

# **Livonia Public Schools**

---

## ***Business Services Office***

Date: October 28, 2015

To: Andrea Oquist, Interim Superintendent

From: Lisa Abbey, Assistant Superintendent of Business Services

Re: 2014-2015 Financial Statements

We would like to present the 2014-2015 financial statements at the Finance Committee meeting on Monday, November 2, 2015.

By law the financial statements of the District are prepared at the end of our fiscal year, June 30. These statements reflect the financial activity for the year completed and cumulative effect over time. These financial statements are then audited by an independent accounting firm.

The audit was completed by Plante Moran, LLC. The firm's responsibility is to express an opinion about whether the financial statements are fairly presented in all material respects, in accordance with generally accepted accounting principles. We are pleased to announce that the district has received an unqualified opinion, which is the highest level of assurance provided.

Plante Moran will be in attendance at the Finance Committee meeting to discuss the financial statements in detail. We have included the following documents for the Board of Education to review prior to the meeting:

Financial Report with Supplemental Information (Financial Statements)  
Federal Awards Supplemental Information  
Report to Board of Education

As we discussed at the October 5, Finance Committee meeting, there was an operating surplus in the general fund of \$470,000 increasing the fund balance to just under \$4.3 million at the end of 2015. Revenues exceeded the final budget amendment by just over \$200,000 and expenditures were under budget approximately \$2.3 million.

Local revenues for property taxes and fee based programs were higher than anticipated. As a result of higher than anticipated revenues, some one-time transfers from other funds were reduced in 2015. This provides additional resources for future years.

Salaries and benefits were under budget by approximately \$800,000, or less than a 1% variance. Other budgeted expenditures that were less than anticipated include utility and transportation costs as well as tax refund payments to Wayne County.

While we are pleased with the operating surplus for 2015, we continue to project difficulty balancing the budget moving forward if there are no significant changes in funding or enrollment. As you know, the State of Michigan's threshold for districts to be considered an "Early Warning District" is a fund balance less than 5%. Livonia Public Schools 2015 fund balance as a percentage of revenues is 2.96%.

The results of operation in the other funds of the district were generally as projected.

This year the district was required to implement new Government Accounting Standards Board (GASB) pronouncement #68. As you know, we have discussed the effect on the financial statements of this implementation on several occasions. You will recall this new accounting procedure requires all districts to include their proportionate share of the unfunded state pension liability on the district's government wide financial statements. In fiscal year 2015 GASB #68 requires districts to restate the beginning Net Position to reflect the district's increased pension liability. This fiscal year and in future years adjustments will need to be made for the current year to record the required Net Pension Liability. Plante and Moran will spend significant time providing the detail changes to the financial statements. However, the overall result is Livonia's net position (all funds in the district wide statements) in 2014 was a positive \$61.5 million and this has been restated to (\$195.6) million. After making the appropriate accounting entries, the 2015 net position is (\$187.3) million deficit. Again, this entry is required of all district's and expected that all district's will have a negative net position at year end.

It is important to note that these entries are not recorded in the general fund and does not have any effect on the operations of the district or in future budgeting. GASB #68 is discussed in more detail in the Report to the Board of Education included in this packet and in note #12 in the Financial Statements.

There is additional information in the Management Discussion and Analysis section of the financial statements that is prepared by District management. This section provides both a broad look at the District as a whole (all funds combined) and also provides details on budget variances and future budget considerations. In addition, the footnotes in the financial statements are an integral part of the statements and provide useful information about how the statements are prepared, the Districts accounting policies and additional detail.

The annual audit of the federal funds was completed and the required report, Federal Awards Supplemental Information details all of the federal funds expended by the District in 2015 including Child Nutrition, Special Education, Title programs,

Adult Education, and other programs for a total of over \$8 million in expenditures and revenue from federal resources.

The Report to the Board of Education is required communication and the report includes the letter addressed to the Board of Education with the results of the audit. In addition, the report contains accounting recommendations which we will review and informational items that will assist the District in future planning.

We look forward to discussing the 2014-2015 financial statements at the November 2, 2015 Finance Committee Meeting. Please let us know if there is any additional information that we can provide at this time.

LA/kp  
Attachments