

Livonia Public Schools

Financial Report with Supplemental Information June 30, 2015

Livonia Public Schools

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Independent Auditor's Report

To the Board of Education
Livonia Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livonia Public Schools (the "School District") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Livonia Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Education
Livonia Public Schools

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, 2015 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the basic financial statements, effective July 1, 2014, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The School District's unrestricted net position has been restated as of July 1, 2014 as a result of this change in accounting principle.

Required Supplemental Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2015 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 & Moreau, PLLC

October 22, 2015

Livonia Public Schools

Management's Discussion and Analysis

This section of Livonia Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2015. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

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

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

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Schedule of Proportionate Share of MPSERS Net Pension Liability

Schedule of MPSERS Contributions

Other Supplemental Information

Livonia Public Schools

Management's Discussion and Analysis (Continued)

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

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets and deferred outflows of resources versus liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

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

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

Livonia Public Schools

Management's Discussion and Analysis (Continued)

Proprietary Fund - Proprietary fund reporting focuses on economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services they provide to the other funds.

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

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2015 and 2014:

Table I

	Governmental Activities	
	June 30	
	2015	2014
	(in millions)	
Assets		
Current and other assets	\$ 130.3	\$ 151.6
Capital assets	154.7	128.7
Total assets	285.0	280.3
Deferred Outflows of Resources - Deferred outflows related to pensions	16.2	13.3
Total assets and deferred outflows of resources	301.2	293.6
Liabilities		
Current liabilities	44.0	36.7
Long-term liabilities	167.2	177.5
Net pension liability	254.4	270.4
Total liabilities	465.6	484.6
Deferred Inflows of Resources		
Deferred charges on bond refunding	4.2	4.6
Deferred inflows related to pensions	18.7	-
Total liabilities and deferred inflows of resources	488.5	489.2
Net Position		
Net investment in capital assets	51.3	44.9
Restricted	12.2	8.4
Unrestricted (deficit)	(250.8)	(248.9)
Total net position	<u>\$ (187.3)</u>	<u>\$ (195.6)</u>

Livonia Public Schools

Management's Discussion and Analysis (Continued)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$187.3) million at June 30, 2015. The School District experienced an increase in net position of \$8.3 million. Changes during the year resulted from several changes including current assets (cash) decreasing \$21.3 million and long-term liabilities (bond debt), including deferred charges on refunding, decreasing \$10.7 million. Further, capital assets net of depreciation increased approximately \$26.0 million and current liabilities increased \$7.3 million.

Net investment in capital assets totaling \$51.3 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position of \$12.2 million is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$250.8) million was unrestricted.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement Nos. 68 and 71. These standards required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Retirement Plan within the School District's financial statements, effective July 1, 2014. The effect of the adoption was to decrease July 1, 2014 beginning net position by \$257.1 million and the inclusion of the obligation, and related deferred inflows and outflows, in the June 30, 2015 financial statements. All governments participating in the retirement plan were required to adopt these new standards.

The (\$250.8) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the adoption of GASB Statement Nos. 68 and 71. This includes all of the different governmental fund types. Thus, it is important to note that not all unrestricted net position is set aside for day-to-day General Fund operations. It includes funds set aside to complete capital projects, provide for food service, and cover special education shortfalls.

Livonia Public Schools

Management's Discussion and Analysis (Continued)

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

Table 2

	Governmental Activities	
	Year Ended June 30	
	2015	2014
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 7.6	\$ 7.6
Operating grants and contributions	30.8	29.2
General revenue:		
Property taxes	46.0	46.0
State foundation allowance	110.0	107.0
Federal sources - Unrestricted	-	-
Loss on sale and impairment of capital assets	-	(0.9)
Other	0.4	0.6
Total revenue	194.8	189.5
Functions/Program Expenses		
Instruction	110.2	102.9
Support services	61.7	66.5
Athletics	1.7	1.6
Food services	3.7	3.7
Community services	2.4	2.2
Payments to other public schools	0.1	0.1
Interest on long-term debt	6.7	8.5
Total functions/program expenses	186.5	185.5
Increase in Net Position	8.3	4.0
Net Position - Beginning of year - As restated	(195.6)	57.5
Impact of GASB Statement Nos. 68 and 71	-	(257.1)
Net Position - End of year	<u><u>\$ (187.3)</u></u>	<u><u>\$ (195.6)</u></u>

Livonia Public Schools

Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$186.5 million. Certain activities were partially funded from those who benefited from the programs with \$7.6 million of charges for services or by other governments and organizations that subsidized certain programs with grants and contributions of \$30.8 million. We paid for the remaining "public benefit" portion of our governmental activities with \$46.0 million in taxes, and \$110.0 million in State foundation allowance.

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$83.0 million, which is a decrease of \$27.8 million from last year. This is primarily a result of the spending of prior year bond proceeds, (\$31.2 million decrease in fund balance as of year end). Other governmental funds increased in fund balance including the General Fund (\$470,000) and other nonmajor governmental funds increased by approximately \$2.9 million.

In the General Fund, our principal operating fund, the fund balance increased \$.5 million to \$4.3 million. The School District's budget has been pressured for many years from the overall economic downturn in Michigan, as well as declining enrollment, increased costs for health care, and mandatory pension contributions. While it was the School District's budget plan for 2015 to utilize fund balance to meet budget targets, the School District continues to evaluate the budget and make reductions, increase revenues, and find cost-saving measures whenever possible. The General Fund fund balance is available to fund costs related to allowable school operating purposes.

The 2013 Bond Fund balance decreased by approximately \$31.2 million. This is a result of the Phase I bond projects being closed out at the beginning of the fiscal year and the pre-construction costs of the Phase II bond projects being expensed during the fiscal year. Phase II bond project expenditures included major upgrades to six additional schools and the continuation of technology infrastructure being upgraded and purchases were made to update maintenance and operations equipment. There are plans for the remaining voter-approved bond funds to be expended over the next four years.

Livonia Public Schools

Management's Discussion and Analysis (Continued)

The special revenue funds remained comparable to the prior year. The Food Service Fund and Special Education Fund experienced \$24,000 decrease in fund balance and a \$648,000 increase, respectively, in fund balance. In addition, indirect costs in the Special Education Fund and Food Service Fund were transferred to the General Fund.

Combined, the Debt Service Funds showed a fund balance increase of approximately \$27,000. The School District millage rates did not change from the prior year at 4.6 mills. The millage rate for debt service results from the Construction Bond of \$195 million approved by the Livonia Public School voters in May 2013 and the 2014 Refunding Bonds of \$65 million refinanced in February 2014. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service funds fund balances are restricted since they can only be used to pay debt service obligations.

The combined Capital Projects Funds (excluding the 2013 Bond Fund) fund balance increased approximately \$2.3 million mostly as a result of the School District's decreased sinking fund spending while the bonded capital project funds are expended. The School District collected \$4.6 million in voter-approved sinking fund millage and expended \$1.2 million on facility improvements. This millage is available to fund specific capital projects allowed by State law and approved by the voters. The Capital Projects Funds also include \$.9 million of fund balance in the Building and Site Technology Fund, which is used to upgrade and replace technology.

General Fund Budgetary Highlights

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

There were revisions made to the 2014-2015 General Fund original budget. The major change was an increase in budgeted revenues and expenditures to reflect the State of Michigan's UAAL rate stabilization transaction. The State increased the retirement rate for mandated pension costs for 2014-15 and also provided state aid payments to (generally) offset the increased costs. These amounts were not known when the budget was originally adopted and the budget was updated during the year to reflect the increased revenues and expenditures for the State UAAL rate stabilization transaction.

Also unknown at the time the budget for the 2015 fiscal year was originally adopted was approximately \$220,000 paid by the State of Michigan for a one-time unfunded liability payment to "buy down" the retirement incentive liability in future years and accounted for in the same manner as the UAAL rate stabilization transaction - the School District will receive the funds through State Aid and remit the identical amount to MSPERS.

Livonia Public Schools

Management's Discussion and Analysis (Continued)

The final budgeted revenues increased over \$6 million from the original budget and while the increase in retirement payments mentioned above accounted for most of that increase there were changes in other revenues as well. Some of the major adjustments include adjustments to state aid, including section 31a funds, special education funds, and local property taxes.

There were minor variances between the final budget and actual amounts received in revenues. Local revenues including property taxes, Medicaid reimbursements, and childcare programs were greater than anticipated by approximately \$640,000. Transfers from other funds including food service, special education center program fund, and the building and site technology fund were less than anticipated by \$510,000.

There were adjustments to the original expenditure budget of \$6.2 million. This is primarily a result of the increased expenditures for employee benefit costs including the increase in retirement costs as discussed above. Other major items that were adjusted included salaries, utilities, and contracted security.

There were variances between the final budget and the actual expenditures. Overall expenditures were \$2.3 million less than anticipated. Salaries and benefits were less than budgeted by approximately \$840,000. Utility costs and other purchased services were approximately \$970,000 less than anticipated. Fuel, maintenance supplies, and tax refunds were also less than anticipated in the fiscal year.

This may impact the 2015-2016 budget and will be reviewed for any future budget amendment adjustments.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the School District had \$280.6 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$31.9 million, or 12.8 percent, from last year.

	2015	2014
Land	\$ 6,694,178	\$ 4,586,143
Construction in progress	18,529,336	10,301,682
Buildings and building improvements	227,311,557	209,037,297
Buses and other vehicles	8,368,834	8,344,713
Furniture and equipment	19,739,226	16,511,617
Total capital assets	280,643,131	248,781,452
Less accumulated depreciation	125,956,709	120,084,397
Net capital assets	<u>\$ 154,686,422</u>	<u>\$ 128,697,055</u>

Livonia Public Schools

Management's Discussion and Analysis (Continued)

This year's net additions of \$31.8 million included primarily building renovations. This year marked the second year of major expenditures of the 2013 bond proceeds. Phase 1 projects that were completed in FY15 included major renovation and upgrades to five schools: Cleveland, Coolidge, Rosedale Elementary schools, Cooper Upper Elementary school, as well as Frost Middle School. Other Phase 1 projects included replacing the press boxes at all three high schools and technology infrastructure upgrades across the School District. Phase 2 projects include major renovation and upgrade to six schools, Hayes, Kennedy and Roosevelt Elementary Schools; Riley Upper Elementary School; Emerson Middle School; and Franklin High School. Also continued this fiscal year were the technology infrastructure upgrades across the School District and the purchase of maintenance and operations equipment. There were other upgrades and renovations utilizing the sinking fund proceeds during the year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$152.4 million in bonds outstanding versus \$163.1 million in the previous year - a change of 6.6 percent. This decrease is a result of the principal payments on bond debt of \$10.7 million during the year. Those outstanding bonds consist of the following:

	2015	2014
General obligation bonds	<u>\$ 152,365,000</u>	<u>\$ 163,075,000</u>

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$152.4 million is significantly below the statutorily imposed limit. Bond payments are due annually and extend through the year 2043. The annual property tax levy to extinguish current debt in 2014-2015 is 4.6 mills. Other long-term obligations include accrued vacation pay, sick leave, and severance pay. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Livonia Public Schools

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2015-2016 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 2016 fiscal year is 10 percent and 90 percent of the February 2015 and October 2015 student counts, respectively. The 2015-2016 budget was adopted in June 2015, based on an estimate of students that will be enrolled in September 2015. Almost 73 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2015-2016 school year, we anticipate that the fall student count will be less than the estimates used in creating the 2015-2016 budget. Once the final student count and related per pupil funding are validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations. The School District amends the budget two to three times per year to reflect the most accurate projections in revenue including state aid, local revenue, or other resources. We also analyze the budget for potential changes in staffing, healthcare costs, utilities, and other costs.

The 2015-2016 budget includes a decrease in revenue based on the estimated decline in enrollment in the School District, a trend that is continuing throughout the state of Michigan. In order to more closely match revenue to expenditures, the School District made revenue enhancements and cost reductions of approximately \$5.0 million. The District will review the budget assumptions in the fall and make recommendations and budget amendments to reflect any changes in the budget estimates. As in the past few years, budget adjustments in fiscal year 2016 will include changes in revenue and expenditures to match the state's change in retirement costs and revenue off set amounts.

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

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

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

Livonia Public Schools

Management's Discussion and Analysis (Continued)

Contacting the School District's Management

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

Livonia Public Schools

Statement of Net Position June 30, 2015

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 20,047,355
Receivables	25,276,130
Inventories	189,249
Prepaid costs and other assets	313,395
Restricted assets (Note 9)	84,475,312
Capital assets - Net (Note 5)	154,686,422
Total assets	284,987,863
Deferred Outflows of Resources -	
Deferred outflows related to pensions (Note 12)	16,211,521
Total assets and deferred outflows of resources	301,199,384
Liabilities	
Accounts payable	11,798,934
Accrued payroll-related liabilities	15,512,678
State aid anticipation note (Note 7)	8,353,777
Accrued interest	1,200,598
Due to other governmental units	4,912,229
Claims payable (Note 10)	629,452
Unearned revenue (Note 4)	1,638,517
Long-term liabilities (Note 8):	
Due within one year	13,283,129
Due in more than one year	153,887,119
Net pension liability (Note 12)	254,389,073
Total liabilities	465,605,506
Deferred Inflows of Resources	
Deferred charges on refunding	4,192,223
Deferred inflows related to pensions (Note 12)	18,732,062
Total deferred inflows of resources	22,924,285
Total liabilities and deferred inflows of resources	488,529,791
Net Position	
Net investment in capital assets	51,308,300
Restricted:	
Debt service	346,830
Building and Repairs Fund	11,311,225
Food Service	532,214
Unrestricted (deficit)	(250,828,976)
Total net position	\$ (187,330,407)

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

Livonia Public Schools

Statement of Activities Year Ended June 30, 2015

				Net (Expense) Revenue and Changes in Net Position
		Program Revenue		
			Operating	
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 110,151,454	\$ 542,764	\$ 18,471,103	\$ (91,137,587)
Support services	61,702,809	75,350	10,346,835	(51,280,624)
Athletics	1,684,240	832,589	-	(851,651)
Food services	3,692,155	1,770,255	1,997,935	76,035
Community services	2,350,684	4,321,096	-	1,970,412
Payments to other public schools (ISDs, LEAs)	48,485	-	-	(48,485)
Interest on long-term debt	6,727,879	-	-	(6,727,879)
Debt issuance costs	138,063	-	-	(138,063)
Total primary government	<u>\$ 186,495,769</u>	<u>\$ 7,542,054</u>	<u>\$ 30,815,873</u>	(148,137,842)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				22,468,356
Property taxes, levied for debt service				18,964,060
Property taxes, levied for capital projects				4,596,362
State aid not restricted to specific purposes				110,011,266
Interest and investment earnings				183,831
Loss on the sale of capital assets				(12,172)
Other sources				251,140
Total general revenue				<u>156,462,843</u>
Change in Net Position				8,325,001
Restated Net Position - Beginning of year (Note 1)				<u>(195,655,408)</u>
Net Position - End of year				<u>\$ (187,330,407)</u>

Livonia Public Schools

Governmental Funds Balance Sheet June 30, 2015

	General Fund	2013 Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 18,271,765	\$ -	\$ 1,775,590	\$ 20,047,355
Receivables:				
Taxes receivable	846,243	-	474,392	1,320,635
Accounts receivable	157,195	-	40,939	198,134
Due from other governmental units	22,243,119	-	1,514,242	23,757,361
Due from other funds (Note 6)	800,000	650	3,444,713	4,245,363
Inventories	158,977	-	30,272	189,249
Prepaid costs and other assets	11,789	-	30,307	42,096
Restricted assets (Note 9)	-	72,383,602	12,091,710	84,475,312
Total assets	\$ 42,489,088	\$ 72,384,252	\$ 19,402,165	\$ 134,275,505
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 379,898	\$ 8,788,138	\$ 189,952	\$ 9,357,988
Accrued payroll-related liabilities	14,399,161	-	1,113,517	15,512,678
State aid anticipation note (Note 7)	8,353,777	-	-	8,353,777
Due to other governmental units	2,785,124	-	2,127,105	4,912,229
Due to other funds	9,478,601	-	800,000	10,278,601
Unearned revenue (Note 4)	1,638,517	-	-	1,638,517
Total liabilities	37,035,078	8,788,138	4,230,574	50,053,790
Deferred Inflows of Resources -				
Unavailable revenue (Note 4)	1,163,820	-	-	1,163,820
Total liabilities and deferred inflows of resources	38,198,898	8,788,138	4,230,574	51,217,610
Fund Balances				
Nonspendable:				
Inventory	158,977	-	30,272	189,249
Prepaid assets	11,789	-	30,307	42,096
Restricted:				
Capital projects	-	63,596,114	10,787,420	74,383,534
Debt service	-	-	1,547,428	1,547,428
Food service	-	-	501,942	501,942
Assigned:				
Capital projects	-	-	874,808	874,808
Center Program	-	-	1,399,414	1,399,414
Budgeted use of fund balance in subsequent year	1,147,558	-	-	1,147,558
Unassigned	2,971,866	-	-	2,971,866
Total fund balances	4,290,190	63,596,114	15,171,591	83,057,895
Total liabilities, deferred inflows of resources, and fund balances	\$ 42,489,088	\$ 72,384,252	\$ 19,402,165	\$ 134,275,505

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

Livonia Public Schools

Governmental Funds **Reconciliation of the Balance Sheet of Governmental Funds to the** **Statement of Net Position** **Year Ended June 30, 2015**

Fund Balance Reported in Governmental Funds \$ 83,057,895

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	\$ 280,643,131	
Accumulated depreciation	<u>(125,956,709)</u>	154,686,422

Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	1,163,820
--	-----------

Deferred outflows related to pension payments made subsequent to the measurement date	16,211,521
--	------------

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

Bonds payable including premium and deferred charges	(162,258,208)	
Compensated absences	<u>(4,912,040)</u>	(167,170,248)

Accrued interest payable is not included as a liability in governmental funds	(1,200,598)
--	-------------

Deferred inflows of resources (deferred interest) that do not benefit the current period are not reported in the governmental funds	(4,192,223)
---	-------------

Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	3,234,139
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Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities	(254,389,073)
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Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds	<u>(18,732,062)</u>
--	---------------------

Net Position of Governmental Activities

\$ (187,330,407)

Livonia Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2015

	General Fund	2013 Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Local sources	\$ 29,100,074	\$ 184,563	\$ 25,303,841	\$ 54,588,478
State sources	114,905,538	-	4,699,944	119,605,482
Federal sources	6,495,127	-	1,831,519	8,326,646
Interdistrict sources	338,133	-	11,927,467	12,265,600
Total revenue	150,838,872	184,563	43,762,771	194,786,206
Expenditures				
Current:				
Instruction	91,394,208	-	11,664,964	103,059,172
Support services	55,775,063	603,561	4,015,748	60,394,372
Athletics	1,461,740	-	-	1,461,740
Food services	-	-	3,692,155	3,692,155
Community services	2,347,910	-	-	2,347,910
Debt service:				
Principal	-	-	10,710,000	10,710,000
Interest	-	-	8,084,866	8,084,866
Other	-	-	138,063	138,063
Capital outlay	422,630	30,773,952	1,449,897	32,646,479
Payments to other public schools (ISDs, LEAs)	48,485	-	-	48,485
Total expenditures	151,450,036	31,377,513	39,755,693	222,583,242
Excess of Revenue (Under) Over Expenditures	(611,164)	(31,192,950)	4,007,078	(27,797,036)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	12,419	-	-	12,419
Transfers in (Note 6)	1,877,618	-	808,852	2,686,470
Transfers out (Note 6)	(808,852)	-	(1,877,618)	(2,686,470)
Total other financing sources (uses)	1,081,185	-	(1,068,766)	12,419
Net Change in Fund Balances	470,021	(31,192,950)	2,938,312	(27,784,617)
Fund Balances - Beginning of year	3,820,169	94,789,064	12,233,279	110,842,512
Fund Balances - End of year	<u>\$ 4,290,190</u>	<u>\$ 63,596,114</u>	<u>\$ 15,171,591</u>	<u>\$ 83,057,895</u>

Livonia Public Schools

Governmental Funds **Reconciliation of the Statement of Revenue, Expenditures,** **and Changes in Fund Balances of Governmental Funds** **to the Statement of Activities** **June 30, 2015**

Net Change in Fund Balances - Total Governmental Funds **\$ (27,784,617)**

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

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

Depreciation expense	\$ (6,106,452)	
Capitalized capital outlay	<u>32,120,410</u>	26,013,958

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (24,591)

Revenue is reported in the statement of activities when earned: they are not reported in the funds until collected or collectible within 60 days of year end 46,736

Underwriter's discount/premium reported as expenditures/revenue in the funds and amortized in the statement of activities 1,113,380

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 10,710,000

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 243,607

Change in pension expense related to deferred items 255,122

Compensated absences, as well as self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was paid out than was earned (or more was earned than paid out) (1,067,217)

Internal service funds are included as part of governmental activities (1,181,377)

Change in Net Position of Governmental Activities **\$ 8,325,001**

Livonia Public Schools

Proprietary Fund Internal Service Fund - Health and Welfare Fund Statement of Net Position June 30, 2015

Assets - Current assets	
Due from other funds (Note 6)	\$ 5,246,254
Prepaid costs and other assets	<u>271,299</u>
Total assets	5,517,553
Liabilities - Current liabilities	
Accounts payable	1,653,962
Claims payable (Note 10)	<u>629,452</u>
Total liabilities	<u>2,283,414</u>
Net Position - Unrestricted	<u><u>\$ 3,234,139</u></u>

Livonia Public Schools

Proprietary Fund Internal Service Fund - Health and Welfare Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

Operating Revenue

Employee contributions	\$ 3,574,239
Employee contributions - Purchased insurance	364,268
Charges for services	<u>15,704,502</u>
Total operating revenue	19,643,009

Operating Expenses

Cost of insurance claims	342,391
Premiums	19,800,087
Employee premiums - Purchased insurance	336,610
Administrative costs	<u>345,298</u>
Total operating expenses	<u>20,824,386</u>

Change in Net Position (1,181,377)

Net Position - Beginning of year 4,415,516

Net Position - End of year \$ 3,234,139

Livonia Public Schools

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2015

Cash Flows from Operating Activities

Receipts from interfund services and reimbursements	\$ 19,741,104
Claims, premiums, and administrative fees paid	(19,741,104)

Net cash used in operating activities	-
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Net Change in Cash and Cash Equivalents

-

Cash and Cash Equivalents - Beginning of year

-

Cash and Cash Equivalents - End of year

\$ -

Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$ (1,181,377)
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Adjustments to reconcile operating loss to net cash from operating activities -

Changes in assets and liabilities:

Due from others	98,095
Prepaid and other assets	902,019
Accounts payable	216,604
Claims payable	(35,341)

Net cash used in operating activities	\$ -
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Livonia Public Schools

Fiduciary Funds Statement of Net Position June 30, 2015

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and investments	\$ 35,088	\$ 479,047
Due from other funds (Note 6)	4,522	782,462
Total assets	39,610	1,261,509
Liabilities		
Accounts payable	-	2,420
Due to agency fund activities	-	1,259,089
Total liabilities	-	1,261,509
Net Position - Restricted for endowments	\$ 39,610	\$ -

Livonia Public Schools

Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2015

	Private Purpose Funds
Additions - Local sources	\$ 1,000
Deductions - Scholarships awarded	<u>3,028</u>
Change in Net Position	(2,028)
Net Position - Beginning of year	<u>41,638</u>
Net Position - End of year	<u><u>\$ 39,610</u></u>

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of Livonia Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the School District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

2013 Bond Fund - The 2013 Bond Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring equipment and technology, and for remodeling and equipping school facilities. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following fund types:

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

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

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

Capital Projects Funds - The Building and Site Fund was used to record Durant plaintiff court settlement proceeds and other revenue. Disbursements are specifically for acquiring capital improvements, technology replacement, or other improvements determined by the Board of Education. The fund operates until the purpose for which it was created is accomplished.

The 2012 Capital Projects Fund is used to account for the proceeds derived from the sale of real estate. These proceeds will be held in trust in a special capital project fund identified separately from any other capital project funds which shall be used for purchasing other real estate for the district and/or for renovating, replacing, or developing real estate, facilities, or capital equipment as authorized by the Board of Education. In 2015, the proceeds for this fund were fully expended and the fund was closed.

The Building and Repairs Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically designated for acquiring new school sites and construction or repair of school buildings and sites.

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

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

Assets, Liabilities, and Net Position or Equity

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

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

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

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

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

Restricted Assets - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. In addition, the unspent property taxes levied in the Debt Service Funds and Capital Projects Fund are required to be set aside for future bond principal and interest payments and capital projects, respectively. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

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

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

Employment Related Liabilities - The employment related liabilities reported in the government-wide statements consist of earned but unused accumulated vacation and sick leave benefits and early retirement benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability for compensated absences has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included. The early retirement benefits consist of early retirement incentives cash payments provided on behalf of approximately 40 employees over a three-year period. The cost of the obligation is reported in long-term debt.

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

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

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

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three types of deferred inflows of resources. The first arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type of deferred inflow of resources is the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The third deferred inflow of resources relates to the pension plan and is reported only in the statement of net position.

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

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

Note I - Nature of Business and 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.

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

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

Adoption of New Standard - The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the School District has reported a net pension liability of \$270 million and a beginning deferred outflow for pension contributions of \$13,285,902 made subsequent to the September 30, 2013 measurement date, as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014.

Net position at June 30, 2014	\$ 61,509,328
Net pension liability	(270,450,632)
Deferred outflow for pension contributions	<u>13,285,902</u>
Net position at June 30, 2014 - As restated	<u><u>\$ (195,655,402)</u></u>

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund, Special Revenue Funds, Debt Retirement Funds, Capital Project Funds, and the Internal Service Fund, except that capital outlay expenditures are budgeted in other expenditure categories. All annual appropriations lapse at fiscal year end.

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

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

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

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance - The Building and Repairs Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the State of Michigan School Code.

Note 3 - Deposits and Investments

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

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

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's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$21,546,916 had \$20,974,014 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 that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The following investment securities were uninsured and unregistered and held in the following manner:

Investment Type	Carrying Value	How Held
U.S. Treasury notes	\$ 52,198,972	Held by counterparty

Note 3 - Deposits and Investments (Continued)

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 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. The School District's investments in U.S. Treasury notes of \$52,198,972 had a weighted average maturity of less than one year.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

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

Investment	Fair Value	Maturities	Rating	Rating Organization
U.S. Government Money Market Fund Capital Share Class	\$ 13,814,879	Variable	AAA-mf	Moody's
Federated Government Obligations Fund	<u>19,735,222</u>	Variable	AAA-mf	Moody's
Total investments	<u>\$ 33,550,101</u>			

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 policy prohibit investment in foreign currency.

Livonia Public Schools

Notes to Financial Statements June 30, 2015

Note 4 - Unavailable/Unearned Revenue

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

	Governmental Funds	
	Deferred	
	Inflow -	Liability -
	Unavailable	Unearned
Delinquent property taxes	\$ 1,163,820	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	1,318,168
Program fees and tuition	-	291,251
Other	-	29,098
Total	<u>\$ 1,163,820</u>	<u>\$ 1,638,517</u>

Note 5 - Capital Assets

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

	Balance July 1, 2014	Additions and Adjustments	Disposals and Adjustments	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 4,586,143	\$ 2,108,035	\$ -	\$ 6,694,178
Construction in progress	10,301,682	18,529,336	10,301,682	18,529,336
Subtotal	14,887,825	20,637,371	10,301,682	25,223,514
Capital assets being depreciated:				
Buildings and improvements	209,037,297	20,413,843	2,139,583	227,311,557
Furniture and equipment	16,511,617	3,279,432	51,823	19,739,226
Buses and other vehicles	8,344,713	81,000	56,879	8,368,834
Subtotal	233,893,627	23,774,275	2,248,285	255,419,617
Accumulated depreciation:				
Buildings and improvements	103,894,221	5,232,341	147,174	108,979,388
Buses and other vehicles	5,440,671	192,905	45,504	5,588,072
Furniture and equipment	10,749,505	681,206	41,462	11,389,249
Subtotal	120,084,397	6,106,452	234,140	125,956,709
Net capital assets being depreciated	113,809,230	17,667,823	2,014,145	129,462,908
Net capital assets	<u>\$ 128,697,055</u>	<u>\$ 38,305,194</u>	<u>\$ 12,315,827</u>	<u>\$ 154,686,422</u>

Livonia Public Schools

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets (Continued)

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

Governmental activities:

Instruction	\$ 5,494,141
Support services	508,159
Athletics	<u>104,152</u>
Total governmental activities	<u>\$ 6,106,452</u>

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

	Total Contracts	Remaining Commitment
Building and Repairs Fund	\$ 79,735	\$ 73,655
2013 Bond Fund	<u>63,085,787</u>	<u>49,358,416</u>
Total	<u>\$ 63,165,522</u>	<u>\$ 49,432,071</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 800,000	\$ 800,000
2013 Bond Fund	650	-	650
Internal Service Fund	5,246,254	-	5,246,254
Private Purpose Trust Fund	4,522	-	4,522
Agency Fund	782,462	-	782,462
Nonmajor governmental funds	<u>3,444,713</u>	<u>-</u>	<u>3,444,713</u>
Total	<u>\$ 9,478,601</u>	<u>\$ 800,000</u>	<u>\$ 10,278,601</u>

Livonia Public Schools

Notes to Financial Statements June 30, 2015

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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

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

Fund Transferred To	Fund Transferred From		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 1,877,618	\$ 1,877,618
Nonmajor governmental funds	808,852	-	808,852
Total	<u>\$ 808,852</u>	<u>\$ 1,877,618</u>	<u>\$ 2,686,470</u>

Interfund transfers were made during the year between the General Fund and the Special Education Center Program to cover indirect costs and to transfer the State's portion of LRE (least restrictive environment) paraprofessional costs. A transfer was made from the Food Service Fund to the General Fund to pay for indirect costs. Transfers were also made from the Building and Site Fund and 2012 Capital Projects Fund to the General Fund for operating purchases.

Note 7 - State Aid Anticipation Note

On August 20, 2014, Livonia Public Schools borrowed \$8,300,000 on a state aid anticipation note from PNC Bank. The note bears interest at 0.75 percent and is due on August 20, 2015. At June 30, 2015, Livonia Public Schools has accrued interest of \$53,777 on this note. This note was fully repaid subsequent to year end.

Subsequent to year end, on August 20, 2015, Livonia Public Schools borrowed \$6,500,000 on a state aid anticipation note from FirstMerit Bank. The note bears interest at 1.03 percent and is due on August 22, 2016.

Note 8 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include employment related liabilities.

Livonia Public Schools

Notes to Financial Statements June 30, 2015

Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government obligation bonds	\$ 163,075,000	\$ -	\$ 10,710,000	\$ 152,365,000	\$ 11,555,000
Employment-related liabilities	3,844,823	1,067,217	-	4,912,040	1,041,077
Premium on bonds	10,580,260	-	687,052	9,893,208	687,052
Deferred inflows - Deferred charges on bond refunding	4,618,551	-	426,328	4,192,223	426,328
Total governmental entities	<u>\$ 182,118,634</u>	<u>\$ 1,067,217</u>	<u>\$ 11,823,380</u>	<u>\$ 171,362,471</u>	<u>\$ 13,709,457</u>

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 11,555,000	\$ 7,242,950	\$ 18,797,950
2017	6,970,000	6,837,500	13,807,500
2018	7,235,000	6,567,200	13,802,200
2019	7,580,000	6,221,450	13,801,450
2020	7,945,000	5,850,700	13,795,700
2021-2025	33,480,000	23,602,000	57,082,000
2026-2030	17,250,000	17,737,500	34,987,500
2031-2035	20,375,000	13,112,500	33,487,500
2036-2040	23,875,000	7,681,250	31,556,250
2041-2043	16,100,000	1,623,750	17,723,750
Total	<u>\$ 152,365,000</u>	<u>\$ 96,476,800</u>	<u>\$ 248,841,800</u>

Governmental Activities

General obligation bonds consist of the following:

\$65,025,000 refunding bonds due in annual installments of \$4,125,000 to \$7,810,000 through May 1, 2025; interest at 4.00 percent to 5.00 percent	\$ 59,990,000
\$103,330,000 school building and site bonds due in annual installments of \$800,000 to \$5,675,000 through May 1, 2043; interest at 3.00 percent to 5.00 percent	<u>92,375,000</u>
Total bonded debt	<u>\$ 152,365,000</u>

Livonia Public Schools

Notes to Financial Statements June 30, 2015

Note 8 - Long-term Debt (Continued)

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2015, \$17,470,640 of bonds outstanding are considered defeased.

Note 9 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	Governmental Activities
Unspent bond proceeds and related interest	\$ 72,383,602
Unspent sinking fund property taxes levied	10,843,106
Unspent debt service property taxes levied	<u>1,248,604</u>
Total restricted assets	<u>\$ 84,475,312</u>

Note 10 - Risk Management

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

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

Livonia Public Schools

Notes to Financial Statements June 30, 2015

Note 10 - Risk Management (Continued)

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

	2015	2014
Estimated liability - Beginning of year	\$ 664,793	\$ 3,977,699
Estimated claims incurred - Including changes in estimates	342,391	2,359,832
Claim payments	(377,732)	(5,672,738)
Unpaid claims - End of year	<u>\$ 629,452</u>	<u>\$ 664,793</u>

Note 11 - Contingent Liabilities

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

Note 12 - 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. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

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

Note 12 - Michigan Public School Employees' Retirement System (Continued)

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

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

The range of rates are as follows:

School District

July 1, 2013 - September 30, 2013	12.78% - 16.25%
October 1, 2013 - September 30, 2014	15.44% - 18.34%
October 1, 2014 - June 30, 2015	18.76% - 23.07%

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

The School District's required and actual contributions to the plan for the years ended June 30, 2015 and 2014 were \$20,507,422 and \$20,934,117, respectively. Contributions include \$8,318,832 and \$5,076,174 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, 2015.

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

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

Note 12 - Michigan Public School Employees' Retirement System (Continued)

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

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

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

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2015, the School District reported a liability of \$254,389,073 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013, which uses update procedures to roll forward the estimated liability to September 30, 2014. 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, 2014, the School District's proportion was 1.15492 percent, which, in the year of adoption, is unchanged from the proportion measured as of September 30, 2013.

Livonia Public Schools

Notes to Financial Statements June 30, 2015

Note 12 - Michigan Public School Employees' Retirement System (Continued)

For the year ended June 30, 2015, the School District recognized pension expense of \$17,681,515, exclusive of payments to fund the MPSERS UAAL Stabilization Rate. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Subsequent to Measurement Date	Net Deferred Inflows (Outflows) of Resources as of the Measurement Date
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(9,386,413)
Net difference between projected and actual earnings on pension plan assets	-	28,122,815
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	-	(4,340)
The School District's contributions subsequent to the measurement date	16,211,521	-
Total	<u>\$ 16,211,521</u>	<u>\$ 18,732,062</u>

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

Years Ending June 30	Amount
2016	\$ 4,588,820
2017	4,588,820
2018	4,588,820
2019	4,965,602
2020	-
Thereafter	-
Total	<u>\$ 18,732,062</u>

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

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions - The total pension liability as of September 30, 2014 is based on the results and of the actuarial valuation date of September 30, 2013 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 to 8.00 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

The actuarial assumptions used for the September 30, 2013 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

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

Livonia Public Schools

Notes to Financial Statements June 30, 2015

Note 12 - Michigan Public School Employees' Retirement System (Continued)

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28 %	4.8 %
Private equity pools	18	8.5
International equity pools	16	6.1
Fixed-income pools	10	1.5
Real estate and infrastructure pools	10	5.3
Real return, opportunistic, and absolute pool	16	6.3
Short-term investment pools	2	(0.2)
Total	100 %	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the School District, calculated using the discount rate of 7.00 to 8.00 percent depending on the plan option, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

1.00 Percent Decrease (7.00/6.00 Percent)	Current Discount Rate (8.00/7.00 Percent)	1.00 Percent Increase (9.00/8.00 Percent)
\$ 335,389,842	\$ 254,389,073	\$ 186,144,730

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

Payable to the Pension Plan - At June 30, 2015, the School District reported a payable of \$2,124,560 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Postemployment Benefits Other Than Pensions (OPEB) - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period from July 1, 2014 to September 30, 2014 and from 2.20 percent to 2.71 percent of covered payroll for the period from October 1, 2014 through June 30, 2015 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2015, 2014, and 2013 were \$3,683,053, \$8,483,340, and \$9,535,273, respectively.

Note 13 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The School District is currently evaluating the impact this standard will have on the financial statements when adopted, during the School District's 2016 fiscal year.

Note 13 - Upcoming Accounting Pronouncements (Continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). 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, 2018.

Required Supplemental Information

Livonia Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 28,085,139	\$ 27,517,709	\$ 28,157,107	\$ 639,398
State sources	108,103,203	114,282,025	114,277,311	(4,714)
Federal sources	41,700	48,400	66,284	17,884
Interdistrict sources	309,000	309,000	338,133	29,133
Total revenue	136,539,042	142,157,134	142,838,835	681,701
Expenditures				
Current:				
Instruction:				
Basic program	71,876,997	74,780,990	74,678,232	(102,758)
Added needs	12,219,061	11,426,213	11,061,634	(364,579)
Adult/Continuing education	505,389	447,235	417,972	(29,263)
Total instruction	84,601,447	86,654,438	86,157,838	(496,600)
Support services:				
Pupil	8,490,336	10,360,719	10,126,759	(233,960)
Instructional staff	6,643,620	6,654,871	6,511,435	(143,436)
General administration	766,054	837,574	752,846	(84,728)
School administration	9,284,611	9,931,102	9,914,450	(16,652)
Business	3,786,099	3,572,050	3,461,867	(110,183)
Operations and maintenance	13,495,039	14,884,482	14,022,935	(861,547)
Pupil transportation services	6,905,068	6,981,860	6,827,573	(154,287)
Central	2,691,624	2,823,026	2,784,768	(38,258)
Total support services	52,062,451	56,045,684	54,402,633	(1,643,051)
Community services	2,196,566	2,322,948	2,298,852	(24,096)
Payments to other public schools (ISDs, LEAs)	50,000	105,000	48,485	(56,515)
Total expenditures	138,910,464	145,128,070	142,907,808	(2,220,262)
Excess of Expenditures (Under) Over Revenue	(2,371,422)	(2,970,936)	(68,973)	2,901,963
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	11,500	11,500	12,419	919
Transfers in	1,867,876	2,451,376	2,007,896	(443,480)
Transfers out	(1,518,000)	(1,535,000)	(1,481,321)	53,679
Other transactions	(3,000)	-	-	-
Total other financing sources (uses)	358,376	927,876	538,994	(388,882)
Net Change in Fund Balance	(2,013,046)	(2,043,060)	470,021	2,513,081
Fund Balance - July 1, 2014	3,820,169	3,820,169	3,820,169	-
Fund Balance - June 30, 2015	\$ 1,807,123	\$ 1,777,109	\$ 4,290,190	\$ 2,513,081

Livonia Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Funded Projects Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 57,708	\$ 147,043	\$ 110,378	\$ (36,665)
State sources	505,165	800,385	628,227	(172,158)
Federal sources	<u>6,848,792</u>	<u>6,886,045</u>	<u>6,428,843</u>	<u>(457,202)</u>
Total revenue	7,411,665	7,833,473	7,167,448	(666,025)
Expenditures - Current				
Instruction	4,826,290	5,761,752	5,404,924	(356,828)
Support services	2,447,123	1,917,380	1,583,188	(334,192)
Community services	<u>68,967</u>	<u>67,077</u>	<u>49,058</u>	<u>(18,019)</u>
Total expenditures	<u>7,342,380</u>	<u>7,746,209</u>	<u>7,037,170</u>	<u>(709,039)</u>
Excess of Revenue Over (Under)				
Expenditures	69,285	87,264	130,278	43,014
Transfers out	<u>(69,285)</u>	<u>(87,264)</u>	<u>(130,278)</u>	<u>(43,014)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Livonia Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Athletic Activities Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue - Local sources	\$ 834,481	\$ 828,050	\$ 832,589	\$ 4,539
Expenditures - Athletics	<u>1,523,071</u>	<u>1,528,050</u>	<u>1,505,058</u>	<u>(22,992)</u>
Excess of Expenditures Over Revenue	(688,590)	(700,000)	(672,469)	27,531
Other Financing Sources - Transfers in	<u>688,590</u>	<u>700,000</u>	<u>672,469</u>	<u>(27,531)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Livonia Public Schools

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

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

Livonia Public Schools

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

	<u>2015</u>
Statutorily required contribution	\$ 20,507,422
Contributions in relation to the statutorily required contribution	20,507,422
Contribution deficiency (excess)	-
School District's covered employee payroll	93,694,674
Contributions as a percentage of covered employee payroll	21.89 %

Livonia Public Schools

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

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

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

Other Supplemental Information

Livonia Public Schools

	Special Revenue Funds		Debt Service Funds	
	Food Service	Special Education Center Programs	2013	2014 Refunding
Assets				
Cash and investments	\$ 52,421	\$ -	\$ -	\$ -
Receivables:				
Taxes receivable	-	-	214,529	184,427
Accounts receivable	40,939	-	-	-
Due from other governmental units	101,140	1,413,102	-	-
Due from other funds	325,284	3,087,408	5,157	16,209
Inventories	30,272	-	-	-
Prepaid costs and other assets	-	-	-	-
Restricted assets	-	-	649,875	598,729
	<u>\$ 550,056</u>	<u>\$ 4,500,510</u>	<u>\$ 869,561</u>	<u>\$ 799,365</u>
Total assets				
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 9,036	\$ 16,227	\$ -	\$ -
Accrued payroll - Salaries payable	9,291	1,104,226	-	-
Due to other governmental units	(485)	1,980,643	59,329	62,169
Due to other funds	-	-	-	-
	<u>17,842</u>	<u>3,101,096</u>	<u>59,329</u>	<u>62,169</u>
Total liabilities				
Fund Balances				
Nonspendable:				
Inventory	30,272	-	-	-
Prepaid assets	-	-	-	-
Restricted:				
Capital projects	-	-	-	-
Debt service	-	-	810,232	737,196
Food service	501,942	-	-	-
Assigned:				
Capital projects	-	-	-	-
Center Program	-	1,399,414	-	-
	<u>532,214</u>	<u>1,399,414</u>	<u>810,232</u>	<u>737,196</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 550,056</u>	<u>\$ 4,500,510</u>	<u>\$ 869,561</u>	<u>\$ 799,365</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

Capital Projects Funds		Total Nonmajor Governmental Funds
Building and Repairs Fund	Building and Site	
\$ -	\$ 1,723,169	\$ 1,775,590
75,436	-	474,392
-	-	40,939
-	-	1,514,242
10,655	-	3,444,713
-	-	30,272
-	30,307	30,307
10,843,106	-	12,091,710
\$ 10,929,197	\$ 1,753,476	\$ 19,402,165

\$ 116,328	\$ 48,361	\$ 189,952
-	-	1,113,517
25,449	-	2,127,105
-	800,000	800,000
141,777	848,361	4,230,574
-	-	30,272
-	30,307	30,307
10,787,420	-	10,787,420
-	-	1,547,428
-	-	501,942
-	874,808	874,808
-	-	1,399,414
10,787,420	905,115	15,171,591
\$ 10,929,197	\$ 1,753,476	\$ 19,402,165

Livonia Public Schools

	Special Revenue Funds		Debt Service Fund	
	Food Service	Special Education Center Programs	2013	2014 Refunding
Revenue				
Local sources	\$ 1,770,255	\$ 6,680	\$ 10,522,387	\$ 8,414,145
State sources	166,416	4,510,353	-	23,175
Federal sources	1,831,519	-	-	-
Interdistrict sources	-	11,927,467	-	-
Total revenue	3,768,190	16,444,500	10,522,387	8,437,320
Expenditures - Current				
Instruction:				
Basic program	-	64,886	-	-
Added needs	-	11,600,078	-	-
Support services	-	4,015,748	-	-
Food services	3,692,155	-	-	-
Debt service:				
Principal	-	-	5,675,000	5,035,000
Interest	-	-	4,560,000	3,524,866
Other	-	-	66,745	71,318
Capital outlay	-	24,148	-	-
Total expenditures	3,692,155	15,704,860	10,301,745	8,631,184
Excess of Revenue Over (Under) Expenditures	76,035	739,640	220,642	(193,864)
Other Financing Sources (Uses)				
Transfers in	-	808,852	-	-
Transfers out	(100,000)	(900,000)	-	-
Total other financing uses	(100,000)	(91,148)	-	-
Net Change in Fund Balances	(23,965)	648,492	220,642	(193,864)
Fund Balances - Beginning of year	556,179	750,922	589,590	931,060
Fund Balances - End of year	<u>\$ 532,214</u>	<u>\$ 1,399,414</u>	<u>\$ 810,232</u>	<u>\$ 737,196</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

Capital Projects Fund			Total Nonmajor Governmental Funds
Buildings and Repairs Fund	Building and Site	2012 Capital Projects	
\$ 4,590,256	\$ 118	\$ -	\$ 25,303,841
-	-	-	4,699,944
-	-	-	1,831,519
-	-	-	11,927,467
4,590,256	118	-	43,762,771
-	-	-	64,886
-	-	-	11,600,078
-	-	-	4,015,748
-	-	-	3,692,155
-	-	-	-
-	-	-	10,710,000
-	-	-	8,084,866
-	-	-	138,063
1,248,574	96,175	81,000	1,449,897
1,248,574	96,175	81,000	39,755,693
3,341,682	(96,057)	(81,000)	4,007,078
-	-	-	808,852
-	(800,000)	(77,618)	(1,877,618)
-	(800,000)	(77,618)	(1,068,766)
3,341,682	(896,057)	(158,618)	2,938,312
7,445,738	1,801,172	158,618	12,233,279
<u>\$ 10,787,420</u>	<u>\$ 905,115</u>	<u>\$ -</u>	<u>\$ 15,171,591</u>

Livonia Public Schools

Other Supplemental Information Combining Balance Sheet General Fund June 30, 2015

	General Fund	Athletic Activities	Funded Projects	Total
Assets				
Cash and cash equivalents	\$ 18,271,765	\$ -	\$ -	\$ 18,271,765
Receivables:				
Taxes receivable	846,243	-	-	846,243
Accounts receivable	157,195	-	-	157,195
Due from other governmental units	21,059,397	-	1,183,722	22,243,119
Due from other funds	800,000	-	-	800,000
Inventories	158,977	-	-	158,977
Prepaid costs and other assets	11,789	-	-	11,789
	<u>\$ 41,305,366</u>	<u>\$ -</u>	<u>\$ 1,183,722</u>	<u>\$ 42,489,088</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 345,932	\$ -	\$ 33,966	\$ 379,898
Accrued payroll-related liabilities	13,862,593	9,159	527,409	14,399,161
State aid anticipation note	8,353,777	-	-	8,353,777
Due to other governmental units	2,785,124	-	-	2,785,124
Due to other funds	9,193,470	(9,159)	294,290	9,478,601
Unearned revenue	1,310,460	-	328,057	1,638,517
	<u>35,851,356</u>	<u>-</u>	<u>1,183,722</u>	<u>37,035,078</u>
Deferred Inflows of Resources -				
Unavailable revenue	<u>1,163,820</u>	<u>-</u>	<u>-</u>	<u>1,163,820</u>
Total liabilities and deferred inflows of resources	<u>37,015,176</u>	<u>-</u>	<u>1,183,722</u>	<u>38,198,898</u>
Fund Balances				
Nonspendable:				
Inventory	158,977	-	-	158,977
Prepaid assets	11,789	-	-	11,789
Assigned - Budgeted use of fund balance in subsequent year	1,147,558	-	-	1,147,558
Unassigned	<u>2,971,866</u>	<u>-</u>	<u>-</u>	<u>2,971,866</u>
Total fund balances	<u>4,290,190</u>	<u>-</u>	<u>-</u>	<u>4,290,190</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 41,305,366</u>	<u>\$ -</u>	<u>\$ 1,183,722</u>	<u>\$ 42,489,088</u>

Livonia Public Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances General Fund Year Ended June 30, 2015

	General Fund	Athletic Activities	Funded Projects	Total
Revenue				
Local sources	\$ 28,157,107	\$ 832,589	\$ 110,378	\$ 29,100,074
State sources	114,277,311	-	628,227	114,905,538
Federal sources	66,284	-	6,428,843	6,495,127
Interdistrict sources	338,133	-	-	338,133
Total revenue	142,838,835	832,589	7,167,448	150,838,872
Expenditures				
Current:				
Instruction:				
Basic program	74,658,867	-	638,827	75,297,694
Added needs	10,982,108	-	4,554,683	15,536,791
Adult/Continuing education	417,972	-	141,751	559,723
Support services:				
Pupil	10,126,759	-	370,035	10,496,794
Instructional staff	6,511,435	-	846,659	7,358,094
General administration	752,846	-	-	752,846
School administration	9,914,450	-	171,728	10,086,178
Business	3,461,867	-	-	3,461,867
Operations and maintenance	14,004,920	-	325	14,005,245
Pupil transportation services	6,827,573	-	-	6,827,573
Central	2,780,759	-	5,707	2,786,466
Athletics	-	1,461,740	-	1,461,740
Community services	2,298,852	-	49,058	2,347,910
Capital outlay	120,915	43,318	258,397	422,630
Payments to other public schools (ISDs, LEAs)	48,485	-	-	48,485
Total expenditures	142,907,808	1,505,058	7,037,170	151,450,036
Excess of Expenditures (Over) Under Revenue	(68,973)	(672,469)	130,278	(611,164)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	12,419	-	-	12,419
Transfers in	2,007,896	672,469	-	2,680,365
Transfers out	(1,481,321)	-	(130,278)	(1,611,599)
Total other financing sources (uses)	538,994	672,469	(130,278)	1,081,185
Net Change in Fund Balances	470,021	-	-	470,021
Fund Balances - Beginning of year	3,820,169	-	-	3,820,169
Fund Balances - End of year	<u>\$ 4,290,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,290,190</u>

Livonia Public Schools

Other Supplemental Information General Fund

Schedule of Revenues and Expenditures Compared to Budget Year Ended June 30, 2015

	Original Budget	Final Budget	Actual
Revenues			
Revenue from Local Sources			
Property tax levy	\$ 23,003,410	\$ 22,297,885	\$ 22,468,356
Tuition	1,401,329	1,498,824	1,608,989
Transportation fees	90,000	60,000	75,350
Student activities	13,800	13,300	12,800
Other local revenues	3,576,600	3,647,700	3,991,612
Total revenues from local sources	28,085,139	27,517,709	28,157,107
Revenues from State Sources			
Grants - Unrestricted	89,594,302	88,591,000	88,596,425
Grants - Restrictd	18,508,901	25,691,025	25,680,886
Total revenues from state sources	108,103,203	114,282,025	114,277,311
Revenues from Federal Sources - Grants			
	41,700	48,400	66,284
Interdistrict Sources			
Tuition	169,000	309,000	338,133
Administrative Fee	16,000	-	-
Total interdistrict sources	185,000	309,000	338,133
Other Financing Sources			
Proceeds from sale of capital assets	44,000	11,000	12,419
Refunds	25,000	500	-
Transfer in	1,934,376	2,451,376	2,007,896
Total other financing sources	2,003,376	2,462,876	2,020,315
Total revenue and other financing sources	\$ 138,418,418	\$ 144,620,010	\$ 144,859,150
Expenditures			
Basic Program - Elementary			
Salaries	\$ 21,714,018	\$ 21,835,971	\$ 21,834,110
Employee Benefits	11,149,354	12,221,374	12,227,381
Purchased services	394,500	488,300	443,983
Capital outlay	218,598	446,137	421,348
Supplies and materials	6,883	-	-
Total elementary	33,483,353	34,991,782	34,926,822
Basic Program - Middle School			
Salaries	7,240,665	7,606,227	7,589,348
Employee benefits	3,682,045	4,185,563	4,251,074
Purchased services	118,030	101,730	70,644
Supplies and materials	72,296	449,447	442,733
Total middle school	11,113,036	12,342,967	12,353,799
Basic Program - High School			
Salaries	16,436,484	16,137,191	16,116,896
Employee benefits	8,345,461	9,041,170	9,040,532
Purchased services	253,875	213,675	213,629
Supplies and materials	473,973	164,046	158,394
Other	25,660	82,820	92,362
Total high school	25,535,453	25,638,902	25,621,813

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2015

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
Basic Program - Pre-school			
Salaries	\$ 351,533	\$ 362,136	\$ 350,011
Employee benefits	175,508	189,425	178,736
Purchased services	3,200	700	498
Supplies and materials	6,737	4,400	5,173
Total pre-school	536,978	556,661	534,418
Basic Program - Summer School			
Salaries	701,233	739,164	712,975
Employee benefits	438,151	481,514	497,758
Purchased services	18,065	15,000	15,290
Supplies and materials	25,328	14,000	14,463
Capital outlay	25,400	1,000	894
Total summer school	1,208,177	1,250,678	1,241,380
Added Needs - Special Education			
Salaries	5,384,345	4,595,765	4,556,378
Employee benefits	2,963,459	2,929,981	2,630,572
Purchased services	137,690	134,000	150,581
Supplies and materials	23,524	24,489	21,744
Total special education	8,509,018	7,684,235	7,359,275
Added Needs - Compensatory Education			
Salaries	492,758	447,416	449,907
Employee benefits	274,672	262,609	260,303
Purchased services	2,355	7,500	7,450
Total compensatory education	769,785	717,525	717,660
Added Needs - Career and Technical Education			
Salaries	1,705,676	1,721,611	1,716,332
Employee benefits	909,531	938,649	918,376
Purchased services	25,200	44,200	50,273
Supplies and materials	218,851	211,993	220,192
Capital outlay	81,000	108,000	79,526
Total career and technical education	2,940,258	3,024,453	2,984,699
Adult and Continuing Education - Basic			
Salaries	94,713	36,200	29,231
Employee benefits	34,400	24,003	26,362
Purchased services	100	1,001	1,264
Supplies and materials	14,350	-	687
Total basic	143,563	61,204	57,544
Adult and Continuing Education - Secondary			
Salaries	22,985	20,605	15,579
Employee benefits	8,349	8,413	6,436
Purchased services	5,830	2,265	-
Total secondary	37,164	31,283	22,015

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2015

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
Adult and Continuing Education - Occupational Training			
Salaries	\$ 187,000	\$ 226,853	\$ 218,172
Employee benefits	68,839	93,545	85,192
Purchased services	64,350	34,350	35,049
Supplies and materials	4,473	-	-
Total occupational training	324,662	354,748	338,413
Pupil - Guidance Services			
Salaries	2,946,127	3,197,142	3,178,258
Employee benefits	1,389,534	1,769,884	1,728,960
Purchased services	16,600	400	333
Total guidance services	4,352,261	4,967,426	4,907,551
Pupil - Health Services			
Salaries	122,470	111,035	111,035
Employee benefits	61,561	64,693	64,396
Purchased services	15,700	6,500	4,350
Supplies and materials	5,000	3,000	1,216
Total health services	204,731	185,228	180,997
Pupil - Psychological Services			
Salaries	358,668	518,727	510,699
Employee benefits	188,265	261,590	273,197
Purchased services	1,800	14,300	12,410
Total psychological services	548,733	794,617	796,306
Pupil - Speech Services			
Salaries	1,288,461	1,509,866	1,408,532
Employee benefits	636,448	777,143	747,716
Purchased services	29,700	23,300	14,060
Total speech services	1,954,609	2,310,309	2,170,308
Pupil - Social Work Services			
Salaries	262,965	604,608	599,536
Employee benefits	117,019	283,191	312,292
Purchased services	2,000	1,700	1,818
Total social work services	381,984	889,499	913,646
Pupil - Teacher Consultant			
Salaries	287,236	366,604	369,750
Employee benefits	109,789	187,145	194,604
Purchased services	1,400	2,700	3,767
Total teacher consultant	398,425	556,449	568,121

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2015

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
Pupil - Other Support Services			
Salaries	\$ 397,312	\$ 414,188	\$ 375,212
Employee benefits	233,172	230,294	204,350
Purchased services	19,109	12,709	10,268
Total other pupil support services	649,593	657,191	589,830
Instructional Staff - Improvement of Education			
Salaries and materials	1,276,298	1,133,028	1,100,631
Employee benefits	591,577	567,196	540,892
Purchased services	293,543	255,336	182,582
Supplies and materials	23,096	22,866	5,365
Other	2,690	1,500	949
Total improvement of education	2,187,204	1,979,926	1,830,419
Instructional Staff - Educational Media Services			
Salaries and materials	1,670,869	1,716,348	1,713,710
Employee benefits	776,288	903,600	916,776
Purchased services	15,300	15,600	18,870
Supplies and materials	46,615	45,056	41,551
Other	154	125	125
Total education media services	2,509,226	2,680,729	2,691,032
Instructional Staff - Technology Assisted Instruction			
Salaries and materials	5,000	-	-
Employee benefits	1,816	-	-
Total technology assisted instruction	6,816	-	-
Instructional Staff - Supervision and Direction of Instructional Staff			
Salaries and materials	814,387	924,563	918,010
Employee benefits	406,111	487,366	512,264
Purchased services	6,035	5,622	3,980
Supplies and materials	20,000	4,000	1,714
Other	4,000	1,500	1,364
Total supervision and direction of instructional staff	1,250,533	1,423,051	1,437,332
Instructional Staff - Academic Student Assessment			
Salaries	3,000	-	-
Employee benefits	1,090	-	-
Supplies and materials	50,310	49,206	40,407
Total academic student assessment	54,400	49,206	40,407
Instructional Staff - Other Services			
Salaries	366,269	294,060	293,503
Employee benefits	187,770	172,316	181,179
Purchased services	75,600	51,205	33,494
Supplies and materials	5,102	3,500	3,691
Other	700	878	378
Total other instructional staff services	635,441	521,959	512,245

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2015

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
General Administration - Board of Education			
Salaries	\$ 20,000	\$ 25,000	\$ 25,250
Purchased services	266,250	298,200	273,788
Supplies and materials	2,000	5,000	4,500
Other	9,000	8,110	110
Total board of education	297,250	336,310	303,648
General Administration - Executive Administration			
Salaries	271,073	273,307	267,301
Employee benefits	140,320	155,638	132,735
Purchased services	2,330	1,500	710
Supplies and materials	24,581	18,319	12,616
Other	30,500	52,500	35,836
Total executive administration	468,804	501,264	449,198
School Administration - Office of the Principal			
Salaries	5,965,995	6,202,500	6,170,638
Employee benefits	3,168,926	3,558,391	3,586,179
Purchased services	71,680	81,700	85,807
Supplies and materials	48,010	58,511	48,452
Other	30,000	30,000	23,374
Total office of the principal	9,284,611	9,931,102	9,914,450
Business - Fiscal Services			
Salaries	657,082	588,547	587,551
Employee benefits	350,739	328,530	364,250
Purchased services	21,900	74,375	86,822
Supplies and materials	19,834	8,800	7,417
Other	387,920	378,920	384,069
Total fiscal services	1,437,475	1,379,172	1,430,109
Business - Internal Services			
Salaries	254,500	272,381	265,506
Employee benefits	162,466	176,447	175,167
Purchased services	55,550	55,550	54,490
Supplies and materials	6,233	21,033	27,128
Total internal services	478,749	525,411	522,291
Business - Other Business Services			
Salaries	1,000	1,000	-
Employee benefits	363	408	-
Purchased services	942,800	901,800	873,283
Other	925,712	764,259	636,184
Total other business services	1,869,875	1,667,467	1,509,467

Livonia Public Schools

Other Supplemental Information General Fund Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2015

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
Operations and Maintenance - Operating Building Services			
Salaries	\$ 5,208,932	\$ 5,402,181	\$ 5,349,965
Employee benefits	3,153,161	3,675,265	3,681,272
Purchased services	3,745,714	4,280,439	3,503,571
Supplies and materials	630,707	640,170	590,890
Capital outlay	20,000	20,000	18,014
Other	2,845	2,977	1,946
Total operating building services	12,761,359	14,021,032	13,145,658
Operations and Maintenance - Security Services			
Purchased services	729,650	856,495	874,746
Supplies and materials	2,975	1,600	1,976
Capital outlay	500	4,800	-
Other	555	555	555
Total security services	733,680	863,450	877,277
Pupil Transportation Services			
Salaries	3,433,788	3,452,117	3,359,949
Employee benefits	2,097,649	2,355,459	2,338,764
Purchased services	420,047	394,668	396,960
Supplies and materials	1,069,959	903,251	830,215
Other	(116,375)	(123,635)	(98,315)
Total transportation services	6,905,068	6,981,860	6,827,573
Central - Planning, Research Development, and Evaluation			
Salaries	74,878	73,131	73,135
Employee benefits	34,903	42,409	47,549
Purchased services	100	50	12
Other	48	-	-
Total planning, research development, and evaluation	109,929	115,590	120,696
Central - Communication Services			
Salaries	175,577	174,995	175,361
Employee benefits	75,117	94,865	95,262
Purchased services	51,780	57,341	60,084
Supplies and materials	3,100	1,200	911
Capital outlay	4,000	-	-
Other	250	125	125
Total communication services	309,824	328,526	331,743
Central - Staff/Personnel Services			
Salaries	568,141	624,778	606,787
Employee benefits	295,656	335,107	328,476
Purchased services	87,389	70,487	57,988
Supplies and materials	8,547	4,900	3,578
Other	200	1,200	1,200
Total staff/personnel services	959,933	1,036,472	998,029

Livonia Public Schools

Other Supplemental Information General Fund

Schedule of Revenues and Expenditures Compared to Budget (Continued) Year Ended June 30, 2015

	Original Budget	Final Budget	Actual
Expenditures (Continued)			
Central - Pupil Accounting			
Salaries	\$ 65,375	\$ 496,279	\$ 495,910
Employee benefits	38,700	318,650	315,070
Purchased services	860	8,580	9,074
Supplies and materials	-	10,000	12,008
Other	-	35	35
Total pupil accounting	104,935	833,544	832,097
Central - Support Services Technology			
Salaries	480,146	72,150	66,761
Employee benefits	275,074	41,179	46,066
Purchased services	425,299	383,900	382,502
Supplies and materials	15,000	4,000	2,865
Capital outlay	11,384	7,665	4,009
Other	100	-	-
Total support services technology	1,207,003	508,894	502,203
Community Services - Custody and Care of Children			
Salaries	1,484,205	1,527,373	1,522,204
Employee benefits	617,190	704,859	689,389
Purchased services	1,460	2,798	1,388
Supplies and materials	93,661	87,918	85,871
Other	50	-	-
Total custody and care of children	2,196,566	2,322,948	2,298,852
Intergovernmental Payments - Payments to other public schools	50,000	105,000	48,485
Other Financing Uses			
Transfers	1,518,000	1,535,000	1,481,321
Site Improvements - Capital Outlay	3,000	-	-
Total other financing uses	1,521,000	1,535,000	1,481,321
Total expenditures and financing uses	\$ 140,431,464	\$ 146,663,070	\$ 144,389,129

Livonia Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2015

Year Ending June 30	2013 Issue - Series I	2014 Refunding	Total
2016	\$ 5,675,000	\$ 5,880,000	\$ 11,555,000
2017	850,000	6,120,000	6,970,000
2018	800,000	6,435,000	7,235,000
2019	825,000	6,755,000	7,580,000
2020	850,000	7,095,000	7,945,000
2021	900,000	7,405,000	8,305,000
2022	900,000	7,810,000	8,710,000
2023	1,175,000	4,185,000	5,360,000
2024	1,325,000	4,125,000	5,450,000
2025	1,475,000	4,180,000	5,655,000
2026	3,200,000	-	3,200,000
2027	3,325,000	-	3,325,000
2028	3,450,000	-	3,450,000
2029	3,575,000	-	3,575,000
2030	3,700,000	-	3,700,000
2031	3,825,000	-	3,825,000
2032	3,950,000	-	3,950,000
2033	4,075,000	-	4,075,000
2034	4,200,000	-	4,200,000
2035	4,325,000	-	4,325,000
2036	4,475,000	-	4,475,000
2037	4,625,000	-	4,625,000
2038	4,775,000	-	4,775,000
2039	4,925,000	-	4,925,000
2040	5,075,000	-	5,075,000
2041	5,225,000	-	5,225,000
2042	5,375,000	-	5,375,000
2043	5,500,000	-	5,500,000
Total bonded debt	\$ 92,375,000	\$ 59,990,000	\$ 152,365,000
Principal payments due the first day of	May	May	
Interest payments due on the first day of	May and November	May and November	
Interest rate	3.000 - 5.000%	4.000 - 5.000%	
Original issue	\$ 103,330,000	\$ 65,025,000	

Livonia Public Schools

**Federal Awards
Supplemental Information
June 30, 2015**

Livonia Public Schools

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Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

To the Board of Education
Livonia Public Schools

We have audited the basic 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, 2015 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 22, 2015, which contained an unmodified opinion with an emphasis of matter related to the implementation of the Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 71 accounting standards on those basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited basic financial statements subsequent to October 22, 2015.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

Auburn Hills, Michigan
October 22, 2015

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 basic 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, 2015 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 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Livonia Public Schools' 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 basic 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.

To Management and the Board of Education
Livonia Public Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livonia Public Schools' basic 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*.

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 & Moreau, PLLC

Auburn Hills, Michigan
October 22, 2015

Report on Compliance for Each Major Federal Program;
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) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Livonia Public Schools' 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 the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Livonia Public Schools' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Livonia Public Schools' 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 Livonia Public Schools' compliance.

To the Board of Education
Livonia Public Schools

Opinion on Each Major Federal Program

In our opinion, Livonia Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Livonia Public Schools 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 Livonia Public Schools' 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 OMB Circular A-133, 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

Auburn Hills, Michigan
October 22, 2015

Livonia Public Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Federal Agency Name/Pass-through Agency/Federal Program Title	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue as of July 1, 2014	Federal Funds/Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2015
Clusters:							
Child Nutrition Cluster:							
U.S. Department of Agriculture - Passed through Michigan Department of Education:							
Noncash assistance (Commodities) - National School Lunch Program:							
Entitlement commodities	10.555	\$ 154,796	\$ -	\$ -	\$ 154,796	\$ 154,796	\$ -
Entitlement commodities- Bonus	10.555	1,342	-	-	1,342	1,342	-
Total noncash assistance		156,138	-	-	156,138	156,138	-
Cash assistance:							
141970 National School Breakfast Program	10.553	291,301	291,301	15,578	15,578	-	-
151970 National School Breakfast Program	10.553	286,156	-	-	270,482	286,156	15,674
141960 National School Lunch Program	10.555	1,365,174	1,365,174	56,181	56,181	-	-
151960 National School Lunch Program	10.555	1,379,912	-	-	1,323,250	1,379,912	56,662
151900/150900 Summer Food Service Program	10.559	9,312	-	-	9,312	9,312	-
Total cash assistance		3,331,855	1,656,475	71,759	1,674,803	1,675,380	72,336
Total Child Nutrition Cluster		3,487,993	1,656,475	71,759	1,830,941	1,831,518	72,336
Special Education Cluster:							
U.S. Department of Education - Passed through Wayne County RESA:							
IDEA, Part B:	84.027A						
140450- 2013-2014 IDEA Flowthrough - Regular		3,177,602	3,177,602	500,102	500,102	-	-
150450- 2014-2015 IDEA Flowthrough - Regular		3,279,523	-	-	2,456,318	3,080,995	624,677
140450- 2013-2014 IDEA Regular - CPE		742,705	742,705	53,704	53,704	-	-
150450- 2014-2015 IDEA Regular - CPE		616,338	-	-	558,634	616,338	57,704
Total IDEA, Part B		7,816,168	3,920,307	553,806	3,568,758	3,697,333	682,381
IDEA Preschool:	84.173A						
140460- 2013-2014 IDEA Preschool		190,348	190,348	36,765	36,765	-	-
150460- 2014-2015 IDEA Preschool		187,331	-	-	161,327	187,331	26,004
Total IDEA Preschool		377,679	190,348	36,765	198,092	187,331	26,004
Total Special Education Cluster		8,193,847	4,110,655	590,571	3,766,850	3,884,664	708,385
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through Wayne County RESA:	93.778						
		38,895	-	-	38,895	50,534	11,639
Total cluster programs		11,720,735	5,767,130	662,330	5,636,686	5,766,716	792,360

See Notes to Schedule of Expenditures
of Federal Awards.

Livonia Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2015

Federal Agency Name/Pass-through Agency/Federal Program Title	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue as of July 1, 2014	Federal Funds/Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2015
Other federal programs:							
U.S. Department of Education - Direct:							
Carol M. White Physical Education Program:	84.215F						
S215F130198- 2013-2014 PEP		\$ 593,365	\$ 466,523	\$ 9,484	\$ 136,326	\$ 126,842	\$ -
S215F130198-14- 2014-2015 PEP		379,398	-	-	248,077	286,452	38,375
Total Carol M. White Physical Education Program		972,763	466,523	9,484	384,403	413,294	38,375
U.S. Department of Education - Passed through Michigan Department of Education:							
TITLE I, Part A:	84.010						
141530- 2013-2014 Title I Part A		1,333,711	1,286,447	108,277	108,277	-	-
151530- 2014-2015 Title I Part A		1,417,431	-	-	1,270,746	1,354,464	83,718
Total Title I Part A		2,751,142	1,286,447	108,277	1,379,023	1,354,464	83,718
TITLE II, Part A:	84.367						
140520- 2013-2014 Title II Part A		385,426	298,463	30,808	30,808	-	-
150520- 2014-2015 Title II Part A		433,676	-	-	293,719	339,134	45,415
Total Title II Part A		819,102	298,463	30,808	324,527	339,134	45,415
TITLE III, English Language Acquisition State Grants:	84.365A						
140580- 2013-2014 Title III Limited English Proficient Students		46,935	44,195	879	879	-	-
150580- 2014-2015 Title III Limited English Proficient Students		48,460	-	-	39,099	39,940	841
Total Title III English Language Acquisition State Grants:		95,395	44,195	879	39,978	39,940	841
Adult Learning WIA Core Programs:	84.002A						
141120- 2013-2014 Federal EL Civics		13,000	13,000	6,263	6,263	-	-
151120- 2014-2015 Federal EL Civics		10,000	-	-	9,753	10,000	247
141130- 2013-2014 Federal General Instruction		140,000	120,821	3,186	3,186	-	-
151130- 2014-2015 Federal General Instruction		140,000	-	-	140,000	140,000	-
Total Adult Learning WIA Core Programs		303,000	133,821	9,449	159,202	150,000	247
U.S. Department of Education - Passed through Wayne County RESA:							
Carl D. Perkins Career and Technical Education Program:	84.048A						
143520-141225- 2013-2014 Perkins		232,623	232,623	170,632	170,632	-	-
153520-151225- 2014-2015 Perkins		247,347	-	-	126,795	247,347	120,552
Total Perkins Career and Technical Education Program		479,970	232,623	170,632	297,427	247,347	120,552

Livonia Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 201

Federal Agency Name/Pass-through Agency/Federal Program Title	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue as of July 1, 2014	Federal Funds/Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2015
Other federal programs (Continued):							
U.S. Department of Agriculture - Passed through Michigan Department of Education -							
Child and Adult Care Food Program:	10.558						
141920 CACFP Meals		\$ 4,149	\$ 4,149	\$ 753	\$ 753	\$ -	\$ -
151920 CACFP Meals		15,751	-	-	10,949	15,751	4,802
Total Child and Adult Care Food Program		19,900	4,149	753	11,702	15,751	4,802
Total noncluster programs		5,441,272	2,466,221	330,282	2,596,262	2,559,930	293,950
Total federal awards		<u>\$ 17,162,007</u>	<u>\$ 8,233,351</u>	<u>\$ 992,612</u>	<u>\$ 8,232,948</u>	<u>\$ 8,326,646</u>	<u>\$ 1,086,310</u>

Livonia Public Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Note 1 - Basis of Presentation and Significant Accounting Policies

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, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, if applicable, of Livonia Public Schools. Pass-through entity identifying numbers are presented where available.

Note 2 - 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 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Livonia Public Schools

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

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 No

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 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.367	Title II, Part A - Improving Teacher Quality State Grants
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Livonia Public Schools

Schedule of Findings and Questioned Costs (Continued) **Year Ended June 30, 2015**

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Livonia Public Schools

**Report to the Board of Education
June 30, 2015**

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, 2015. In addition to our audit report, we are providing the following results of the audit, other recommendations, and informational items which impact the School District:

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We are grateful for the opportunity to be of service to Livonia Public Schools. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 22, 2015

October 22, 2015

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, 2015 and have issued our report thereon dated October 22, 2015. 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 June 1, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Our audit of the School District's financial statements has also been conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Under Government Auditing Standards, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the School District, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 22, 2015 regarding our consideration of 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 June 9, 2015.

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 1 to the financial statements. As discussed in Note 1 to the basic financial statements, effective July 1, 2014, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68 and No. 71. Accordingly, the accounting change has been retrospectively applied to July 1, 2014 as required by the Standard.

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

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

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

The most sensitive estimate affecting the financial statements was the School District's share of the MPSERS pension plan net pension liability recorded on the government-wide statements for the implementation of GASB 68. The School District's estimate as of June 30, 2015 is \$254,389,073, and based on data received from the Office of Retirement Services. Another sensitive estimate includes outstanding litigation and likelihood of adverse results. We evaluated the key factors and assumptions used to develop the accounting estimates for each in determining that disclosures and reported amounts 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. The most sensitive disclosures affecting the financial statements relate to potential contingent liabilities.

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.

October 22, 2015

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. The School District omitted a disclosure from the financial statements which was requested to be disclosed for a potential range of loss on a lawsuit. 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 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.

Management Representations

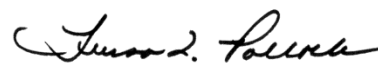
We have requested certain representations from management that are included in the management representation letter dated October 22, 2015.

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 Livonia Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,
Plante & Moran, PLLC



Teresa L. Pollock

Other Recommendations

Livonia Public Schools

Other Recommendations

Recordkeeping and Review of Bond Activity

The construction manager of the bond projects provides the School District with outstanding invoice listings to issue direct payment to the subcontractors rather than remitting funds to the construction manager for subcontracted work. With this arrangement and the volume of invoice activity, the School District must establish sound methodology to track open projects at year end which will improve the process of recording liabilities at year end and monitoring project spending throughout the fiscal period. The business office has requested that all open project orders at year end be invoiced with a June 30, 2015 work-to-date amount rather than accruing expenses from mid-month invoices based on days worked by the contractor through fiscal year end. We recommend the School District continue emphasizing the cut-off date to contractors as bond proceeds continue to be spent.

Eligibility for Reduced Meal Benefits

During our testing of child nutrition eligibility we identified one ineligible student who was incorrectly designated for reduced meal benefits due to erroneous input into the School District's food service software. The ineligible student did not incur any reduced meal benefits during the fiscal year. Due to the ineligibility of the student, any reimbursements claims submitted by the School District incurred for this ineligible student would have resulted in compliance issues and disallowed costs. We recommend the School District compare the system inputs to the approved application for propriety before finalizing the benefits.

Section 147 State Aid and Recordkeeping

During review of the School District's accounts for the retirement expenditures, we noted the expenditure accounts did not separately identify expenditures attributed to the MPSERS Unfunded Actuarial Accrued Liability (UAAL) funding during the year. The School District faced challenges in reconciling the amount at year end for funds received from the state and remitted back to the Office of Retirement Services for the UAAL funding. We recommend the School District designate accounts explicitly for the UAAL portion of the retirement expenditures.

Informational Items

Livonia Public Schools

Informational Items

State Aid Funding

State Aid and the Foundation Allowance - The fiscal year ended June 30, 2015 saw continued focus on several recurring themes in school funding by the State of Michigan: limited increases in the foundation allowance; additional funding boosts for school districts at the Minimum Foundation; additional resources dedicated to assisting with funding the school districts' retirement/post-retirement health care obligation (MPSERS); and resources for best practice and student performance. While school districts experienced an increase in the foundation, the increases still have not replaced the \$470 per pupil cut experienced in 2011-12.

2014/15 Foundation: For the 2014-2015 fiscal year the School District's Foundation Allowance was increased to \$8,099. For comparison purposes, the School District's foundation prior to the \$470 cut was \$8,277, meaning the current foundation, is \$178/per pupil below the 2011 foundation allowance. In the 2014-2015 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 school districts. Just as in 2013-2014, this categorical guarantees at least a \$5 per pupil increase after giving account to the funding changes. Your School District did receive funding under this section, meaning that the net resources under the formula only increased by \$5/pupil. This provision continues for 2015-2016 with the minimum increased to \$25 per pupil.

2015/16 Foundation: For the 2015-2016 fiscal year, the base foundation increases by \$70, from \$8,099 to \$8,169. Additionally, using the "2x formula", the minimum foundation allowance, rolls in the 2015 equity payment and increases by \$140 per pupil to \$7,391. No equity payments are provided in 2015/16. Based on these changes your School District will receive a \$70 increase in its foundation allowance representing an increase of 1%.

Best Practice: Instead of mandating certain activities the Governor identified many educational initiatives shortly after taking office and has used best practice funding to provide resources when a school district performs the identified activities. Each year the list of criteria is modified and if a school district chooses to, they must meet the criteria in order to receive the funding. The amount provided in 2014-2015 was reduced by \$2 from the 2013-2014 level and was funded at \$50 per pupil. To qualify for this incentive, the School District was required to meet seven of nine identified best practice initiatives. Your School District qualified for the \$50/pupil in 2014-2015. This categorical has been eliminated for 2015-2016.

Livonia Public Schools

Informational Items (Continued)

Performance Grants: In 2014-2015, school districts could qualify for an additional categorical based on the school district's ability to meet certain student performance measures. The maximum a school district could qualify for is \$100/pupil. Your School District received \$70 per pupil. Depending on the School District's student performance results, the School District could receive one, two, or all three of the allocations of \$30/\$30/\$40 per pupil for performance measures. The measurement areas are grades 3-8 in reading, 3-8 in math and 9-12 for all subjects tested, respectively. Similar to the best practice categorical, for 2015-2016, performance funding was eliminated as part of the repackaging of school aid.

MPSERS Cost Support: The contribution rate the School District is required to pay continues to rise. The School District has no ability to influence the rate and no choice regarding its participation in the program. Recognizing the costs are increasing under the current system, the 2014-15 State Aid Act continued to include funding to help pay for some of the increased cost. The categorical aid is formula driven using the School District's MPSERS payroll participation data. This funding is provided in 2 separate sections of the State Aid Act 147a and 147c. The School District received a total of \$1,354,659 in 147a and \$8,318,832 of 147c categorical aid to help offset the impact of the increase in the retirement costs. The 2015-2016 State Aid Act continues this MPSERS cost support categoricals. The School District Section 147c was designed to fund approximately 8% of covered payroll and does not increase School District resources. Instead, the funding is recognized as revenue and then returned directly to the retirement system. In general terms, this means that the total cost of the retirement system contributions in 2014-2015, representing approximately 34% 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 an approximate 26% 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 the state revenue provided is based on prior year School District payroll information.

This retirement funding approach will continue into 2015-2016. The net effect of all these changes for 2015-2016 is that the School District's net out of pocket contribution will continue at an estimated 25.78%, consistent with the previous year, but the total cost of the retirement system will have grown to an estimated 36.31%.

Livonia Public Schools

Informational Items (Continued)

Other State Aid Act Changes Impacting 2015-2016

The Amendments to the State Aid Act made several other changes impacting school districts. Several changes we identified that could impact the School District include:

Pupil Count Weighting - School district membership blend will continue to be based on a 90/10 split. The funding is based on 90% of the October 2015 pupil count and 10% of the **preceding** February pupil count (February 2015). This is a return to the method used a few years ago for determining the pupil count. This means when the initial fiscal year budget is prepared, the School District must estimate its foundation revenue using estimated student counts. In addition, if a student moves to another school district after the October count date, the receiving school district can claim a pro rata share of the count with the "sending" school district having a like reduction. The tracking of students has become exponentially more complex and now involves reporting and coordination through the intermediate school district and the State of Michigan. As a result, the actual student count, along with the actual foundation revenue, could fluctuate until near the end of the School District's fiscal year.

At Risk Funding (31a) - In 2014-2015 there were several changes to the allowable uses of At Risk funds. The changes focus on third grade reading proficiency and ensuring high school students are career/college ready. For 2015-2016, the program was increased by \$70 million or 23% and additional changes were made focusing on implementation of a K-3 multi-tiered support system for instruction and intervention. School districts will have to review At Risk programming to ensure use of funds aligns with these changes.

Online learning - The School District is required to offer online learning to students in grades 6-12. For 2015-2016 course offering providers were expanded to include community colleges and the maximum on-line course fee was established at 6.67% of the minimum foundation allowance (about \$488).

Great Start Readiness Program - Funding for 2014-2015 increased from \$65 million to \$130 million to provide up to 16,000 additional half day slots for four year olds. The funds are provided to the School District through the intermediate school district. The program continues for 2015-2016. This is an opportunity to attract students to the School District who could then remain in the School District for their educational career.

Livonia Public Schools

Informational Items (Continued)

State Aid Planning Considerations for 2015-2016 and Beyond

Michigan's economy continues to improve. As we have seen by the Revenue Estimating Conference predictions the School Aid Fund revenues continue to grow, but at a slow pace. The Governor's executive recommendations and legislative actions have provided some increases for general operations but have not fully replaced the \$470/pupil cut experienced several years ago. Increases are concentrated in early childhood, at risk, and in funding for the increasing retirement obligation. While the final State Aid Act amendments provided additional funds for operations in 2015-2016 because of the elimination of performance funding and best practices, for many the net increase in funding was just a net \$25/pupil. In addition, for school districts above the minimum foundation this lower increase may create the need to revisit revenue estimates used in the initial 2015-2016 budget. As the Legislature and Governor continue to modify tax policy and School Aid Fund resource allocations, the growth and availability of school aid fund resources to fund K-12 operations may be further limited.

Clearly, the key issue facing the future of school funding is the need to cover the cost of the retirement system. Because the costs continue to increase by amounts in excess of current contributions, the funding theme in the future will continue to be how to use School Aid Fund resources to cover the obligation. Funding this obligation will continue to impact the School District's ability to receive additional resources to fund general education initiatives.

As the School District looks to the future, careful planning will continue to be key. The use of budget modeling will increase in importance, especially as it looks to determine actual state funding available to fund operations. We recommend the School District fully analyze the projected revenues available to fund operations before entering into multi-year expenditure agreements.

Transparency Reporting

In March 2015, the Governor signed Public Act 5 of 2015 (formerly House Bill 4110), requiring the following additional transparency reporting on the School District's website, effective immediately:

- Budgets and budget amendments must be posted within 15 days of their adoption (formerly 30 days)
- The School District's written policy governing procurement of supplies, materials and equipment
- The School District's written policy establishing specific categories of reimbursable expenses

Livonia Public Schools

Informational Items (Continued)

- The School District's accounts payable check register for the most recent fiscal year OR a statement of the total amount of expenses incurred by board members of School District employees that were reimbursed by the School District for the most recent fiscal year
- Any deficit elimination or enhanced deficit elimination plan the School District was required to submit.
- Identification of all credit cards maintained by the School District as School District credit cards, the identity of all individuals authorized to use each card, the credit limit on each credit card, and the dollar limit, if any, for each individual's authorized use of the credit card.

Maintaining this information will require the School District to develop additional processes and commit or redirect staff resources.

Early Warning Legislation

In July 2015, the Governor signed into law a ten-bill package which many refer to as "Early Warning Legislation". This legislation is aimed at identifying school districts that may be showing signs of fiscal distress, creating a system of reporting this situation sooner than in the past, and requiring those school districts deemed to be in distress to remit more frequent financial data to Treasury. The entire Early Warning System is under the supervision of Treasury and resources have been allocated at the State level for more resources to monitor and assist local School districts and charter schools.

The first item to take effect was the identification of those school districts and charter schools whose total general fund balance was less than 5% of general fund revenue in each of the last two years (fiscal 2014 and 2015). School districts that met this criteria were required to remit the budgetary assumption and expenditure per pupil information to CEPI as the first step in the process. This information was due by August 7, 2015.

It should be noted the computation of fund balance as a percentage of general fund revenue and the associated budgetary assumption reporting will continue. However, in future years, the information will be due on July 7th (rather than August 7th) and will require school districts to compute certain information only one week after their fiscal year ends.

Once remitted, the State Treasurer may conclude that the potential for fiscal stress may exist. At that time, the school district may conclude to contract with the ISD (or the authorizing body for charter schools) to review the school district's financial records and offer recommendations to avoid a deficit. The review would need to be concluded within 90 days of entering into the contract, and requires quarterly reporting to Treasury on the status of implementation of the recommendations.

Livonia Public Schools

Informational Items (Continued)

For the years ended June 30, 2014 and 2015, the general fund balance was 2.60% and 2.84% of general fund revenue, respectively. The School District should continue to monitor this figure closely so any required reporting can be done in accordance with the required timelines.

Financial Stability - Trends

Financial performance for school districts has been actively monitored for several years, with an emphasis on the state-wide decline of fund balances and an increase in school districts reporting deficits. The State Superintendent reports quarterly on the school districts going into and coming out of deficit positions. From June 30, 2012 to June 30, 2014, of the school districts that started the year with deficits, 29%, 45% and 49% at June 30, 2012, 2013 and 2014, respectively, either eliminated or reduced their deficit by year end. With each year, more school districts were having positive results, however, the number of school districts in deficit increased each year, and schools that fell off the listing, were being added back on. The reports indicate a more positive outlook for 2014-2015 than the prior three years. The percentage of school districts eliminating their deficits or reducing their deficits has increased steadily and is projected to increase even more for June 30, 2015. For the years ended June 30, 2013 and 2014, 12 school districts had eliminated their deficits at each year end. It is projected that 18 school districts will eliminate their deficits by June 30, 2015 and the number of school districts in deficit is expected to decline from June 30, 2014. In reviewing the quarterly reports, while more school districts are eliminating their deficits, it can be seen that there are new school districts added to the list each year, and some are removed and then fall back into deficit.

State-wide fund balance as a percentage of expenditures, excluding Detroit Public Schools, has decreased from 11% at June 30, 2012, to 9.60% at June 30, 2013 and 9.45% at June 30, 2014. Additionally, fund balance state-wide has been decreasing approximately \$100 million each year since June 30, 2012. Approximately 10% of Michigan school districts are projected to be in deficit at June 30, 2015.

As explained above, school districts are becoming less liquid, their fund balances are declining, and while the number of school districts in a deficit position is projected to decline, there has been a great deal of change over in the school districts in that position. As fund balances continue to decline, risks associated with the funding system grow.

Livonia Public Schools

Informational Items (Continued)

MPSERS Reform and Future Contribution Rates

Over the past few years, the Michigan legislature enacted several reforms designed to curb the rising contribution rates and perpetual under-funded situation of the Michigan Public School Employee Retirement System (MPSERS). These reforms included early retirement incentives, employee funding of a portion of retiree health costs, a tiered rate and benefit structure for employees hired after July 1, 2010, and certain other provisions. These provisions were designed to avert a long-term financial crisis with the Plan. The impact of investment declines during 2008 and 2009, coupled with a shrinking base of contributing active lives funding an ever increasing number of retirees, continue to result in rising costs of sustaining the MPSERS program.

The State Aid Bills continue to contain provisions designed to defray a portion of these costs. Since 2011, money continues to be set aside from the School Aid Fund (SAF) for one time allocations that school districts use to offset their annual retirement contributions (147a). During 2014-2015, this amount remained at \$100 million. Since 2012-2013, school districts continue to receive Section 147c MPSERS UAAL Rate Stabilization Payment Categorical. In 2014-2015, an additional MPSERS Early Retirement Incentive Extra Payment (147d) was appropriated in the State Aid Bill for \$108 million. However, this amount was reduced to \$19.6 million and school districts only received this amount once in the November school aid payment.

The 2015-2016 State Aid Bill appropriates \$100 million to be set aside from the School Aid Fund for continued funding through section 147a, and provides no additional funding for MPSERS Early Retirement Incentive Extra Payment (section 147d). School districts will continue to receive Section 147c MPSERS UAAL Rate Stabilization Payment. The impact of this funding is to provide school districts with directed resources to help pay for a continually increasing retirement contribution. The gross contribution, before any support from the State, is approximately 36% of payroll for 2015-2016. After the various funding offsets, the School District's out of pocket contribution is just under 26% of covered payroll.

Public Act 300, signed by the Governor in September 2012, created certain caps on the employer contribution rate, created retirement plan alternatives which could modify the rate, increased employee contributions, provided for future employees to receive defined contribution instead of the current defined benefit for health care, and began prefunding health care benefits from a pay-as-you-go method to a combination of employee contributions, employer contributions, and state funding. The capped elements of the overall rate will mean that the SAF will be responsible to fund any unmet required contributions determined by the actuaries. A concern is that the state funding needed to keep the School District's out of pocket rate down may limit the ability for the SAF to provide any increases in the foundation allowance and other categoricals. This has been, and will continue to be, a key factor to watch over the upcoming years. The overall rate has increased from 24.79 percent for the 2013-2014 fiscal year to 25.78 percent of covered payroll for 2014-15 and 2015-16. This .99 percentage point increase represents an actual increase of 4.0 percent.

Livonia Public Schools

Informational Items (Continued)

Legal challenges related to the 3% contribution from employees have been ongoing. One case was resolved in 2015 determining that the 3% contributions since 2012 were allowable. No decision has been made by the courts related to the 3% employee contributions from 2010 to 2012. The recent decision should help in stabilizing future contribution rates required by the School District.

For your School District, the new “out of pocket” contribution rate of 25.78 percent for 2015-16 will represent approximately \$25.36 million in total pension costs and retirement health care costs or \$1,702 per pupil. We will continue to keep you informed as the changes to the retirement system unfold.

New Rules Governing Management of Federal Programs

In December 2013, the Office of Management and Budget (OMB) issued long-awaited reforms to the compliance requirements that must be followed by non-federal entities receiving federal funding. These changes are effective for grants received by the School District beginning in 2015 and all school districts receiving federal dollars will need to understand the changes made as a result of these reforms and may be required to make some changes to internal procedures, processes, and controls.

These reforms impact three key areas of federal grants management:

1. **Audit Requirements** - For fiscal years beginning on or after January 1, 2015 (fiscal year ending June 30, 2016 for Michigan schools), the threshold for obtaining a federal awards audit will increase from the current threshold of \$500,000 of annual federal spending to \$750,000.
2. **Cost Principles** - Effective December 26, 2014, the grant reforms related to cost principles went into effect. Not only were certain changes made to allowable costs under this new guidance, but there were significant changes in the area of time and effort reporting and indirect costs. The State of Michigan will have a significant impact on how these changes will be applied to Michigan schools, as they often have different requirements than the federal government in this area.
3. **Administrative Requirements** - Also effective for new awards or funding increases on or after December 26, 2014, non-federal entities receiving federal funding must adhere to new rules related to administering federal awards. Most notably, these requirements may impact the School District's procurement systems, including maintaining written conflict of interest policies and disclosures as well as updated grants management policies and procedures. The MDE has indicated that failure to adhere to these rules could result in the disqualification for participation in federal programs through the MDE. Please note, these requirements are more stringent than those required under your federal program audit, which focuses on key controls versus the overall process.

Livonia Public Schools

Informational Items (Continued)

These revisions are clearly the most significant changes to occur to federal grants management in recent history. School districts receiving federal funding will need to carefully digest these changes as the application of these changes will need to be assessed on a school district by school district basis. Plante Moran, PLLC has provided several training sessions for school districts on the new requirements and our school district grant experts have been working closely with the Michigan Department of Education regarding these changes. We are always available to assist your School District's staff in understanding the changes and how they impact the School District. We provided two webinars on the grants management changes and are planning a third for the fall of 2015. Those webinars are archived and available at no charge on our website to assist school districts in increasing their understanding of the changes.

Cadillac Tax

For taxable years beginning in 2018, PPACA imposes a 40 percent non-deductible excise tax on high-cost group health coverage. This tax, also known as the "Cadillac Tax" is intended to encourage employers to choose lower-cost health plans for their employees. Found in Internal Revenue Code section 4980I, the Cadillac Tax provision taxes the amount, if any, by which the monthly cost of an employee's applicable employer-sponsored health coverage exceeds the annual limitation (called the employee's excess benefit). The tax amount for each employee will be calculated by the employer and paid by the coverage provider who provides the coverage.

The annual limitation applicable to a particular employee's coverage is based on a statutory dollar amount. For most employees, the initial dollar amount for purposes of calculating an employee's excess benefit is \$10,200 for individual coverage and \$27,500 for other than individual coverage. The tax considers all employer and employee contributions towards both medical and flexible spending accounts, employer and most employee contributions for Health Savings Accounts (HSA), and Health Reimbursement Accounts (HRA). Stand-alone dental and vision coverage is generally excluded.

School districts should project out the gross cost of its plans today to determine when the Cadillac Tax is likely to apply, and the likely amount of tax that will be due. Waiting to make such a determination until 2017 or 2018 may be too late, leaving the School District with few strategic considerations other than paying the penalty or reducing the level of benefits it offers its employees. Making the determination today will allow the School District more strategic considerations such as the design and implementation of consumerism and wellness strategies, both of which have demonstrated track records of lowering costs.

Livonia Public Schools

Informational Items (Continued)

Bond Audits

The School District's bond issue is subject to the Michigan Department of Treasury's Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan. This Bulletin was updated in May 2014 and outlines specific auditing and reporting requirements related to your bond issue(s). We understand the School District is currently soliciting proposals from independent auditors to conduct these procedures on your 2013 Bond projects. The risks associated with bond issues can be higher than other school district transactions; however, with careful monitoring of the activity and appropriate control procedures, the School District will decrease its risk. Items to review and monitor closely include:

- Compliance with bidding requirements and establishment of appropriate procurement procedures
- Regular comparison of expenditures with ballot language and original bond application to ensure expenditure is allowable under Section 1351(a) of the School Code
- Assessment of architect and construction manager fees for consistency with agreements
- Review of budgeted vs. actual expenditures including percentage of completion by project, so potential cost overruns may be addressed timely
- Investment earnings and the spending of the bond issue, in order to minimize or eliminate arbitrage payments

Fund Balance

Given the current focus of state funding does not provide significant new resources for operations, 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 proration 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, and cash flow needs due to the fact about 18% of the School District's State Aid is received after the school year has ended, as well as concerns over the financial health of the School Aid Fund in the future and the fact that the State is increasing its monitoring of each school district's financial health.

Livonia Public Schools

Informational Items (Continued)

During the 2014-2015 school year, the School District's General Fund revenues exceeded expenditures by approximately \$470,000. This resulted in increasing the General Fund equity to approximately \$4.3 million at June 30, 2015. Fund balance goals are often stated in terms of a percentage of total expenditures. As a point of reference, the statewide average for school districts at June 30, 2014 (excluding Detroit) is approximately 9.45 percent of expenditures. Fund equity of 5.5 percent of expenditures would approximately equal the school district's average accounts payable and payroll for a 3-week period, while 11 percent would approximately equal 6 weeks. The School District's fund equity percentage is 2.8 percent and equals approximately 1.5 weeks of operation. Clearly, the School District will continue to face difficult budget challenges in 2015-2016 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.

Accounting Items

GASB Statement No. 68 - Pension Standards

GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions*, is effective for school district's as of June 30, 2015. Statement No. 68 requires governments providing defined benefit pensions to recognize its unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Due to the School District's participation in the Michigan Public School Employees' Retirement System (MPERS), the School District is required to report the School District's share of the MPERS pension plan net pension liability in the basic financial statements (at the government wide level and in proprietary funds – but not in governmental funds). While the School District has a very small share of the statewide net pension liability (~1%), the obligation the School District recorded is significant.

The data required to record this liability has come from the Retirement System using the Plan's September 30, 2014 fiscal year end financial information. Changes in the net pension liability are reported as pension expense at the government-wide level and in proprietary funds. The School District has recorded and will continue to track the amortization of the deferred inflows and outflows within the plan as of the measurement date (September 30, 2014) and computed and reported the contributions expensed in the funds after the measurement date through the School District's fiscal year end. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

Livonia Public Schools

Informational Items (Continued)

Other items impacted in accordance with the GASB 68 implementation:

- For virtually all school districts, the obligation is included in the financial statements, and it is likely the government-wide financial statements are reporting a negative net position. The State and bond rating agencies understand this fact and determined it should not adversely affect
- the assessment of the School District's financial position, as both agencies have been considering this obligation for quite some time in their assessments of school districts and other agencies.
- As stated above, the adoption of the standard has not impacted the MPSERS expenditures reported in the General Fund and has not impact General Fund Balance.
- Disclosures regarding the plan and data related to the plan are be significantly expanded in the School District's financial statements.
- The adoption of the statement required adjustments to the beginning of year net position as we are adopting a new accounting standard.

Currently, the unfunded liability associated with retiree health care is not included in the computation, but will be added in the future when GASB 75 is adopted.

GASB Statement No. 75 – OPEB

GASB Statements No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the School District's June 30, 2018 financial statements. This statements requires governments providing non-pension postemployment benefits (namely, retiree health care) to recognize these unfunded obligations as a liability for the first time, and to more comprehensively and comparably measure the annual costs of these postemployment benefits. Due to the School District's mandatory participation in the Michigan Public School Employees' Retirement System (MPSERS), the School District will be required to report the School District's share of postemployment liabilities in the basic financial statements (at the government wide level and in proprietary funds – but not the General Fund). While the School District has a very small share of the statewide postemployment liability (less than 1%), the School District's portion of this obligation will be significant to your financial statements. The School District and Plante Moran will work closely with ORS to obtain the information necessary to implement the new requirements. Changes in the postemployment liability will generally be reported as postemployment benefits expense at the government-wide level and in proprietary funds. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

Livonia Public Schools

Informational Items (Continued)

Some factors to focus on as the School District prepares for adoption of this standard include:

- The Office of Retirement Services is working on a implementation plan to assist school districts in obtaining needed information
- As a result of GASB Statements No. 68 and No. 75, it is likely the government-wide financial statements will report a negative net position. The State and bond rating agencies understand this fact and it should not adversely affect the assessment of the School District's financial position, as both agencies have been considering this obligation for quite some time in their assessments of school districts and other agencies.
- As stated above, the adoption of the standard will not impact the MPSERS expenditures reported in the General Fund and will not impact General Fund Fund Balance.
- Disclosures regarding the plan and data related to the plan will be significantly expanded in the School District's financial statements, which is consistent with the implementation of GASB Statement No. 68.

Once the Plan's fiscal year is ended and the audit of the MPSERS plan is completed by the State of Michigan, we will have a clearer picture of the total postemployment liability and the School District's proportionate share.

GASB Statement No. 72

GASB Statement No. 72 - *Fair Value Measurement and Application*, will be effective for the School District's June 30, 2016 financial statement. The Statement provides a more detailed definition of fair value, establishes acceptable valuation techniques and enhances disclosure requirements in order to increase consistency across governments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments that are within the scope of the standard, which are generally securities that the government holds to make a profit, will be measured at fair value. In addition to reflecting the asset at fair value in the Balance Sheet, the change in fair value will be reflected as an increase (or decrease) to Fund Balance on the Statement of Revenue, Expenditures, and Changes in Fund Balance. Additional fair value disclosures will also be required in the footnotes to the financial statements, outlining the hierarchy of inputs and valuation technique used to arrive at fair value. Notable exceptions to this pronouncement include money market investments, 2a7 investment pools, investments in life insurance contracts, equity method common stock, unallocated insurance contracts and synthetic guaranteed investment contracts. If the transition to fair value is determined to be material as of June 30, 2015, then a restatement of prior year fund balance will be required in your financial statements next year.

Livonia Public Schools

Informational Items(Continued)

Some factors to focus on as the School District prepares for adoption of this standard include:

- Identify which investments held by the School District will be subject to this standard and which may be exempt
- Ensure appropriate valuation inputs are available on a unit of account basis to ensure proper valuation as of the measurement date