business office, and human resources (among others). Each of your data sources likely has a different "owner" of the data contained within.

An effective data governance framework seeks to address these issues by formalizing the definition of the people, processes, and technologies within the School District regarding the following:

- Ownership of the data in various sources or functional areas
- Responsibility for data quality and integrity
- Facilitation of accessibility to data
- Usability of district data
- Overall data security district wide

It is important to establish this framework in the School District; once you have, you will increase the probability of the following:

- Data is accurate.
- Stakeholders trust that the data is accurate.
- Data-driven decision making is enabled.
- Increased security around data

Data strategy and governance is often an area where districts lack the time to effectively implement controls. If the School District has encountered any of the issues described above and is seeking assistance with an overall data strategy, we would be happy to further discuss how we might be of assistance.

Taking Advantage of Data Analytics within K12 School Districts

The School District collects more data than ever before, but has it helped you take meaningful action? The complexity of drawing actionable insight from larger, disparate data sources often stands in the way of making better, data-driven decisions. The landscape of opportunity within advanced analytics can create order from the chaos and transform your data into actions that make a difference. Understanding the right approach is based on an assessment of the goals of the School District. Based on our experience, we suggest school districts begin considering a few initial questions:

1. **How can we better understand the needs of our student population?**

   It has become increasingly more important to develop a deeper understanding of individual student, school, and district-wide performance. Actionable insight into your student population to create data-driven strategies is achievable through advanced analytics.

2. **Where might we be overspending?**

   When faced with tighter budgets in an evolving and fiercely competitive funding environment, schools are relying more heavily on their data than their instinct to detect leakages and eliminate inefficiencies in their operations. Leveraging advanced analytics can optimize your in-district delivery model and identify opportunities to reduce operational costs.

3. **How can we develop a data-driven strategy?**

   A staggering volume of education data is underutilized by school districts. Asking meaningful questions about the alignment of your data-vision, people, process, technology, and data governance is the first step towards preparing a data-driven strategy.

Fraud Prevention and Detection

Over the last few years and currently in the news, the issues surrounding fraud have received increased attention. New and changing technologies have created additional threats and opportunities for fraud, as well as potential gaps in internal control. Has the School District reviewed the three components that, together, lead to fraudulent behavior?

These three components are as follows:

- Incentive (the reason to commit fraud)
- Opportunity (the ability to commit fraud)
- Rationalization/Attitude (the view of the world that makes fraud acceptable)

Generally, it is necessary for all three to be present to experience fraud. In any case, the School District can significantly impact one of the three elements - “opportunity.”

To the degree the School District effectively identifies the “opportunities” that exist and implements controls to prevent and/or detect them, the likelihood of significant fraud occurring is greatly reduced. While schools have often evaluated and revised internal controls within the organization, a continual reassessment of areas where the potential for fraud has increased is essential. By doing so, processes and controls can be effectively modified to reduce the potential exposure. Studies show that being proactive with fraud prevention and detection results in a more than 50 percent reduction of losses due to fraud.

We would be happy to discuss risk assessment approaches with the School District to help refine its processes.

Livonia Public Schools

Financial Report
with Supplemental Information
June 30, 2019

Contents

Plante & Moran, PLLC
Suite 500
2601 Cambridge Court
Auburn Hills, MI 48326
Tel: 248.375.7100
Fax: 248.375.7101
plantemoran.com

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, 2019 and the related notes to the financial statements, which collectively comprise Livonia Public Schools' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Livonia Public Schools as of June 30, 2019 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Livonia Public Schools

Other Matters

Required Supplemental Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2019 on our consideration of Livonia Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Livonia Public Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 7, 2019

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, 2019. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Livonia Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District’s finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the School District’s operations in more detail than the government-wide financial statements by providing information about the School District’s most significant funds, the General Fund, the Special Education Fund, and the 2013 Bond Series II Fund, with all other funds presented in one column as nonmajor funds. One of the remaining statements, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The other remaining statements related to the School District's Health and Welfare Fund.

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Budgetary Comparison Schedule - Major Special Revenue Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Other Supplemental Information

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

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

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

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

Reporting the School District's Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

Agency Funds and Trust Funds

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District’s net position as of June 30, 2019 and 2018:

	Governmental Activities	
	2019	2018
	(in millions)	
Assets		
Current and other assets	$ 87.3	$ 106.2
Capital assets	264.4	247.6
Total assets	351.7	353.8
Deferred Outflows of Resources	119.2	63.4
Liabilities		
Current liabilities	30.2	32.8
Noncurrent liabilities	211.9	222.8
Net pension liability	333.6	287.2
Net OPEB liability	88.0	97.9
Total liabilities	663.7	640.7
Deferred Inflows of Resources	63.9	39.2
Net Position		
Net investment in capital assets	69.2	66.8
Restricted	4.4	3.2
Unrestricted	(330.3)	(332.7)
Total net position	**$ (256.7)**	**$ (262.7)**

The above analysis focuses on net position. The change in net position of the School District’s governmental activities is discussed below. The School District’s net position was $(256.7) million at June 30, 2019. Net investment in capital assets totaling $69.2 million compares the original cost, less depreciation of the School District’s capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District’s ability to use that net position for day-to-day operations. The remaining amount of net position ($(330.3) million) was unrestricted.

The $(330.3) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. This deficit includes the impact of the Governmental Accounting Standards Board (GASB) requirement to report the School District’s portion of the net pension and OPEB liabilities on its statement of net position. Absent the net pension and OPEB liabilities, the unrestricted net position of the School District would be positive $33.5 million. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2019 and 2018:

	Governmental Activities	
	2019	2018
	(in millions)	
Revenue		
Program revenue:		
Charges for services	$ 7.2	$ 7.6
Operating grants	59.9	59.3
General revenue:		
Taxes	46.7	47.6
State aid not restricted to specific purposes	91.5	91.2
Other	3.9	1.2
Total revenue	209.2	206.9
Expenses		
Instruction	109.5	103.5
Support services	66.4	68.1
Athletics	2.2	2.2
Food services	3.7	3.6
Community services	3.0	3.4
Interdistrict payments	-	0.1
Debt service	8.6	8.4
Depreciation expense (unallocated)	9.8	9.3
Total expenses	203.2	198.6
Change in Net Position	6.0	8.3
Net Position - Beginning of year (as restated) (Note 9)	(262.7)	(271.0)
Net Position - End of year	**$ (256.7)**	**$ (262.7)**

As reported in the statement of activities, the cost of all of our governmental activities this year was $203.2 million. Certain activities were partially funded from those who benefited from the programs ($7.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($59.9 million). We paid for the remaining "public benefit" portion of our governmental activities with $46.7 million in taxes, $91.5 million in state foundation allowance, and with $3.9 million of other revenue (i.e., interest and general entitlements).

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of $56.6 million, which is a decrease of $15.1 million from last year. This decrease is primarily the result of expending the proceeds from the 2013 Bond Series II on capital project expenditures that have included major upgrades to school buildings across the School District and the continuation of technology infrastructure upgrades throughout the School District.

The School District is pleased to report that in the General Fund, our principal operating fund, the fund balance increased from $22.5 million to $30.9 million. The presence of a fund balance allows the School District to better manage the impact of myriad things, such as midyear reductions in funding, declining enrollment, and increased healthcare costs, all while avoiding drastic changes in educational programs and/or employee layoffs during the school year. The increase is a direct result of a district priority focus on establishing financial stability. Our goal is to be responsible stewards of our district's finances and resources and to use our financial resources to maximize educational achievement, sustain effective programming, and promote an environment of fiscal responsibility. General Fund revenue (including proceeds from sale of capital assets) was $3.5 million higher in 2018-2019 than in the 2017-2018 school year. Increased proceeds from the sale of capital assets, a larger reimbursement of our special education-related transportation costs, and higher interest earnings on our investments account for a large portion of the increased revenue.

Fund balance of our special revenue funds decreased from $1.6 million last year to $1.5 million this year, primarily as a result of the planned use of some of the fund balance in our Food Service Fund.

Combined, the fund balance of our debt service funds increased $0.5 million. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Millage rates were lowered in 2018 to 4.1 mills from 4.54 mills in 2017, but due to the increased property tax values, the levy still generated additional revenue in excess of the debt service payments due in fiscal year 2019. This fund balance is reserved and is required to remain in the debt service funds to be used for future debt service payments.

Combined, the fund balance of our capital project funds decreased $23.9 million. This decrease was planned and is primarily due to continued construction related to the 2013 bond issues and repairs made possible through our voter-approved sinking fund. The fund balances in our capital project funds will continue to decrease as the School District utilizes the funds for the purposes approved by the community.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2019. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

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

During the course of the 2018-2019 school year, General Fund (excluding the Funded Projects Fund) budgeted revenue and proceeds from sales of capital assets were increased from the original budget by $3.9 million. The increased revenue was a result of a few different revenue items: additional revenue from the Wayne County Enhancement Millage, sales of capital assets beyond what was originally budgeted, increased earnings on investments, a larger reimbursement of special education-related costs over what was reimbursed by the intermediate school district and the State the previous year, and an increase in certain categorical revenue from the State. Budgeted expenditures were adjusted down $0.7 million from the original budget primarily to align staffing costs with actual staffing levels.

There were no significant variances between the final budget and actual amounts. Actual revenue and expenditure variances were less than 2 percent from the final budget, which is in line with sound budgeting practices.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the School District had $264.4 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 $16.7 million, or 6.8 percent, from last year.

	Governmental Activities	
	2019	2018
Land	$ 6,487,078	$ 6,603,825
Construction in progress	17,388,890	31,024,918
Buildings and improvements	223,828,397	192,738,863
Furniture and equipment	11,293,737	12,400,290
Buses and other vehicles	5,379,629	4,879,251
Total capital assets - Net of accumulated depreciation	**$ 264,377,731**	**$ 247,647,147**

This year's additions of $26.7 million included vehicles, buses, cafeteria equipment, technology, and building renovations. This year marked the sixth year of major expenditures of the 2013 bond proceeds. Major renovation and upgrade projects that were started in the 2017-2018 school year and completed during the 2018-2019 school year included work at Buchanan Elementary, Webster Elementary, Jackson Early Childhood Center, the Livonia Career and Technical Center, and Churchill High School. Also continued this fiscal year were district-wide technology equipment purchases and infrastructure upgrades. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had $192.0 million in bonds outstanding versus $200.7 million in the previous year - a change of 4.4 percent. Those bonds consisted of the following:

Those bonds consisted of the following:

	2019	2018
General obligation bonds	$ 191,950,000	$ 200,705,000

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District’s boundaries. If the School District issues "qualified debt" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District’s outstanding unqualified general obligation debt of $192.0 million is significantly below the statutorily imposed limit.

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

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District’s 2019-2020 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 2020 fiscal year is 10 percent of the February 2019 student count and 90 percent of the October 2019 student count. The 2019-2020 budget was adopted in June 2019 based on an estimate of students who will enroll in September 2019. Based on early enrollment data at the start of the 2019 school year, we anticipate that the fall student count will be approximately 80-90 students higher than the estimates used in creating the 2019-2020 budget. Once the final student count and related per pupil funding are validated, the School District will amend the budget based on the impact of the actual student. The School District amends the budget throughout the year to reflect the most accurate projections in revenue, including state aid, local revenue, and other revenue sources. We also amend our budgeted expenditures based on our analysis of potential changes in staffing, benefit costs, utilities, and other costs.

One additional revenue source that alleviates pressure on the General Fund is the availability of Sinking Fund revenue. The School District's current Sinking Fund levy, which generates approximately $5 million per year, will expire in December 2019. The School District put forth a Sinking Fund replacement proposal on August 6, 2019, and voters approved the millage. This replacement Sinking Fund levy will begin in calendar year 2020 and is estimated to generate $7 million per year, which will go towards supporting the School District's long-term facility needs. In addition, these funds will be used for instructional technology purchases and security improvements.

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.

Statement of Net Position

June 30, 2019

	Governmental Activities
Assets	
Cash and investments (Note 4)	$ 30,722,247
Receivables:	
Property taxes receivable	779,873
Other receivables	911,200
Due from other governments	24,704,636
Inventory	145,199
Prepaid expenses and other assets	119,300
Restricted assets - Cash and cash equivalents (Note 4)	29,937,048
Capital assets - Net (Note 6)	264,377,731
Total assets	351,697,234
Deferred Outflows of Resources	
Deferred pension costs (Note 9)	104,115,364
Deferred OPEB costs (Note 9)	15,071,216
Total deferred outflows of resources	119,186,580
Liabilities	
Accounts payable	8,278,607
Due to other governmental units	6,915,958
Accrued liabilities and other	13,373,007
Unearned revenue (Note 5)	1,616,664
Noncurrent liabilities:	
Due within one year: (Note 8)	
Compensated absences	516,864
Current portion of bonds and contracts payable	10,296,501
Due in more than one year (Note 8)	201,126,626
Net pension liability (Note 9)	333,583,678
Net OPEB liability (Note 9)	88,042,409
Total liabilities	663,750,314
Deferred Inflows of Resources	
Deferred benefit on bond refunding (Note 8)	2,486,911
Revenue in support of pension contributions made subsequent to the measurement date (Note 9)	12,214,482
Deferred pension cost reductions (Note 9)	29,375,160
Deferred OPEB cost reductions (Note 9)	19,791,589
Total deferred inflows of resources	63,868,142
Net Position	
Net investment in capital assets	69,224,567
Restricted:	
Debt service	2,349,450
Capital projects	1,997,084
Unrestricted	(330,305,743)
Total net position	**$ (256,734,642)**

See notes to financial statements.

Statement of Activities

Year Ended June 30, 2019

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 109,425,254	$ 71,926	$ 35,935,933	$ (73,417,395)
Support services	66,441,205	86,617	22,025,250	(44,329,338)
Athletics	2,186,243	913,083	-	(1,273,160)
Food services	3,728,421	1,759,508	1,984,062	15,149
Community services	3,019,470	4,336,280	-	1,316,810
Interest	8,618,045	-	-	(8,618,045)
Other debt costs	28,892	-	-	(28,892)
Depreciation expense (unallocated) (Note 6)	9,755,527	-	-	(9,755,527)
Total primary government	**$ 203,203,057**	**$ 7,167,414**	**$ 59,945,245**	(136,090,398)
General revenue:				
Taxes:				
Property taxes levied for general purposes				23,689,263
Property taxes levied for debt service				18,091,449
Property taxes levied for capital projects				4,893,204
State aid not restricted to specific purposes				91,461,427
Interest and investment earnings				1,426,596
Gain on sale of capital assets				2,140,263
Other				358,136
Total general revenue				142,060,338
Change in Net Position				5,969,940
Net Position - Beginning of year				(262,704,582)
Net Position - End of year				**$ (256,734,642)**

See notes to financial statements.

Governmental Funds Balance Sheet

June 30, 2019

	General Fund	Special Education Fund	2013 Bond Series II Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	$ 30,021,834	$ -	$ -	$ 700,413	$ 30,722,247
Receivables:					
Property taxes receivable	563,926	-	-	215,947	779,873
Other receivables	765,492	-	-	145,708	911,200
Due from other governments	24,592,378	-	-	112,258	24,704,636
Due from other funds (Note 7)	4,928,557	5,286,143	-	2,731,111	12,945,811
Inventory	114,134	-	-	31,065	145,199
Prepaid expenses and other assets	70,253	-	-	6,061	76,314
Restricted assets (Note 4)	-	-	13,645,025	16,292,023	29,937,048
Total assets	**$ 61,056,574**	**$ 5,286,143**	**$ 13,645,025**	**$ 20,234,586**	**$ 100,222,328**
Liabilities					
Accounts payable	$ 918,750	$ 9,334	$ 1,903,839	$ 2,334,172	$ 5,166,095
Due to other governmental units	3,338,669	3,569,350	7,939	-	6,915,958
Due to other funds (Note 7)	12,950,909	-	-	4,922,939	17,873,848
Accrued liabilities and other	10,719,975	751,083	-	2,315	11,473,373
Unearned revenue (Note 5)	1,616,664	-	-	-	1,616,664
Total liabilities	29,544,967	4,329,767	1,911,778	7,259,426	43,045,938
Deferred Inflows of Resources - Unavailable revenue (Note 5)	613,048	-	-	-	613,048
Fund Balances					
Nonspendable - Inventory and prepaid expenses	184,387	-	-	37,126	221,513
Restricted:					
Debt service	-	-	-	3,808,658	3,808,658
Capital projects	-	-	11,733,247	6,753,534	18,486,781
Food service	-	-	-	530,292	530,292
Committed - Approved purchases	1,512,860	-	-	-	1,512,860
Assigned:					
Subsequent year's budget	1,146,967	-	-	-	1,146,967
Capital projects	-	-	-	1,845,550	1,845,550
Center programs	-	956,376	-	-	956,376
Unassigned	28,054,345	-	-	-	28,054,345
Total fund balances	30,898,559	956,376	11,733,247	12,975,160	56,563,342
Total liabilities, deferred inflows of resources, and fund balances	**$ 61,056,574**	**$ 5,286,143**	**$ 13,645,025**	**$ 20,234,586**	**$ 100,222,328**

See notes to financial statements.

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

	June 30, 2019
Fund Balances Reported in Governmental Funds	$ 56,563,342
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	417,243,211
Accumulated depreciation	(152,865,480)
Net capital assets used in governmental activities	264,377,731
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	613,048
Deferred inflows related to bond refundings are not reported in the funds	(2,486,911)
Bonds payable, including premiums, are not due and payable in the current period and are not reported in the funds	(209,155,950)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,459,208)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(2,784,041)
Net pension liability and related deferred inflows and outflows	(258,843,474)
Net OPEB liability and related deferred inflows and outflows	(92,762,782)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(12,214,482)
Internal service funds (Health and Welfare Fund) are included as part of governmental activities	1,418,085
Net Position of Governmental Activities	**$ (256,734,642)**

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

Year Ended June 30, 2019

	General Fund	Special Education Fund	2013 Bond Series II Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	$ 31,141,319	$ -	$ 524,656	$ 25,101,212	$ 56,767,187
State sources	117,545,521	5,256,750	-	1,220,708	124,022,979
Federal sources	6,485,955	-	-	1,981,472	8,467,427
Interdistrict sources	10,029,120	9,140,815	-	-	19,169,935
Total revenue	165,201,915	14,397,565	524,656	28,303,392	208,427,528
Expenditures					
Current:					
Instruction	96,925,400	9,085,753	-	-	106,011,153
Support services	56,707,048	3,948,164	299,804	165,845	61,120,861
Athletics	2,153,158	-	-	-	2,153,158
Food services	-	-	-	3,683,962	3,683,962
Community services	2,925,453	-	-	-	2,925,453
Debt service:					
Principal	-	-	-	8,755,000	8,755,000
Interest	-	-	-	9,926,450	9,926,450
Other debt costs	-	-	-	28,892	28,892
Capital outlay	1,405,240	63,570	19,193,554	10,046,884	30,709,248
Total expenditures	160,116,299	13,097,487	19,493,358	32,607,033	225,314,177
Excess of Revenue Over (Under) Expenditures	5,085,616	1,300,078	(18,968,702)	(4,303,641)	(16,886,649)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets (Note 6)	1,762,131	-	-	-	1,762,131
Transfers in (Note 7)	1,520,589	-	-	-	1,520,589
Transfers out (Note 7)	-	(1,320,589)	-	(200,000)	(1,520,589)
Total other financing sources (uses)	3,282,720	(1,320,589)	-	(200,000)	1,762,131
Net Change in Fund Balances	8,368,336	(20,511)	(18,968,702)	(4,503,641)	(15,124,518)
Fund Balances - Beginning of year	22,530,223	976,887	30,701,949	17,478,801	71,687,860
Fund Balances - End of year	**$ 30,898,559**	**$ 956,376**	**$ 11,733,247**	**$ 12,975,160**	**$ 56,563,342**

See notes to financial statements.

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

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	$ (15,124,518)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	26,682,979
Depreciation expense	(9,755,527)
Net book value of assets disposed of	(196,868)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(2,637)
Revenue in support of pension contributions made subsequent to the measurement date	(817,157)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	10,257,829
Interest expense is recognized in the government-wide statements as it accrues	(194,424)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(3,973,933)
Internal service funds (Health and Welfare Fund) are included as part of governmental activities	(905,804)
Change in Net Position of Governmental Activities	**$ 5,969,940**

Proprietary Funds
Statement of Net Position

June 30, 2019

	Internal Service Fund - Health and Welfare Fund
Assets	
Current assets:	
Due from other funds (Note 7)	$ 3,648,780
Prepaid expenses and other assets	42,986
Total assets	3,691,766
Liabilities	
Current liabilities:	
Accounts payable	1,833,255
Claims payable (Note 10)	440,426
Total liabilities	2,273,681
Net Position - Unrestricted	**$ 1,418,085**

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

Year Ended June 30, 2019

	Internal Service Fund - Health and Welfare Fund
Operating Revenue	
Employee contributions	$ 3,626,182
Employee contributions - Purchased insurance	545,942
Charges for services	15,753,208
Total operating revenue	19,925,332
Operating Expenses	
Cost of insurance claims	207,159
Employee premiums - Purchased insurance	545,942
Premiums and administrative costs	20,078,035
Total operating expenses	20,831,136
Change in Net Position	(905,804)
Net Position - Beginning of year	2,323,889
Net Position - End of year	**$ 1,418,085**

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2019

		Internal Service Fund - Health and Welfare Fund
Cash Flows from Operating Activities		
Receipts from interfund services and reimbursements	$	20,403,058
Claims, premium, and administrative fees paid		(20,403,058)
Net Change in Cash		-
Cash - Beginning of year		-
Cash - End of year	**$**	**-**
Reconciliation of Change in Net Position to Net Cash from Operating Activities		
Change in net position	$	(905,804)
Adjustments to reconcile change in net position to net cash from operating activities -		
Changes in assets and liabilities:		
Due from other		708,096
Deposits		139,752
Accounts payable		69,672
Claims payable		(11,716)
Net cash provided by operating activities	**$**	**-**

See notes to financial statements.

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2019

	Scholarship	Student Activity
Assets		
Cash and investments	$ 35,088	$ -
Due from other funds (Note 7)	-	1,284,875
Total assets	35,088	**$ 1,284,875**
Liabilities		
Accounts payable	-	$ 25,837
Due to agency fund activities	-	1,259,038
Due to other funds (Note 7)	5,618	-
Total liabilities	5,618	**$ 1,284,875**
Net Position - Restricted for endowments	**$ 29,470**	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

	Scholarship
Additions - Local sources	$ 500
Deductions - Scholarships awarded	3,029
Change in Net Position	(2,529)
Net Position - Beginning of year	31,999
Net Position - End of year	**$ 29,470**

See notes to financial statements.

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Report Presentation

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

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

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

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

Basis of Accounting

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

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

Note 2 - Significant Accounting Policies (Continued)

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

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

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

Fund Accounting

<u>Governmental Funds</u>

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Special Education Fund is a special revenue fund used to account for the proceeds of revenue sources that are restricted for special education center program expenditures. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The 2013 Bond Series II Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring equipment and technology and for remodeling and equipping school facilities. The fund operates until the purpose for which it was created is accomplished.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and technology upgrades and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- The Sinking Fund is used to record the Sinking Fund property tax levy and other revenue and the disbursement of invoices specifically designated for acquiring new school sites and construction or repair of school buildings and sites.

Note 2 - Significant Accounting Policies (Continued)

- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.
- The 2012 Capital Projects Fund is used to account for the proceeds derived from the sale of real estate. These proceeds will be held in trust in a special capital project fund identified separately from any other capital project funds, which shall be used for purchasing other real estate for the School District and/or for renovating, replacing, or developing real estate, facilities, or capital equipment, as authorized by the Board of Education.

Proprietary Fund

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

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. Activities that are reported as fiduciary include the following:

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

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Specific Balances and Transactions

Cash and Investments

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

Note 2 - Significant Accounting Policies (Continued)

Inventories and Prepaid Items

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

Restricted Assets

The following amounts are reported as restricted assets:

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

Capital Assets

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

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

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

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the 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 net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

Note 2 - Significant Accounting Policies (Continued)

The School District reports deferred outflows related to deferred pension and OPEB costs.

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

The School District reports various types of deferred inflows. The first arises only under a modified accrual basis of accounting and is, therefore, only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and grants that are not collected during the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other types of deferred inflows of resources reported only in the statement of net position relate to deferred bond charges on refunding, revenue in support of pension contributions made subsequent to the measurement date, and deferred pension and OPEB plan cost reductions.

Net Position

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

- Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed: Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.

Note 2 - Significant Accounting Policies (Continued)

- Assigned: Intent to spend resources on specific purposes expressed by the Board of Education, superintendent, or finance committee, which is authorized by resolution approved by the Board of Education to make assignments.
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Property Tax Revenue

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

Grants and Contributions

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

Pension and Other Postemployment Benefit (OPEB) Plans

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

Employee-related Liabilities

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

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

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District has evaluated the impact this standard will have on the financial statements. As of July 1, 2019, the School District will report the activities and related balances currently reported as fiduciary in the Agency Fund in a newly created special revenue fund.

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

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Note 4 - Deposits and Investments

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

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

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for that investments may not be redeemed for at least 14 calendar days with certain exceptions for the MILAF MAX Class investments. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount redeemed.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had $1,668,817 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2019, there were no investment securities that were uninsured and unregistered.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District’s investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity The School District’s policy minimizes interest rate risk by requiring the structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District’s cash requirements.

Note 4 - Deposits and Investments (Continued)

Credit Risk

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

Investment	Carrying Value	Rating	Rating Organization
Federal Money Market Fund*	$ 16,992,436	AAAmf	Moody's
U.S. Treasury Securities Money Market Fund*	29,983,242	AAAmf	Moody's
Michigan Liquid Asset Fund - Investment Pool*	12,347,113	AAAm	S & P
Total	$ 59,322,791		

*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.

Foreign Currency Risk

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

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received, but not yet earned.

At June 30, 2019, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Unavailable proceeds from sale of land for use in the current period	$ 575,000	$ -
Delinquent property taxes	38,048	-
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	1,340,943
Program fees and tuition	-	216,955
Other	-	58,766
Total	$ 613,048	$ 1,616,664

Note 6 - Capital Assets

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

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	$ 6,603,825	$ -	$ -	$ (116,747)	$ 6,487,078
Construction in progress	31,024,918	(17,277,209)	3,641,181	-	17,388,890
Subtotal	37,628,743	(17,277,209)	3,641,181	(116,747)	23,875,968
Capital assets being depreciated:					
Buildings and improvements	317,603,064	17,277,209	21,701,656	-	356,581,929
Furniture and equipment	27,139,644	-	292,737	-	27,432,381
Buses and other vehicles	8,706,133	-	1,047,405	(400,605)	9,352,933
Subtotal	353,448,841	17,277,209	23,041,798	(400,605)	393,367,243
Accumulated depreciation:					
Buildings and improvements	124,864,201	-	7,889,331	-	132,753,532
Furniture and equipment	14,739,354	-	1,399,290	-	16,138,644
Buses and other vehicles	3,826,882	-	466,906	(320,484)	3,973,304
Subtotal	143,430,437	-	9,755,527	(320,484)	152,865,480
Net capital assets being depreciated	210,018,404	17,277,209	13,286,271	(80,121)	240,501,763
Net governmental activities capital assets	$ 247,647,147	$ -	$ 16,927,452	$ (196,868)	$ 264,377,731

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

The School District reported a $575,000 deferred inflow related to unavailable revenue on the governmental funds balance sheet for the unreceived sale proceeds.

Construction Commitments

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

	Spent to Date	Remaining Commitment
Sinking Fund	$ 3,545,975	$ 4,444,865
2013 Bond Fund - Series II	19,953,273	2,131,747
Total	$ 23,499,248	$ 6,576,612

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Fund Due From			
Fund Due To	General Fund	Private Purpose Trust Fund	Nonmajor Funds	Total
General Fund	$ -	$ 5,618	$ 4,922,939	$ 4,928,557
Special Education Fund	5,286,143	-	-	5,286,143
Internal service - Health and Welfare Fund	3,648,780	-	-	3,648,780
Agency Fund	1,284,875	-	-	1,284,875
Nonmajor funds	2,731,111	-	-	2,731,111
Total	$ 12,950,909	$ 5,618	$ 4,922,939	$ 17,879,466

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Special Education Fund	General Fund	$ 1,320,589
Nonmajor governmental funds	General Fund	200,000
	Total	$ 1,520,589

Transfers from the Special Education Fund and Food Service Fund to the General Fund help offset the indirect costs of running those programs incurred in the General Fund.

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligation	$ 200,705,000	$ -	$ (8,755,000)	$ 191,950,000	$ 9,220,000
Unamortized bond premiums	18,282,451	-	(1,076,501)	17,205,950	1,076,501
Total bonds payable	218,987,451	-	(9,831,501)	209,155,950	10,296,501
Compensated absences	3,804,143	-	(1,020,102)	2,784,041	516,864
Total governmental activities long-term debt	$ 222,791,594	$ -	$ (10,851,603)	$ 211,939,991	$ 10,813,365

The School District had deferred inflows of $2,486,911 related to deferred benefit on bond refundings at June 30, 2019.

Note 8 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2019 are as follows:

Purpose	Remaining Annual Installments	Interest Rates	Maturing May 1	Outstanding
$65,025,000 qualified refunding bonds	$4,125,000 - $7,810,000	4.00 - 5.00%	2025	$ 34,800,000
$103,330,000 qualified school building and site bonds	$850,000 - $5,550,000	4.00 - 5.00%	2043	84,225,000
$76,180,000 qualified school building and site bonds	$1,275,000 - $4,175,000	5.00%	2045	72,925,000
Total governmental activities				$ 191,950,000

Debt Service Requirements to Maturity

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

	Governmental Activities		
	Other Debt		
Years Ending June 30	Principal	Interest	Total
2020	$ 9,220,000	$ 9,496,950	$ 18,716,950
2021	9,680,000	9,044,450	18,724,450
2022	10,160,000	8,560,450	18,720,450
2023	7,210,000	8,061,450	15,271,450
2024	7,425,000	7,700,950	15,125,950
2025-2029	30,580,000	33,818,450	64,398,450
Thereafter	117,675,000	50,230,000	167,905,000
Total	$ 191,950,000	$ 126,912,700	$ 318,862,700

Note 9 - Michigan Public School Employees' Retirement System

Plan Description

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

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

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

Benefits Provided

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

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

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

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

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

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

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

Contributions

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

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

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

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

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

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2019 were $29,507,472, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of $12,214,482 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2019.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2019 were $7,691,668, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2019, the School District reported a liability of $333,583,678 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. 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, 2018 and 2017, the School District's proportion was 1.11 percent.

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

Net OPEB Liability

At June 30, 2019, the School District reported a liability of $88,042,409 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The School District’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the School District’s proportion was 1.11 percent.

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

For 2019, the School District recognized pension expense of $39,421,916, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,547,891	$ (2,424,095)
Changes in assumptions	77,257,705	-
Net difference between projected and actual earnings on pension plan investments	-	(22,808,644)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	341,002	(4,142,421)
The School District's contributions to the plan subsequent to the measurement date	24,968,766	-
Total	$ 104,115,364	$ (29,375,160)

The $12,214,482 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2020	$ 19,536,749
2021	14,745,774
2022	10,963,820
2023	4,525,095
Total	$ 49,771,438

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

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

For the year ended June 30, 2019, the School District recognized OPEB expense of $4,325,359.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (16,386,954)
Changes in assumptions	9,323,736	-
Net difference between projected and actual earnings on OPEB plan investments	-	(3,383,680)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	147,313	(20,955)
Employer contributions to the plan subsequent to the measurement date	5,600,167	-
Total	$ 15,071,216	$ (19,791,589)

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

Years Ending	Amount
2020	$ (2,552,313)
2021	(2,552,313)
2022	(2,552,313)
2023	(1,862,135)
2024	(801,466)
Total	$ (10,320,540)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2018 are based on the results of an actuarial valuation as of September 30, 2017 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 7.05%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.15%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75 percent for 2019 and 3.50 percent for 2018
Healthcare cost trend rate - OPEB	7.50%	Year 1 graded to 3.0 percent year 12
Mortality basis		RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100 percent (retirees: 82 percent for males and 78 percent for females) and adjusted for mortality improvements using projection scale MP2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 7.05 percent as of September 30, 2018 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.70 %
Private equity pools	18.00	9.20
International equity pools	16.00	7.20
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	3.90
Absolute return pools	15.50	5.20
Short-term investment pools	2.00	-
Total	100.00 %	

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

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (5.00 - 6.05%)	Current Discount Rate (6.00 - 7.05%)	1 Percent Increase (7.00 - 8.05%)
Net pension liability of the School District	$ 437,969,605	$ 333,583,678	$ 246,855,941

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

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

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

	1 Percent Decrease (6.15%)	Current Discount Rate (7.15%)	1 Percent Increase (8.15%)
Net OPEB liability of the School District	$ 105,693,121	$ 88,042,409	$ 73,196,003

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

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

	1 Percent Decrease (6.50%)	Current Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	$ 72,413,911	$ 88,042,409	$ 105,971,486

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2019, the School District reported a payable of $4,730,732 and $614,108 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019.

Note 10 - Risk Management

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

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

Note 10 - Risk Management (Continued)

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

	2019	2018
Estimated liability - Beginning of year	$ 452,142	$ 783,970
Estimated claims incurred, including changes in estimates	207,159	154,593
Claim payments	(218,875)	(486,421)
Estimated liability - End of year	$ 440,426	$ 452,142

Note 11 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974), brownfield redevelopment agreements, and personal property tax relief exemptions (PA 328 of 1998) granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; and personal property tax relief agreements are intended to promote business investment in distressed communities.

For the fiscal year ended June 30, 2019, the School District’s property tax revenue was reduced by approximately $1,992,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately $1,328,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the Sinking Fund or debt service millages. There are no abatements made by the School District.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 29,324,677	$ 30,464,351	$ 31,006,482	$ 542,131
State sources	114,948,102	114,388,650	115,626,857	1,238,207
Federal sources	36,700	26,634	28,670	2,036
Interdistrict sources	7,524,801	9,708,495	10,029,120	320,625
Total revenue	151,834,280	154,588,130	156,691,129	2,102,999
Expenditures				
Current:				
Instruction:				
Basic programs	76,012,443	75,364,680	74,622,809	(741,871)
Added needs	15,015,709	16,198,236	16,196,655	(1,581)
Support services:				
Pupil	11,618,692	9,670,079	9,629,403	(40,676)
Instructional staff	6,648,543	6,463,940	6,353,235	(110,705)
General administration	1,026,855	951,466	815,896	(135,570)
School administration	9,532,197	9,431,857	9,364,429	(67,428)
Business	2,523,101	2,188,173	1,977,683	(210,490)
Operations and maintenance	15,901,031	16,614,854	16,463,251	(151,603)
Pupil transportation services	8,311,255	9,075,657	8,020,906	(1,054,751)
Central	3,372,970	3,336,867	3,280,172	(56,695)
Athletics	2,175,000	2,311,607	2,187,383	(124,224)
Community services	3,097,114	2,954,369	2,782,797	(171,572)
Interdistrict payments	59,945	-	-	-
Total expenditures	155,294,855	154,561,785	151,694,619	(2,867,166)
Excess of Revenue (Under) Over Expenditures	(3,460,575)	26,345	4,996,510	4,970,165
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	575,000	1,758,665	1,762,131	3,466
Transfers in	1,800,000	1,800,000	1,621,788	(178,212)
Transfers out	-	(12,093)	(12,093)	-
Total other financing sources	2,375,000	3,546,572	3,371,826	(174,746)
Net Change in Fund Balance	(1,085,575)	3,572,917	8,368,336	4,795,419
Fund Balance - Beginning of year	22,530,223	22,530,223	22,530,223	-
Fund Balance - End of year	**$ 21,444,648**	**$ 26,103,140**	**$ 30,898,559**	**$ 4,795,419**

See notes to required supplemental information.

Required Supplemental Information
Budgetary Comparison Schedule
General Fund - Funded Projects

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	$ 116,936	$ 250,533	$ 134,837	$ (115,696)
State sources	1,667,302	2,190,216	1,918,664	(271,552)
Federal sources	6,160,000	7,018,602	6,457,285	(561,317)
Total revenue	7,944,238	9,459,351	8,510,786	(948,565)
Expenditures				
Current:				
Instruction	5,777,050	6,512,093	6,258,300	(253,793)
Support services	1,906,617	2,661,912	2,020,724	(641,188)
Community services	158,885	186,759	142,656	(44,103)
Total expenditures	7,842,552	9,360,764	8,421,680	(939,084)
Excess of Revenue Over Expenditures	101,686	98,587	89,106	(9,481)
Other Financing Sources (Uses)				
Transfers in	-	12,093	12,093	-
Transfers out	(101,686)	(110,680)	(101,199)	9,481
Total other financing uses	(101,686)	(98,587)	(89,106)	9,481
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	$ -	$ -	$ -	$ -

See notes to required supplemental information.

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

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
State sources	$ 5,519,129	$ 5,662,556	$ 5,256,750	$ (405,806)
Interdistrict sources	11,006,461	10,513,707	9,140,815	(1,372,892)
Total revenue	16,525,590	16,176,263	14,397,565	(1,778,698)
Expenditures				
Current:				
Instruction	10,281,463	10,146,566	9,149,323	(997,243)
Support services	4,451,544	4,507,895	3,948,164	(559,731)
Total expenditures	14,733,007	14,654,461	13,097,487	(1,556,974)
Excess of Revenue Over Expenditures	1,792,583	1,521,802	1,300,078	(221,724)
Other Financing Uses - Transfers out	(1,800,000)	(1,500,000)	(1,320,589)	179,411
Net Change in Fund Balance	(7,417)	21,802	(20,511)	(42,313)
Fund Balance - Beginning of year	976,887	976,887	976,887	-
Fund Balance - End of year	**$ 969,470**	**$ 998,689**	**$ 956,376**	**$ (42,313)**

See notes to required supplemental information.

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

Last Five Plan Years

Plan Years Ended September 30

	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	1.10966 %	1.10839 %	1.11646 %	1.14578 %	1.15492 %
School District's proportionate share of the net pension liability	$ 333,583,678	$ 287,231,919	$ 278,547,083	$ 279,856,068	$ 254,389,073
School District's covered payroll	$ 94,116,658	$ 92,678,036	$ 93,062,218	$ 95,140,276	$ 96,119,058
School District's proportionate share of the net pension liability as a percentage of its covered payroll	354.44 %	309.92 %	299.31 %	294.15 %	264.66 %
Plan fiduciary net position as a percentage of total pension liability	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

See notes to required supplemental information.

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

Last Five Fiscal Years

Years Ended June 30

	2019	2018	2017	2016	2015
Statutorily required contribution	$ 29,162,712	$ 28,273,165	$ 26,551,658	$ 26,167,534	$ 20,507,422
Contributions in relation to the statutorily required contribution	29,162,712	28,273,165	26,551,658	26,167,534	20,507,422
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
School District's Covered Payroll	$ 95,355,911	$ 93,813,172	$ 95,901,095	$ 92,940,215	$ 93,694,674
Contributions as a Percentage of Covered Payroll	30.58 %	30.14 %	27.69 %	28.16 %	21.89 %

See notes to required supplemental information.

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

Last Two Plan Years

Plan Years Ended September 30

	2018	2017
School District's proportion of the net OPEB liability	1.10760 %	1.10567 %
School District's proportionate share of the net OPEB liability	$ 88,042,409	$ 97,912,644
School District's covered payroll	$ 94,116,658	$ 92,678,036
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	93.55 %	105.65 %
Plan fiduciary net position as a percentage of total OPEB liability	43.10 %	36.53 %

See notes to required supplemental information.

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

Last Two Fiscal Years

Years Ended June 30

	2019	2018
Statutorily required contribution	$ 7,413,228	$ 6,728,930
Contributions in relation to the statutorily required contribution	7,413,228	6,728,930
Contribution Deficiency	**$ -**	**$ -**
School District's Covered Payroll	$ 95,355,911	$ 93,813,172
Contributions as a Percentage of Covered Payroll	7.77 %	7.17 %

See notes to required supplemental information.

Pension Information

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

Benefit Changes

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

Changes in Assumptions

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

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

OPEB Information

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

Benefit Changes

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

Changes in Assumptions

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

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percent.

Other Supplemental Information

	Special Revenue Fund	Debt Service Funds		
	Food Service	2013 Bond	2014 Refunding	2016 Bond
Assets				
Cash and investments	$ -	$ -	$ -	$ -
Receivables:				
Property taxes receivable	-	77,851	-	77,032
Other receivables	11,356	-	134,352	-
Due from other governments	112,258	-	-	-
Due from other funds	520,371	-	-	-
Inventory	31,065	-	-	-
Prepaid expenses	-	-	-	-
Restricted assets	-	1,293,705	5,670,179	1,442,195
Total assets	**$ 675,050**	**$ 1,371,556**	**$ 5,804,531**	**$ 1,519,227**
Liabilities				
Accounts payable	$ 111,378	$ -	$ -	$ -
Due to other funds	-	577,772	3,640,439	668,445
Accrued liabilities and other	2,315	-	-	-
Total liabilities	113,693	577,772	3,640,439	668,445
Fund Balances				
Nonspendable - Inventory and prepaid expenses	31,065	-	-	-
Restricted:				
Debt service	-	793,784	2,164,092	850,782
Capital projects	-	-	-	-
Food service	530,292	-	-	-
Assigned - Capital projects	-	-	-	-
Total fund balances	561,357	793,784	2,164,092	850,782
Total liabilities and fund balances	**$ 675,050**	**$ 1,371,556**	**$ 5,804,531**	**$ 1,519,227**

June 30, 2019

Capital Project Funds			
Technology	2012 Capital Projects	Sinking	Total
$ 700,413	$ -	$ -	$ 700,413
-	-	61,064	215,947
-	-	-	145,708
-	-	-	112,258
-	1,185,164	1,025,576	2,731,111
-	-	-	31,065
6,061	-	-	6,061
-	-	7,885,944	16,292,023
$ 706,474	**$ 1,185,164**	**$ 8,972,584**	**$ 20,234,586**
$ 3,744	$ -	$ 2,219,050	$ 2,334,172
36,283	-	-	4,922,939
-	-	-	2,315
40,027	-	2,219,050	7,259,426
6,061	-	-	37,126
-	-	-	3,808,658
-	-	6,753,534	6,753,534
-	-	-	530,292
660,386	1,185,164	-	1,845,550
666,447	1,185,164	6,753,534	12,975,160
$ 706,474	**$ 1,185,164**	**$ 8,972,584**	**$ 20,234,586**

	Special Revenue Fund	Debt Service Funds		
	Food Service	2013 Bond	2014 Refunding	2016 Bond
Revenue				
Local sources	$ 1,759,508	$ 4,893,175	$ 8,440,462	$ 4,880,603
State sources	174,864	-	1,045,844	-
Federal sources	1,981,472	-	-	-
Total revenue	3,915,844	4,893,175	9,486,306	4,880,603
Expenditures				
Current:				
Support services	-	-	-	-
Food services	3,683,962	-	-	-
Debt service:				
Principal	-	825,000	6,755,000	1,175,000
Interest	-	4,226,750	1,994,700	3,705,000
Other debt costs	-	7,103	13,887	7,902
Capital outlay	131,759	-	-	-
Total expenditures	3,815,721	5,058,853	8,763,587	4,887,902
Excess of Revenue Over (Under) Expenditures	100,123	(165,678)	722,719	(7,299)
Other Financing Uses - Transfers out	(200,000)	-	-	-
Net Change in Fund Balances	(99,877)	(165,678)	722,719	(7,299)
Fund Balances - Beginning of year	661,234	959,462	1,441,373	858,081
Fund Balances - End of year	**$ 561,357**	**$ 793,784**	**$ 2,164,092**	**$ 850,782**

Year Ended June 30, 2019

Capital Project Funds			
Technology	2012 Capital Projects	Sinking	Total
$ 14,991	$ -	$ 5,112,473	$ 25,101,212
-	-	-	1,220,708
-	-	-	1,981,472
14,991	-	5,112,473	28,303,392
33,706	-	132,139	165,845
-	-	-	3,683,962
-	-	-	8,755,000
-	-	-	9,926,450
-	-	-	28,892
47,720	-	9,867,405	10,046,884
81,426	-	9,999,544	32,607,033
(66,435)	-	(4,887,071)	(4,303,641)
-	-	-	(200,000)
(66,435)	-	(4,887,071)	(4,503,641)
732,882	1,185,164	11,640,605	17,478,801
$ 666,447	**$ 1,185,164**	**$ 6,753,534**	**$ 12,975,160**

Other Supplemental Information
Combining Balance Sheet
General Fund

June 30, 2019

	General Fund	Funded Projects	Total
Assets			
Cash and investments	$ 30,021,834	$ -	$ 30,021,834
Receivables:			
Property taxes receivable	563,926	-	563,926
Other receivables	765,492	-	765,492
Due from other governments	22,534,806	2,057,572	24,592,378
Due from other funds	4,928,557	-	4,928,557
Inventory	114,134	-	114,134
Prepaid expenses	70,253	-	70,253
Total assets	**$ 58,999,002**	**$ 2,057,572**	**$ 61,056,574**
Liabilities			
Accounts payable	$ 837,583	$ 81,167	$ 918,750
Due to other governmental units	3,332,111	6,558	3,338,669
Due to other funds	11,685,872	1,265,037	12,950,909
Accrued liabilities and other	10,356,108	363,867	10,719,975
Unearned revenue	1,275,721	340,943	1,616,664
Total liabilities	27,487,395	2,057,572	29,544,967
Deferred Inflows of Resources - Unavailable revenue	613,048	-	613,048
Total liabilities and deferred inflows of resources	28,100,443	2,057,572	30,158,015
Fund Balances			
Nonspendable - Inventory and prepaid expenses	184,387	-	184,387
Committed - Approved purchases	1,512,860	-	1,512,860
Assigned - Subsequent year's budget	1,146,967	-	1,146,967
Unassigned	28,054,345	-	28,054,345
Total fund balances	30,898,559	-	30,898,559
Total liabilities, deferred inflows of resources, and fund balances	**$ 58,999,002**	**$ 2,057,572**	**$ 61,056,574**

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

Year Ended June 30, 2019

	General Fund	Funded Projects	Total
Revenue			
Local sources	$ 31,006,482	$ 134,837	$ 31,141,319
State sources	115,626,857	1,918,664	117,545,521
Federal sources	28,670	6,457,285	6,485,955
Interdistrict sources	10,029,120	-	10,029,120
Total revenue	156,691,129	8,510,786	165,201,915
Expenditures			
Current:			
Instruction:			
Basic programs	74,615,838	618,305	75,234,143
Added needs	16,196,655	5,260,192	21,456,847
Adult/Continuing education	-	234,410	234,410
Support services:			
Pupil	9,629,403	196,431	9,825,834
Instructional staff	6,322,526	1,695,906	8,018,432
General administration	815,896	-	815,896
School administration	9,364,429	32,088	9,396,517
Business	1,976,619	16,602	1,993,221
Operations and maintenance	16,093,158	23,698	16,116,856
Pupil transportation services	7,222,906	29,381	7,252,287
Central	3,277,608	10,397	3,288,005
Athletics	2,153,158	-	2,153,158
Community services	2,782,797	142,656	2,925,453
Capital outlay	1,243,626	161,614	1,405,240
Total expenditures	151,694,619	8,421,680	160,116,299
Excess of Revenue Over Expenditures	4,996,510	89,106	5,085,616
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	1,762,131	-	1,762,131
Transfers in	1,621,788	12,093	1,633,881
Transfers out	(12,093)	(101,199)	(113,292)
Total other financing sources (uses)	3,371,826	(89,106)	3,282,720
Net Change in Fund Balances	8,368,336	-	8,368,336
Fund Balances - Beginning of year	22,530,223	-	22,530,223
Fund Balances - End of year	**$ 30,898,559**	**$ -**	**$ 30,898,559**

Other Supplemental Information
Schedule of Bonded Indebtedness

June 30, 2019

Years Ending June 30	2013 Bond Series I Fund Principal	2014 Refunding Principal	2013 Bond Series II Fund Principal	Total
2020	$ 850,000	$ 7,095,000	$ 1,275,000	$ 9,220,000
2021	900,000	7,405,000	1,375,000	9,680,000
2022	900,000	7,810,000	1,450,000	10,160,000
2023	1,175,000	4,185,000	1,850,000	7,210,000
2024	1,325,000	4,125,000	1,975,000	7,425,000
2025	1,475,000	4,180,000	2,075,000	7,730,000
2026	3,200,000	-	2,175,000	5,375,000
2027	3,325,000	-	2,275,000	5,600,000
2028	3,450,000	-	2,375,000	5,825,000
2029	3,575,000	-	2,475,000	6,050,000
2030	3,700,000	-	2,575,000	6,275,000
2031	3,825,000	-	2,675,000	6,500,000
2032	3,950,000	-	2,775,000	6,725,000
2033	4,075,000	-	2,875,000	6,950,000
2034	4,200,000	-	2,975,000	7,175,000
2035	4,325,000	-	3,075,000	7,400,000
2036	4,475,000	-	3,175,000	7,650,000
2037	4,625,000	-	3,275,000	7,900,000
2038	4,775,000	-	3,375,000	8,150,000
2039	4,925,000	-	3,475,000	8,400,000
2040	5,075,000	-	3,600,000	8,675,000
2041	5,225,000	-	3,725,000	8,950,000
2042	5,375,000	-	3,850,000	9,225,000
2043	5,500,000	-	3,950,000	9,450,000
2044	-	-	4,075,000	4,075,000
2045	-	-	4,175,000	4,175,000
Total remaining payments	**$ 84,225,000**	**$ 34,800,000**	**$ 72,925,000**	**$ 191,950,000**
Principal payments due	May	May	May	
Interest payments due	May and November	May and November	May and November	
Interest rate	4.00 - 5.00%	4.00 - 5.00%	5.00%	
Original issue	**$ 103,330,000**	**$ 65,025,000**	**$ 76,180,000**	

Livonia Public Schools

Federal Awards
Supplemental Information

June 30, 2019

Livonia Public Schools

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Plante & Moran, PLLC
Suite 500
2601 Cambridge Court
Auburn Hills, MI 48326
Tel: 248.375.7100
Fax: 248.375.7101
plantemoran.com

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

Independent Auditor's Report

To the Board of Education
Livonia Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livonia Public Schools (the "School District") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 7, 2019, which contained unmodified opinions on the financial statements of governmental activities, each major fund, and the aggregate remaining fund information. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 7, 2019.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

October 7, 2019

Plante & Moran, PLLC
Suite 500
2601 Cambridge Court
Auburn Hills, MI 48326
Tel: 248.375.7100
Fax: 248.375.7101
plantemoran.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Education
Livonia Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livonia Public Schools (the "School District") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

To Management and the Board of Education
Livonia Public Schools

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 7, 2019

Plante & Moran, PLLC
Suite 500
2601 Cambridge Court
Auburn Hills, MI 48326
Tel: 248.375.7100
Fax: 248.375.7101
plantemoran.com

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

Independent Auditor's Report

To the Board of Education
Livonia Public Schools

Report on Compliance for Each Major Federal Program

We have audited Livonia Public Schools' (the "School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the School District's major federal programs for the year ended June 30, 2019. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

To the Board of Education
Livonia Public Schools

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

October 7, 2019

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency Name/Pass-through Agency/Federal Program Title	Grant/Project Number	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2018	Federal Funds/Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2019	Current Year Cash Transferred to Subrecipients
Clusters:									
Child Nutrition Cluster - U.S. Department of Agriculture:									
Noncash assistance (commodities) - National School Lunch Program -									
Entitlement commodities 1819	N/A	10.555	$ 181,108	$ -	$ -	$ 181,108	$ 181,108	$ -	$ -
Cash assistance:									
National School Lunch Program 2017-2018	181960	10.555	1,451,993	1,451,993	71,740	71,740	-	-	-
National School Lunch Program 2018-2019	191960	10.555	1,464,288	-	-	1,400,756	1,464,288	63,532	-
Total National School Lunch Program (incl. commodities)		10.555	3,097,389	1,451,993	71,740	1,653,604	1,645,396	63,532	-
National School Breakfast Program 2017-2018	181970	10.553	324,287	324,287	20,016	20,016	-	-	-
National School Breakfast Program 2018-2019	191970	10.553	336,076	-	-	316,985	336,076	19,091	-
Total National School Breakfast Program		10.553	660,363	324,287	20,016	337,001	336,076	19,091	-
Total Child Nutrition Cluster			3,757,752	1,776,280	91,756	1,990,605	1,981,472	82,623	-
Special Education Cluster - U.S. Department of Education -									
Passed through Wayne County RESA:									
IDEA, Part B:									
IDEA Flowthrough - Regular 1617	170450	84.027A	3,173,412	3,173,412	153,160	153,160	-	-	-
IDEA Flowthrough - Regular 1718	180450	84.027A	3,034,410	3,034,410	101,881	101,881	-	-	-
IDEA Flowthrough - Regular 1819	190450	84.027A	3,226,841	-	-	2,079,411	3,226,841	1,147,430	-
IDEA Flowthrough - Regular subtotal			9,434,663	6,207,822	255,041	2,334,452	3,226,841	1,147,430	-
IDEA Flowthrough CPE - Regular 1718	180450	84.027A	811,727	811,727	523,747	523,747	-	-	-
IDEA Flowthrough CPE - Regular 1819	190450	84.027A	611,776	-	-	611,776	611,776	-	-
Total IDEA CPE subtotal		84.027A	1,423,503	811,727	523,747	1,135,523	611,776	-	-
IDEA Preschool:									
IDEA Preschool 1718	180460	84.173A	195,149	195,149	49,641	49,641		-	-
IDEA Preschool 1819	190460	84.173A	209,082	-	-	180,768	209,082	28,314	-
Total IDEA Preschool		84.173A	404,231	195,149	49,641	230,409	209,082	28,314	-
Total Special Education Cluster			11,262,397	7,214,698	828,429	3,700,384	4,047,699	1,175,744	-
Medicaid Cluster - U.S. Department of Health and Human Services -									
Passed through Wayne County RESA - Medicaid Outreach 1819		93.778	23,509	-	-	23,509	23,509	-	-
Total of cluster programs			15,043,658	8,990,978	920,185	5,714,498	6,052,680	1,258,367	-

Federal Agency Name/Pass-through Agency/Federal Program Title	Grant/Project Number	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2018	Federal Funds/Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2019	Current Year Cash Transferred to Subrecipients
Other federal programs:									
U.S. Department of Education - Passed through Michigan Department of Education:									
Title I, Part A:									
Title I, Part A 1718	181530	84.010	$ 1,471,505	$ 1,343,965	$ 109,930	$ 109,930	$ -	$ -	$ -
Title I, Part A 1819	191530	84.010	1,390,221	-	-	1,208,813	1,351,408	142,595	-
Total Tile I, Part A		84.010	2,861,726	1,343,965	109,930	1,318,743	1,351,408	142,595	-
Title II, Part A:									
Title II, Part A Supporting Effective Instruction 1718	180520	84.367	377,622	269,462	22,650	22,650	-	-	-
Title II, Part A Supporting Effective Instruction 1819	190520	84.367	808,164	-	-	312,651	433,238	120,587	-
Title II, Part A Teacher and Leader Instruction Support 1819	190532	84.367	117,136	-	-	9,604	11,864	2,260	-
Total Title II, Part A		84.367	1,302,922	269,462	22,650	344,905	445,102	122,847	-
Title III, English Language Acquisition State Grants:									
Title III, Immigrant Students 2018-2019	190570	84.365A	24,911	-	-	19,028	23,494	4,466	-
Title III, Limited English Proficient Students 2017-2018	180580	84.365A	60,546	60,546	193	193	-	-	-
Title III, Limited English Proficient Students 2018-2019	190580	84.365A	65,361	-	-	58,293	61,425	3,132	-
Total Title III, English Language Acquisition State Grants		84.365A	150,818	60,546	193	77,514	84,919	7,598	-
Title IV, Part A SSAE -									
Title IV, Part A Student Support and Academic Enrichment 2018-2019	190750	84.424A	113,460	-	-	102,201	113,460	11,259	-
Adult Education - Basic Grants to States:									
Federal General Instruction 2017-2018	181130	84.002A	197,780	197,169	29,331	29,331	-	-	-
Federal General Instruction 2018-2019	191130	84.002A	164,745	-	-	54,978	132,336	77,358	-
Total Adult Education - Basic Grants to States		84.002A	362,525	197,169	29,331	84,309	132,336	77,358	-
U.S. Department of Education - Passed through Wayne County RESA - Carl D. Perkins Career and Technical Education Program:									
Carl D. Perkins Grant 2017-2018	183520	84.048A	236,446	232,828	38,626	38,626	-	-	-
Carl D. Perkins Grant 2018-2019	193520	84.048A	286,905	-	-	186,632	282,361	95,729	-
Total Perkins Career and Technical Education Program		84.048A	523,351	232,828	38,626	225,258	282,361	95,729	-
U.S. Department of Agriculture - Passed through Michigan Department of Education - Child and Adult Care Food Program:									
CACFP Meals 2017-2018		10.558	4,920	4,920	772	772	-	-	-
CACFP Meals 2018-2019		10.558	5,161	-	-	4,144	5,161	1,017	-
Total Child and Adult Care Food Program		10.558	10,081	4,920	772	4,916	5,161	1,017	-
Total of noncluster programs			5,324,883	2,108,890	201,502	2,157,846	2,414,747	458,403	-
Total federal awards			**$ 20,368,541**	**$ 11,099,868**	**$ 1,121,687**	**$ 7,872,344**	**$ 8,467,427**	**$ 1,716,770**	**$ -**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Livonia Public Schools under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Livonia Public Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Livonia Public Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Livonia Public Schools has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Grant Auditor Report

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

Note 4 - Noncash Assistance

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	None reported

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?		Yes	X	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010	Title I, Part A

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes		No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None