
Birmingham Public Schools

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

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Independent Auditor's Report

To the Board of Education
Birmingham Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Birmingham Public Schools (the "School District") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Birmingham Public Schools' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Birmingham Public Schools as of June 30, 2018 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

To the Board of Education
Birmingham Public Schools

Required Supplemental Information

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

Other Information

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

The other supplemental information 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, except for the fiduciary funds schedule of cash receipts and disbursements, 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, except for the fiduciary funds schedule of cash receipts and disbursements, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The fiduciary funds schedule of cash receipts and disbursements has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018 on our consideration of Birmingham 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 Birmingham Public Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 2, 2018

This section of Birmingham Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Birmingham Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, 2015 Building & Site Construction Fund, and 2018 Building & Site Construction Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Funds

Schedule of the School District's Proportionate Share of the Net Pension and OPEB Liabilities

Schedule of Pension and OPEB Contributions

Other Supplemental Information

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

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

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

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

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

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

Governmental Funds

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

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 assets and liabilities. 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.

Birmingham Public Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
Assets		
Current and other assets	\$ 66.6	\$ 84.6
Capital assets	273.6	256.3
Total assets	340.2	340.9
Deferred Outflows of Resources	51.6	32.1
Liabilities		
Current liabilities	24.6	23.1
Noncurrent liabilities	224.7	223.6
Net pension liability	199.7	193.0
Net OPEB liability	68.2	-
Total liabilities	517.2	439.7
Deferred Inflows of Resources	21.6	7.0
Net Position		
Net investment in capital assets	74.9	74.2
Restricted	1.4	0.9
Unrestricted	(223.3)	(148.8)
Total net position	<u>\$ (147.0)</u>	<u>\$ (73.7)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(147.0) million at June 30, 2018. Net investment in capital assets totaling \$74.9 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position, \$(223.3) million, was unrestricted.

The \$(223.3) million in unrestricted net deficit of governmental activities represents the accumulated results of all past years' operations as well as the net pension and OPEB liabilities at June 30, 2018. Unrestricted net position would enable the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund and change in the pension and OPEB liabilities will have a significant impact on the change in unrestricted net position (deficit) from year to year.

As required by the GASB, the School District adopted Statement No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$69.2 million and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

Birmingham Public Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2018 and 2017.

	Governmental Activities	
	2018	2017
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 4.7	\$ 4.6
Operating grants	29.2	26.2
General revenue:		
Taxes	69.0	69.0
State aid not restricted to specific purposes	45.4	46.4
Other	3.2	2.0
Total revenue	151.5	148.2
Expenses		
Instruction	83.4	81.7
Support services	55.2	52.2
Athletics	1.9	1.8
Food services	2.2	2.2
Community services	3.8	3.7
Debt service	7.2	7.7
Total expenses	153.7	149.3
Special Item	(1.9)	-
Change in Net Position	(4.1)	(1.1)
Net Position - Beginning of year, as previously reported	(73.7)	(72.6)
Cumulative Effect of Change in Accounting	(69.2)	-
Net Position - Beginning of year	(142.9)	(72.6)
Net Position - End of year	<u><u>\$ (147.0)</u></u>	<u><u>\$ (73.7)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$153.7 million. Certain activities were partially funded from those who benefited from the programs (\$4.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$29.2 million). We paid for the remaining "public benefit" portion of our governmental activities with \$69.0 million in taxes, \$45.4 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$4.1 million.

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 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 \$43.3 million, which is a decrease of \$19.4 million from last year. The primary reason for the decrease is due to an increase in expenditures in the 2015 Building & Site Construction Fund in order to fund ongoing construction projects and project administrative costs as well as an increase in General Fund expenditures.

In the General Fund, our principal operating fund, the fund balance was reduced by approximately \$3 million for a remaining fund balance of \$18.4 million. General Fund fund balance is available to fund costs related to allowable school operating purposes.

The change is mainly due to an increase in staff salary and benefit costs due to increased positions and advancements for step and level changes, increases to health insurance and retirement costs, and increases in purchased service costs for contracts with third-party contract service vendors. Our combined nonmajor governmental funds showed a net decrease of approximately \$0.6 million, which is primarily related to costs incurred as result of the demolition of Meadow Lake Elementary.

In our special revenue type funds, the Early Childhood Center Fund, Cafeteria Fund, Autistic Center Fund, and High School Stadium Fund, had increases in fund balance of \$18,688, \$77,471, \$590,063, and \$131,025, respectively, to fund future capital expenditures. However, the Wee Care Fund has a fund balance of \$0 due to revenue not keeping pace with expenditures.

The Debt service funds combined showed a fund balance increase of approximately \$32,510. Debt millage rates remained the same between fiscal years 2017 and 2018. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are restricted, since they can only be used to pay debt service obligations. The debt service funds have a combined fund balance of \$1.6 million at June 30, 2018.

The combined Building & Site Construction Fund balance decreased as the School District continued construction related to the 2015 bond issue. The construction project is estimated to be approximately 95 percent complete at June 30, 2018. Capital projects fund balances increased in the 2015 year, as the School District issued \$55 million in new voter-approved bonds. In 2018, the second series of funds from the 2015 bond were received of approximately \$12 million. These bonds were issued in accordance with state law and will be used to fund specific capital projects allowed by the state law and approved by the voters.

General Fund Budgetary Highlights

Over the course of the year, Birmingham Public Schools revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually 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 the required supplemental information of these financial statements.

There were some revisions made to the 2017-2018 General Fund original budget. Budgeted revenue was increased due primarily to an increase in MPERS UAAL Rate Stabilization revenue in state school aid.

Budgeted expenditures were also increased to reflect the disbursement of MPERS Section 147c costs billed by the Office of Retirement Services.

There was a variance of approximately \$0.6 million from final budget to actual amounts, which was primarily the result of a decrease in anticipated benefit costs, purchased services fees, and unspent supplies and textbooks.

Birmingham Public Schools

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the School District had \$273.6 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 \$17.3 million, or 6.8 percent, from last year.

	2018	2017
Land	\$ 2,936,560	\$ 2,936,560
Construction in progress	27,063,906	13,855,702
Buildings and improvements	227,743,594	230,138,598
Furniture and equipment	15,420,060	8,930,632
Buses and other vehicles	396,179	405,381
Total capital assets - Net of accumulated depreciation	\$ 273,560,299	\$ 256,266,873

This year's additions were for construction in progress, building improvements, and furniture/equipment. This included building renovations and district-wide computer purchases and technology equipment funded from the 2015 Building & Site Construction bonds.

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 \$199 million in bonds which was essentially the same as the previous year. More information about the School District's outstanding bonds is included in the notes to the financial statements.

	2018	2017
General obligation bonds	\$ 199,180,000	\$ 199,020,000

The School District's general obligation bond rating is Aaa, as rated by Moody's Investors Service. 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 \$199 million is significantly below this \$750 million statutorily imposed limit.

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

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2019 fiscal year is 10 percent and 90 percent of the February 2018 and October 2018 student counts, respectively. The 2018-2019 budget was adopted in June 2018, based on an estimate of students that will be enrolled in September 2018. Approximately 83 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, 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 2019 school year, we anticipate that the fall student count will be slightly lower than the estimates used in creating the 2019 budget. The budget assumes an increase in 2019 of state aid at an amount of \$120 per pupil. 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 budget also assumed a decrease to the Hold Harmless millage rate, as compared to last year. The millage rate will be recalculated in September 2018 as more information becomes available regarding student count estimates and updated property taxable values.

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.

Birmingham Public Schools

Statement of Net Position

June 30, 2018

Governmental
Activities

Assets

Cash and investments (Note 4)	\$ 29,625,595
Receivables:	
Interest receivable	171,864
Accounts receivable - Net of allowance for uncollectibles of \$100,000	356,785
Due from other governments	11,836,577
Inventories	26,565
Prepaid costs	369,499
Restricted assets (Notes 4 and 6)	24,173,762
Capital assets - Net (Note 7)	273,560,299
Total assets	340,120,946

Deferred Outflows of Resources

Deferred charges on bond refunding	4,622,710
Deferred pension costs (Note 12)	43,114,799
Deferred OPEB costs (Note 12)	3,889,645
Total deferred outflows of resources	51,627,154

Liabilities

Accounts payable	6,681,241
Accrued payroll-related liabilities	13,683,929
Unearned revenue (Note 8)	2,685,901
Accrued expenditures	1,597,019
Noncurrent liabilities:	
Due within one year (Note 10)	12,441,150
Due in more than one year (Note 10)	212,198,129
Net pension liability (Note 12)	199,679,984
Net OPEB liability (Note 12)	68,231,960
Total liabilities	517,199,313

Deferred Inflows of Resources (Note 12)

Revenue in support of pension contributions made subsequent to measurement date	7,872,948
Deferred pension cost reductions	11,429,447
Deferred OPEB cost reductions	2,306,738
Total deferred inflows of resources	21,609,133

Net Position

Net investment in capital assets	74,881,352
Restricted:	
Debt service	270,462
Capital projects	860,609
Food service	185,611
Unrestricted	(223,258,380)
Total net position	\$ (147,060,346)

Birmingham Public Schools

Statement of Activities

Year Ended June 30, 2018

	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 83,428,024	\$ 810,545	\$ 29,026,782	\$ (53,590,697)
Support services	55,151,410	-	79,524	(55,071,886)
Athletics	1,944,892	113,430	-	(1,831,462)
Food services	2,183,067	1,717,760	90,326	(374,981)
Community services	3,787,529	2,018,735	-	(1,768,794)
Interest	7,032,578	-	-	(7,032,578)
Other debt costs	158,782	-	-	(158,782)
Total primary government	\$ 153,686,282	\$ 4,660,470	\$ 29,196,632	(119,829,180)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				50,200,220
Property taxes, levied for debt service				18,773,789
State aid not restricted to specific purposes				45,440,716
Interest and investment earnings				811,601
Penalties, interest, and other taxes				139,089
Loss on sale of capital assets				(36,546)
Other				2,222,654
Total general revenue				117,551,523
Special Item - Capital Asset Impairment Charge (Note 7)				(1,853,131)
Change in Net Position				(4,130,788)
Net Position - Beginning of year, as previously reported				(73,778,688)
Cumulative Effect of Change in Accounting				(69,150,870)
Net Position - Beginning of year				(142,929,558)
Net Position - End of year				<u><u>\$(147,060,346)</u></u>

Birmingham Public Schools

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	2015 Building & Site Construction Fund	2018 Building & Site Construction Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 23,697,307	\$ -	\$ -	\$ 5,928,288	\$ 29,625,595
Receivables:					
Interest receivable	85,953	16,253	69,658	-	171,864
Accounts receivable - Net of allowance for uncollectibles of \$100,000	333,553	-	-	23,232	356,785
Due from other governments	11,494,456	-	-	342,121	11,836,577
Inventories	-	-	-	26,565	26,565
Prepaid costs	362,550	-	-	6,949	369,499
Restricted assets (Note 6)	-	9,944,083	12,583,312	1,646,367	24,173,762
Total assets	\$ 35,973,819	\$ 9,960,336	\$ 12,652,970	\$ 7,973,522	\$ 66,560,647
Liabilities					
Accounts payable	\$ 1,733,089	\$ 4,678,917	\$ -	\$ 269,235	\$ 6,681,241
Accrued payroll-related liabilities	11,974,226	-	-	333,798	12,308,024
Unearned revenue (Note 8)	2,446,123	42,976	-	196,802	2,685,901
Accrued expenditures	1,403,893	-	-	193,126	1,597,019
Total liabilities	17,557,331	4,721,893	-	992,961	23,272,185
Fund Balances					
Nonspendable:					
Inventories	-	-	-	26,565	26,565
Prepaid costs	362,550	-	-	6,949	369,499
Restricted:					
Debt service	-	-	-	1,646,367	1,646,367
2015 and 2018 Building & Site construction	-	5,238,443	12,652,970	-	17,891,413
Food service	-	-	-	152,236	152,236
Autistic center program operations	-	-	-	2,638,651	2,638,651
Committed:					
Capital equipment	-	-	-	963,656	963,656
Cash flow stabilization	7,236,827	-	-	-	7,236,827
High school stadium operations	-	-	-	819,004	819,004
Early childhood center operations	-	-	-	1,025,104	1,025,104
Assigned - Budgeted use of fund balance in subsequent year	4,154,367	-	-	-	4,154,367
Unassigned	6,662,744	-	-	(297,971)	6,364,773
Total fund balances	18,416,488	5,238,443	12,652,970	6,980,561	43,288,462
Total liabilities and fund balances	\$ 35,973,819	\$ 9,960,336	\$ 12,652,970	\$ 7,973,522	\$ 66,560,647

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 43,288,462
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	456,552,334
Accumulated depreciation	<u>(182,992,035)</u>
Net capital assets used in governmental activities	273,560,299
Deferred outflows related to bond refundings are not reported in the funds	4,622,710
Bonds payable and the related unamortized premiums are not due and payable in the current period and are not reported in the funds	(220,332,461)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,375,905)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(3,783,136)
Provision for workers' compensation claims	(523,682)
Net pension liability and related deferred inflows and outflows	(167,994,632)
Net OPEB liability and related deferred inflows and outflows	(66,649,053)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(7,872,948)</u>
Net Position of Governmental Activities	<u><u>\$ (147,060,346)</u></u>

Birmingham Public Schools

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

Year Ended June 30, 2018

	General Fund	2015 Building & Site Construction Fund	2018 Building & Site Construction Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 53,444,869	\$ 675,982	\$ 113,343	\$ 22,573,629	\$ 76,807,823
State sources	61,586,793	-	-	1,906,978	63,493,771
Federal sources	2,234,107	-	-	318,981	2,553,088
Interdistrict sources	3,847,045	-	-	4,381,219	8,228,264
Total revenue	121,112,814	675,982	113,343	29,180,807	151,082,946
Expenditures					
Current:					
Instruction	74,693,181	-	-	3,105,993	77,799,174
Support services	46,335,929	-	-	2,070,241	48,406,170
Athletics	1,931,233	-	-	-	1,931,233
Food services	-	-	-	2,025,726	2,025,726
Community services	1,762,522	-	-	1,682,690	3,445,212
Debt service:					
Principal	-	-	-	10,805,000	10,805,000
Interest	-	-	-	8,067,013	8,067,013
Other debt costs	-	29,061	125,271	4,450	158,782
Capital outlay	133,870	28,800,603	-	1,740,525	30,674,998
Total expenditures	124,856,735	28,829,664	125,271	29,501,638	183,313,308
Excess of Expenditures Over Revenue	(3,743,921)	(28,153,682)	(11,928)	(320,831)	(32,230,362)
Other Financing Sources (Uses)					
Face value of debt issued	-	-	10,965,000	-	10,965,000
Proceeds from sale of capital assets	-	-	-	174,390	174,390
Premium on debt issued	-	-	1,699,898	-	1,699,898
Transfers in (Note 9)	419,304	-	-	20,069	439,373
Transfers out (Note 9)	-	-	-	(439,373)	(439,373)
Total other financing sources (uses)	419,304	-	12,664,898	(244,914)	12,839,288
Net Change in Fund Balances	(3,324,617)	(28,153,682)	12,652,970	(565,745)	(19,391,074)
Fund Balances - Beginning of year	21,741,105	33,392,125	-	7,546,306	62,679,536
Fund Balances - End of year	<u>\$ 18,416,488</u>	<u>\$ 5,238,443</u>	<u>\$ 12,652,970</u>	<u>\$ 6,980,561</u>	<u>\$ 43,288,462</u>

Birmingham Public Schools

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

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds \$ (19,391,074)

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

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

Capitalized capital outlay	27,211,738
Depreciation expense	(7,854,245)
Net book value of assets disposed of	<u>(210,936)</u>

Total	19,146,557
-------	------------

Impairment loss on capital assets	(1,853,131)
-----------------------------------	-------------

Revenue in support of pension contributions made subsequent to the measurement date	(1,871,154)
---	-------------

Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(12,664,898)
---	--------------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	11,870,838
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Interest expense is recognized in the government-wide statements as it accrues	(31,403)
--	----------

Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>663,477</u>
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Change in Net Position of Governmental Activities \$ (4,130,788)

Birmingham Public Schools

Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2018

Student
Activities and
Community
Service
Organizations
Funds

Assets - Cash

\$ 2,342,950

Liabilities

Due to student activities

\$ 1,172,307

Due to community service organizations

1,170,643

Total liabilities

\$ 2,342,950

June 30, 2018**Note 1 - Nature of Business**

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

Note 2 - Significant Accounting Policies***Accounting and Reporting Principles***

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

Reporting Entity

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

Report Presentation

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

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

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

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

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)****Fund Accounting**

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund. The General Fund includes a cash flow stabilization provision, which requires the School District to maintain adequate fund balance so when cash flow is at its lowest point during the year, the School District does not have to borrow from a financial institution. The amount, as determined on an annual basis, is classified as a component of committed fund balance in the General Fund. The General Fund also includes the athletics and federal programs activity.
- The 2015 Building & Site Construction Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for the voter-approved capital projects associated with the 2015 bond projects. The fund operates until the purpose for which it was created is accomplished.
- The 2018 Building & Site Construction Fund is used to record bond proceeds or other revenue and will be used for the disbursement of invoices specifically designated for the voter-approved capital projects associated with the 2018 bond projects. The fund operates until the purpose for which it was created is accomplished.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's special revenue funds include the Wee Care Fund, Early Childhood Center Fund, Cafeteria Fund, Autistic Center Fund, and the High School Stadium Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, technology upgrades, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the School District). The School District does not have any enterprise or internal service funds.

Note 2 - Significant Accounting Policies (Continued)**Fiduciary Funds**

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

- The Student Activities Fund and the Community Service Organizations Fund to record the transactions of student and community service groups for school and school-related purposes. The funds are segregated and held in trust for the students and community service organizations.

Interfund Activity

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

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

Basis of Accounting

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

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

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

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full 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.

Specific Balances and Transactions**Cash and Investments**

Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, except for certain investments in external investment pools, which are valued at amortized cost.

June 30, 2018

Note 2 - Significant Accounting Policies (Continued)**Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories accounted for using the purchase method are recorded as expenditures when purchased and include all inventories of governmental funds other than commodities within the Cafeteria Fund. Inventories accounted for using the consumption method are recorded as expenditures when consumed rather than when purchased and include commodities within the Cafeteria Fund. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital projects funds required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments

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 five years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

	Depreciable Life - Years
Buildings and improvements	20 to 50
Buses and other vehicles	8
Equipment and furniture	5 to 15

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 lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as "other financing sources" and bond discounts as "other financing uses." The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

Note 2 - Significant Accounting Policies (Continued)

The School District reports deferred outflows related to deferred charges on pension and OPEB plan costs and deferred charges related to bond refundings.

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

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

Net Position

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)**

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the audit committee and superintendent to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The fund balance policy includes a cash flow stabilization provision, which requires the School District to maintain adequate fund balance so when cash flow is at its lowest point during the year, the School District does not have to borrow from a financial institution. The amount, as determined on an annual basis, is classified as a component of committed fund balance in the General Fund.

Property Tax Revenue

Property taxes become a lien on the first day of the levy year and are due on or before August 15 and December 1 for the remainder on the taxable valuation of property as of the preceding December 31. 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. All property tax receivables are shown net of an allowance for uncollectible amounts.

Grants and Contributions

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

Pension and Other Postemployment Benefit (OPEB) Plans

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

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)****Use of Estimates**

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

Adoption of New Accounting Pronouncement

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

In accordance with the statement, the School District has reported a net OPEB liability of \$71,969,601, deferred outflows of financial resources for OPEB contributions of \$5,052,110 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from state aid in support of OPEB contributions of \$2,233,379 that was received subsequent to the measurement date, as the effects of these changes in accounting principles on the School District's net position as of July 1, 2017.

Upcoming Accounting Pronouncements

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

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

June 30, 2018**Note 3 - Stewardship, Compliance, and Accountability*****Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds except in the General Fund the School District budgeted for federal program activity as federal program expense rather than by function. The actual amounts in the budget to actual schedule have been presented in the same classification format as the budget. Capital outlay is budgeted in other expenditure categories, on a functional basis. The School District presents the budget to actual statement, as presented in the required supplemental information section of the financial statements, in greater level of detail as compared to the budget adopted by the Board of Education. The General Fund budget includes the internally reported Cash Flow Stabilization Fund, Athletics Fund, and the Federal Programs Fund. Budgeted interfund transfers between these funds have been eliminated in the budget to actual schedule.

All annual appropriations lapse at fiscal year end. 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. There were no significant amendments during the year.

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

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Fund Deficits

The Building and Site Projects Fund, a capital projects fund, has a fund balance deficit as of June 30, 2018. The deficit is due to costs incurred to prepare the Meadow Lake property for sale. The anticipated sale of the property subsequent to year end is expected to restore a positive fund balance.

Note 4 - Deposits and Investments

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

The School District has designated seven banks/credit unions for the deposit of its funds, and 15 financial institutions have been designated for the holding of the School District's investments.

There are no limitations or restrictions on participant withdrawals for the investment pools in the Michigan Liquid Asset Fund that are recorded at amortized cost, except that there is a one-day minimum investment period, and investments may not be redeemed for at least 14 calendar days with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the end of the applicable 14-day period are subject to a penalty equal to 15-days' interest on the amount so redeemed.

Note 4 - Deposits and Investments (Continued)

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 be used for the School District's deposits for custodial credit risk. At year end, the School District had \$19,994,920 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 prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District did not invest in uninsured and unregistered investment securities.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of 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.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Michigan Liquid Asset Fund - Investment Pools	\$ 10,917,768	AAAm	S & P
Michigan Liquid Asset Fund - Term Series Sep 2019	15,690,219	AAAfk	Kroll
Commercial paper	9,934,526	A1/P1	S & P
Total	<u>\$ 36,542,513</u>		

June 30, 2018

Note 4 - Deposits and Investments (Continued)

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. More than 5 percent of the School District's investments are in BPCE and Salvation Army commercial paper; these investments are individually each 13.6 percent of the School District's total investments.

Foreign Currency Risk

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

Note 5 - Fair Value Measurements

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

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

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

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares in the Michigan Liquid Asset Fund (MILAF) Term Series, whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

As of June 30, 2018, the net asset value of the School District's investments in the MILAF Term Series was \$15,690,219. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date upon initiation of the investment. Early redemptions are permitted, but an early redemption fee would apply.

The investment pool includes investments that the School District does not control. The investment pool invests primarily in high-quality money market instruments, including certificate of deposits, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

Note 6 - Restricted Assets

At June 30, 2018, restricted assets (which consist of cash and investments) relate to the following:

Description	Governmental Activities
Unspent bond proceeds and related interest	\$ 22,527,395
Property tax collections for repayment of bonded indebtedness	1,646,367
Total	<u><u>\$ 24,173,762</u></u>

June 30, 2018

Note 7 - Capital Assets

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

Governmental Activities

	Balance July 1, 2017	Reclassifications	Additions	Disposals	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 2,936,560	\$ -	\$ -	\$ -	\$ 2,936,560
Construction in progress	13,855,702	(2,522,391)	15,730,595	-	27,063,906
Subtotal	16,792,262	(2,522,391)	15,730,595	-	30,000,466
Capital assets being depreciated:					
Buildings and improvements	395,141,646	713,669	5,756,844	(6,591,800)	395,020,359
Furniture and equipment	22,089,683	1,808,722	5,645,619	(318,159)	29,225,865
Buses and other vehicles	2,818,159	-	78,680	(591,195)	2,305,644
Subtotal	420,049,488	2,522,391	11,481,143	(7,501,154)	426,551,868
Accumulated depreciation:					
Buildings and improvements	165,003,048	-	6,892,386	(4,618,669)	167,276,765
Furniture and equipment	13,159,051	-	933,097	(286,343)	13,805,805
Buses and other vehicles	2,412,778	-	28,762	(532,075)	1,909,465
Subtotal	180,574,877	-	7,854,245	(5,437,087)	182,992,035
Net capital assets being depreciated	239,474,611	2,522,391	3,626,898	(2,064,067)	243,559,833
Net governmental activities capital assets	<u>\$ 256,266,873</u>	<u>\$ -</u>	<u>\$ 19,357,493</u>	<u>\$ (2,064,067)</u>	<u>\$ 273,560,299</u>

Depreciation expense was charged to programs of the School District as follows:

Governmental activities:	
Instruction	\$ 4,555,462
Support services	2,827,528
Community services	314,170
Food services	157,085
Total governmental activities	<u>\$ 7,854,245</u>

During May 2017, the School District entered into a purchase agreement to sell a parcel of land, which includes a building that was in the process of being demolished at June 30, 2018 under the terms of the purchase agreement. The sale is anticipated to close during fiscal year 2019. Due to the demolition of the building, at June 30, 2018, the building was considered permanently impaired. The building's net book value was written off, resulting in an impairment loss of \$1,853,131, which is recognized as a special item on the statement of activities.

June 30, 2018

Note 7 - Capital Assets (Continued)

Construction Commitments

The School District has active construction projects at year end. The projects include the 2015 and 2018 Building & Site bond issues. At year end, the School District's open commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2015 and 2018 Building & Site bond activity	\$ 10,885,306	\$ 6,181,053
Other capital projects	828,411	1,068,411
Total	<u>\$ 11,713,717</u>	<u>\$ 7,249,464</u>

Note 8 - Unearned Revenue

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

At June 30, 2018, the School District had no unavailable revenue and \$2,685,901 of unearned revenue, which is primarily composed of payments received in advance of the related services being rendered, such as tuition, summer program fees, and prepaid lunch fees. Approximately \$1,600,000 of the balance relates to an over levy of the Hold Harmless property tax levy for the year ended June 30, 2018, which will be recognized as revenue during the year ending June 30, 2019 when the Hold Harmless levy is reduced to recapture the over levy.

Note 9 - Interfund Transfers

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

<u>Transfers in</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 419,304
Nonmajor governmental funds	Nonmajor governmental funds	<u>20,069</u>
	Total	<u>\$ 439,373</u>

Transfers to the General Fund were to reimburse the General Fund for other funds' shares of indirect costs. Funds from the Early Childhood Center, \$20,069, were transferred to the Wee Care Fund during the year to fund operations.

June 30, 2018

Note 10 - Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligations	\$ 199,020,000	\$ 10,965,000	\$ (10,805,000)	\$ 199,180,000	\$ 11,185,000
Unamortized bond premiums	20,719,185	1,699,898	(1,266,622)	21,152,461	761,677
Total bonds payable	219,739,185	12,664,898	(12,071,622)	220,332,461	11,946,677
Compensated absences	3,637,797	430,994	(285,655)	3,783,136	285,000
Workers' compensation claims	222,356	447,290	(145,964)	523,682	209,473
Total governmental activities long-term debt	<u>\$ 223,599,338</u>	<u>\$ 13,543,182</u>	<u>\$ (12,503,241)</u>	<u>\$ 224,639,279</u>	<u>\$ 12,441,150</u>

General Obligation Bonds

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. General obligations outstanding at June 30, 2018 are as follows:

Purpose	Remaining Annual Installments	Interest Rates	Maturing	Outstanding
\$7,060,000 refunding bonds	\$115,000 - \$4,500,000	3.38% - 4.50%	5/2024	\$ 7,060,000
\$112,060,000 refunding bonds	\$4,190,000 - \$7,575,000	3.00% - 5.00%	5/2034	98,895,000
\$8,485,000 refunding bonds	\$4,635,000	1.37%	11/2018	4,635,000
\$50,000,000 serial bonds	\$575,000 - \$4,775,000	2.00% - 5.00%	5/2035	46,850,000
\$24,030,000 refunding bonds	\$905,000 - \$5,970,000	5.00%	11/2021	14,220,000
\$8,540,000 refunding bonds	\$1,605,000 - \$2,900,000	2.00% - 4.00%	11/2024	8,085,000
\$8,470,000 refunding bonds	\$4,050,000 - \$4,420,000	4.00%	11/2024	8,470,000
\$10,965,000 serial bonds	\$375,000 - \$1,550,000	4.00% - 5.00%	11/2035	10,965,000
Total governmental activities				<u>\$ 199,180,000</u>

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2019	\$ 11,185,000	\$ 8,255,432	\$ 19,440,432
2020	12,210,000	7,634,900	19,844,900
2021	13,205,000	7,055,650	20,260,650
2022	12,065,000	6,522,394	18,587,394
2023	12,550,000	6,038,120	18,588,120
2024-2028	58,390,000	22,333,045	80,723,045
2029-2033	60,725,000	10,563,994	71,288,994
2034-2036	18,850,000	915,314	19,765,314
Total	<u>\$ 199,180,000</u>	<u>\$ 69,318,849</u>	<u>\$ 268,498,849</u>

June 30, 2018

Note 11 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical benefit claims and participates in the SET-SEG risk pool for claims relating to property loss, torts, and error and omissions; the School District is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

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

	Workers' Compensation	
	2018	2017
Estimated liability - Beginning of year	\$ 222,356	\$ 236,181
Estimated claims incurred, including changes in estimates	447,290	111,015
Claim payments	(145,964)	(124,840)
Estimated liability - End of year	<u>\$ 523,682</u>	<u>\$ 222,356</u>

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. Certain School District employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

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

Benefits Provided

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

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 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.

June 30, 2018**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

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

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

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

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

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

Contributions

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

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

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

June 30, 2018

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

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 is as follows:

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

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

The School District's required and actual contributions to the plan for the year ended year ended June 30, 2018 were \$21,380,216, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$7,872,948 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147c(2) of the State Aid Act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were \$4,882,371, which includes the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2018, the School District reported a liability of \$199,679,984 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was .7705 percent and .7735 percent, respectively.

Net OPEB Liability

At June 30, 2018, the School District reported a liability of \$68,231,960 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was .7705 percent.

June 30, 2018

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

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

For the year ended June 30, 2018, the School District recognized pension expense of \$21,489,698, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,735,355	\$ (979,788)
Changes in assumptions	21,876,529	-
Net difference between projected and actual earnings on pension plan investments	-	(9,546,017)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	2,945,007	(903,642)
The School District's contributions to the plan subsequent to the measurement date	16,557,908	-
Total	<u>\$ 43,114,799</u>	<u>\$ (11,429,447)</u>

The \$7,872,948 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2019	\$ 4,430,309
2020	7,728,559
2021	3,418,168
2022	(449,592)
Total	<u>\$ 15,127,444</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.

June 30, 2018

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

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$4,595,705.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (726,470)
Net difference between projected and actual earnings on OPEB plan investments	-	(1,580,268)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	142,439	-
Employer contributions to the plan subsequent to the measurement date	3,747,206	-
Total	<u>\$ 3,889,645</u>	<u>\$ (2,306,738)</u>

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

Years Ending	Amount
2019	\$ (525,594)
2020	(525,594)
2021	(525,594)
2022	(525,594)
2023	(61,923)
Total	<u>\$ (2,164,299)</u>

Actuarial Assumptions

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

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50 percent
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5 percent year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

June 30, 2018

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent as of September 30, 2017, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pool	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

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

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

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

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the School District	\$ 260,116,604	\$ 199,679,984	\$ 148,796,200

June 30, 2018

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

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

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

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 79,919,346	\$ 68,231,960	\$ 58,313,029

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

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

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 57,783,298	\$ 68,231,960	\$ 80,095,687

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2018, the School District reported a payable of \$3,477,288 and \$882,420 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

Note 13 - Tax Abatements

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and Brownfield Redevelopment Agreements granted by cities and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2018, the School District's property tax revenue was reduced by \$350,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the school aid formula. The School District received approximately \$319,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from debt service millages. There are no abatements made by the School District.

Required Supplemental Information

Birmingham Public Schools

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 55,636,851	\$ 53,463,747	\$ 53,444,869	\$ (18,878)
State sources	59,519,551	61,809,982	61,586,793	(223,189)
Federal sources	2,492,131	2,587,187	2,234,107	(353,080)
Interdistrict sources	3,526,482	3,913,841	3,847,045	(66,796)
Total revenue	121,175,015	121,774,757	121,112,814	(661,943)
Expenditures				
Current:				
Instruction:				
Basic programs	59,750,875	60,310,001	59,867,020	(442,981)
Added needs	13,189,313	13,820,311	13,882,903	62,592
Adult/Continuing education	141,557	104,739	99,058	(5,681)
Total instruction	73,081,745	74,235,051	73,848,981	(386,070)
Support services:				
Pupil	7,549,914	7,600,491	7,622,207	21,716
Instructional staff	8,156,573	8,664,922	8,270,617	(394,305)
General administration	1,619,494	1,586,470	1,532,308	(54,162)
School administration	7,727,916	7,779,572	7,836,569	56,997
Business	1,982,686	1,996,547	1,737,808	(258,739)
Operations and maintenance	9,542,228	9,926,139	10,157,727	231,588
Pupil transportation services	4,787,731	4,978,782	5,016,179	37,397
Central	3,265,388	3,312,953	3,094,758	(218,195)
Total support services	44,631,930	45,845,876	45,268,173	(577,703)
Athletics	1,842,584	1,983,553	1,993,001	9,448
Community services	1,602,806	1,566,303	1,577,637	11,334
Federal expenditures	2,450,266	2,545,322	2,168,943	(376,379)
Total expenditures	123,609,331	126,176,105	124,856,735	(1,319,370)
Excess of Expenditures Over Revenue	(2,434,316)	(4,401,348)	(3,743,921)	657,427
Other Financing Sources - Transfers in	447,022	437,839	419,304	(18,535)
Net Change in Fund Balance	(1,987,294)	(3,963,509)	(3,324,617)	638,892
Fund Balance - Beginning of year	21,741,105	21,741,105	21,741,105	-
Fund Balance - End of year	<u>\$ 19,753,811</u>	<u>\$ 17,777,596</u>	<u>\$ 18,416,488</u>	<u>\$ 638,892</u>

Birmingham Public Schools

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

	Last Four Plan Years Plan Years Ended September 30			
	2017	2016	2015	2014
School District's proportion of the net pension liability	0.77054 %	0.77349 %	0.75693 %	0.75248 %
School District's proportionate share of the net pension liability	\$ 199,679,984	\$ 192,979,970	\$ 184,880,406	\$ 165,745,026
School District's covered employee payroll	\$ 64,010,810	\$ 65,816,447	\$ 62,749,746	\$ 63,869,107
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	311.95 %	293.21 %	294.63 %	259.51 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.15 %

Birmingham Public Schools

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

	Last Four Fiscal Years Years Ended June 30			
	2018	2017	2016	2015
Statutorily required contribution	\$ 19,641,612	\$ 17,985,848	\$ 17,474,057	\$ 14,014,074
Contributions in relation to the statutorily required contribution	19,641,612	17,985,848	17,474,057	14,014,074
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -
School District's Covered Employee Payroll	\$ 65,204,237	\$ 63,663,446	\$ 62,688,674	\$ 63,426,732
Contributions as a Percentage of Covered Employee Payroll	30.12 %	28.25 %	27.87 %	22.09 %

Birmingham Public Schools

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

	Last Plan Year Plan Year Ended September 30
	<u>2017</u>
School District's proportion of the net OPEB liability	0.77051 %
School District's proportionate share of the net OPEB liability	\$ 68,231,960
School District's covered payroll	\$ 64,010,810
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	106.59 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

Birmingham Public Schools

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

	Last Fiscal Year
	Year Ended June 30
	<u>2018</u>
Statutorily required contribution	\$ 4,709,523
Contributions in relation to the statutorily required contribution	<u>4,709,523</u>
Contribution Deficiency	<u><u>\$ -</u></u>
School District's Covered Employee Payroll	\$ 65,204,237
Contributions as a Percentage of Covered Employee Payroll	7.22 %

June 30, 2018***Pension Information***

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

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

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

Covered Payroll

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

OPEB Information

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

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Covered Payroll

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

Other Supplemental Information

Birmingham Public Schools

Other Supplemental Information Combining Balance Sheet General Fund

June 30, 2018

	General Fund	Athletic Fund	Federal Programs Fund	Cash Flow Stabilization Fund	Eliminations	Total Combined General Fund
Assets						
Cash and investments	\$ 16,496,805	\$ -	\$ -	\$ 7,200,502	\$ -	\$ 23,697,307
Receivables:						
Interest receivable	49,628	-	-	36,325	-	85,953
Accounts receivable - Net of allowance for uncollectibles of \$100,000	333,553	-	-	-	-	333,553
Due from other governments	10,837,118	-	657,338	-	-	11,494,456
Due from other funds	284,248	102,955	-	-	(387,203)	-
Prepaid costs	356,867	1,803	3,880	-	-	362,550
Total assets	\$ 28,358,219	\$ 104,758	\$ 661,218	\$ 7,236,827	\$ (387,203)	\$ 35,973,819
Liabilities						
Accounts payable	\$ 1,729,011	\$ 4,017	\$ 61	\$ -	\$ -	\$ 1,733,089
Due to other funds	-	-	387,203	-	(387,203)	-
Accrued payroll-related liabilities	11,634,460	97,751	242,015	-	-	11,974,226
Unearned revenue	2,446,123	-	-	-	-	2,446,123
Accrued expenditures	1,368,964	2,990	31,939	-	-	1,403,893
Total liabilities	17,178,558	104,758	661,218	-	(387,203)	17,557,331
Fund Balances						
Nonspendable - Prepaid costs	356,867	1,803	3,880	-	-	362,550
Committed - Cash flow stabilization	-	-	-	7,236,827	-	7,236,827
Assigned - Budgeted use of fund balance in subsequent year	4,154,367	-	-	-	-	4,154,367
Unassigned	6,668,427	(1,803)	(3,880)	-	-	6,662,744
Total fund balances	11,179,661	-	-	7,236,827	-	18,416,488
Total liabilities and fund balances	\$ 28,358,219	\$ 104,758	\$ 661,218	\$ 7,236,827	\$ (387,203)	\$ 35,973,819

Birmingham Public Schools

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

Year Ended June 30, 2018

	General Fund	Athletic Fund	Federal Programs Fund	Cash Flow Stabilization Fund	Eliminations	Total Combined General Fund
Revenue						
Local sources	\$ 52,736,476	\$ 612,270	\$ -	\$ 96,123	\$ -	\$ 53,444,869
State sources	61,586,793	-	-	-	-	61,586,793
Federal sources	7,214	-	2,226,893	-	-	2,234,107
Interdistrict sources	3,847,045	-	-	-	-	3,847,045
Total revenue	118,177,528	612,270	2,226,893	96,123	-	121,112,814
Expenditures						
Current:						
Instruction	73,787,801	-	905,380	-	-	74,693,181
Support services	45,199,514	61,769	1,074,646	-	-	46,335,929
Athletics	-	1,931,233	-	-	-	1,931,233
Community services	1,573,605	-	188,917	-	-	1,762,522
Capital outlay	133,870	-	-	-	-	133,870
Total expenditures	120,694,790	1,993,002	2,168,943	-	-	124,856,735
Excess of Revenue (Under) Over Expenditures	(2,517,262)	(1,380,732)	57,950	96,123	-	(3,743,921)
Other Financing Sources (Uses)						
Transfers in	477,254	1,380,732	-	-	(1,438,682)	419,304
Transfers out	(1,380,732)	-	(57,950)	-	1,438,682	-
Total other financing (uses) sources	(903,478)	1,380,732	(57,950)	-	-	419,304
Net Change in Fund Balances	(3,420,740)	-	-	96,123	-	(3,324,617)
Fund Balances - Beginning of year	14,600,401	-	-	7,140,704	-	21,741,105
Fund Balances - End of year	<u>\$ 11,179,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,236,827</u>	<u>\$ -</u>	<u>\$ 18,416,488</u>

Birmingham Public Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds					Total Special Revenue Funds
	Wee Care	Early Childhood Center	Cafeteria	Autistic Center	High School Stadium	
Assets						
Cash and investments	\$ 4,896	\$ 1,064,584	\$ 289,503	\$ 2,720,077	\$ 849,048	\$ 4,928,108
Receivables:						
Accounts receivable	-	-	16,577	-	-	16,577
Due from other governments	-	-	10,990	331,131	-	342,121
Inventories	-	-	26,565	-	-	26,565
Prepaid costs	26	13	6,810	100	-	6,949
Restricted assets	-	-	-	-	-	-
Total assets	\$ 4,922	\$ 1,064,597	\$ 350,445	\$ 3,051,308	\$ 849,048	\$ 5,320,320
Liabilities						
Accounts payable	\$ 526	\$ 645	\$ 65,412	\$ 7,159	\$ 4	\$ 73,746
Accrued payroll-related liabilities	-	-	-	333,798	-	333,798
Unearned revenue	4,396	37,495	99,422	4,814	30,040	176,167
Accrued expenditures	-	1,340	-	66,786	-	68,126
Total liabilities	4,922	39,480	164,834	412,557	30,044	651,837
Fund Balances						
Nonspendable:						
Inventories	-	-	26,565	-	-	26,565
Prepaid costs	26	13	6,810	100	-	6,949
Restricted:						
Debt service	-	-	-	-	-	-
Food service	-	-	152,236	-	-	152,236
Autistic center program operations	-	-	-	2,638,651	-	2,638,651
Committed:						
Capital equipment	-	-	-	-	-	-
High school stadium operations	-	-	-	-	819,004	819,004
Early childhood center operations	-	1,025,104	-	-	-	1,025,104
Unassigned	(26)	-	-	-	-	(26)
Total fund balances (deficit)	-	1,025,117	185,611	2,638,751	819,004	4,668,483
Total liabilities and fund balances (deficit)	\$ 4,922	\$ 1,064,597	\$ 350,445	\$ 3,051,308	\$ 849,048	\$ 5,320,320

Birmingham Public Schools

Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Governmental Funds

June 30, 2018

	Debt Service Funds					
	2010 Refunding	2013 Refunding	2014 Refunding	2015 Refunding	2015 Building and Site	2016 Refunding
Assets						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables:						
Accounts receivable	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Prepaid costs	-	-	-	-	-	-
Restricted assets	27,555	658,804	98,798	458,237	303,261	57,471
Total assets	\$ 27,555	\$ 658,804	\$ 98,798	\$ 458,237	\$ 303,261	\$ 57,471
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll-related liabilities	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Accrued expenditures	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund Balances						
Nonspendable:						
Inventories	-	-	-	-	-	-
Prepaid costs	-	-	-	-	-	-
Restricted:						
Debt service	27,555	658,804	98,798	458,237	303,261	57,471
Food service	-	-	-	-	-	-
Autistic center program operations	-	-	-	-	-	-
Committed:						
Capital equipment	-	-	-	-	-	-
High school stadium operations	-	-	-	-	-	-
Early childhood center operations	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficit)	27,555	658,804	98,798	458,237	303,261	57,471
Total liabilities and fund balances (deficit)	\$ 27,555	\$ 658,804	\$ 98,798	\$ 458,237	\$ 303,261	\$ 57,471

Birmingham Public Schools

Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Governmental Funds

June 30, 2018

	Debt Service Funds		Capital Project Funds			
	2017 Refunding	Total Debt Service Funds	Building and Site Projects	Capital Equipment	Total Capital Project Funds	Total
Assets						
Cash and investments	\$ -	\$ -	\$ 4,469	\$ 995,711	\$ 1,000,180	\$ 5,928,288
Receivables:						
Accounts receivable	-	-	-	6,655	6,655	23,232
Due from other governments	-	-	-	-	-	342,121
Inventories	-	-	-	-	-	26,565
Prepaid costs	-	-	-	-	-	6,949
Restricted assets	42,241	1,646,367	-	-	-	1,646,367
Total assets	\$ 42,241	\$ 1,646,367	\$ 4,469	\$ 1,002,366	\$ 1,006,835	\$ 7,973,522
Liabilities						
Accounts payable	\$ -	\$ -	\$ 156,779	\$ 38,710	\$ 195,489	\$ 269,235
Accrued payroll-related liabilities	-	-	-	-	-	333,798
Unearned revenue	-	-	20,635	-	20,635	196,802
Accrued expenditures	-	-	125,000	-	125,000	193,126
Total liabilities	-	-	302,414	38,710	341,124	992,961
Fund Balances						
Nonspendable:						
Inventories	-	-	-	-	-	26,565
Prepaid costs	-	-	-	-	-	6,949
Restricted:						
Debt service	42,241	1,646,367	-	-	-	1,646,367
Food service	-	-	-	-	-	152,236
Autistic center program operations	-	-	-	-	-	2,638,651
Committed:						
Capital equipment	-	-	-	963,656	963,656	963,656
High school stadium operations	-	-	-	-	-	819,004
Early childhood center operations	-	-	-	-	-	1,025,104
Unassigned	-	-	(297,945)	-	(297,945)	(297,971)
Total fund balances (deficit)	42,241	1,646,367	(297,945)	963,656	665,711	6,980,561
Total liabilities and fund balances (deficit)	\$ 42,241	\$ 1,646,367	\$ 4,469	\$ 1,002,366	\$ 1,006,835	\$ 7,973,522

Birmingham Public Schools

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

Year Ended June 30, 2018

	Special Revenue Funds					Total Special Revenue Funds
	Wee Care	Early Childhood Center	Cafeteria	Autistic Center	High School Stadium	
Revenue						
Local sources	\$ 401,429	\$ 1,289,147	\$ 1,728,249	\$ -	\$ 142,894	\$ 3,561,719
State sources	-	-	60,421	1,820,399	-	1,880,820
Federal sources	-	-	318,981	-	-	318,981
Interdistrict sources	-	-	-	4,381,219	-	4,381,219
Total revenue	401,429	1,289,147	2,107,651	6,201,618	142,894	10,142,739
Expenditures						
Current:						
Instruction	-	-	-	3,105,993	-	3,105,993
Support services	-	-	-	2,055,262	667	2,055,929
Food services	-	-	2,025,726	-	-	2,025,726
Community services	421,498	1,249,990	-	-	11,202	1,682,690
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other debt costs	-	-	-	-	-	-
Capital outlay	-	400	4,454	30,999	-	35,853
Total expenditures	421,498	1,250,390	2,030,180	5,192,254	11,869	8,906,191
Excess of Revenue (Under) Over Expenditures	(20,069)	38,757	77,471	1,009,364	131,025	1,236,548
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	20,069	-	-	-	-	20,069
Transfers out	-	(20,069)	-	(419,304)	-	(439,373)
Total other financing sources (uses)	20,069	(20,069)	-	(419,304)	-	(419,304)
Net Change in Fund Balances	-	18,688	77,471	590,060	131,025	817,244
Fund Balances - Beginning of year	-	1,006,429	108,140	2,048,691	687,979	3,851,239
Fund Balances - End of year	<u>\$ -</u>	<u>\$ 1,025,117</u>	<u>\$ 185,611</u>	<u>\$ 2,638,751</u>	<u>\$ 819,004</u>	<u>\$ 4,668,483</u>

Birmingham Public Schools

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

Year Ended June 30, 2018

	Debt Service Funds					
	2010 Refunding	2013 Refunding	2014 Refunding	2015 Refunding	2015 Building and Site	2016 Refunding
Revenue						
Local sources	\$ 248,458	\$ 8,596,649	\$ 49,692	\$ 5,813,919	\$ 2,981,497	\$ 795,066
State sources	333	11,511	67	4,865	7,785	1,065
Federal sources	-	-	-	-	-	-
Interdistrict sources	-	-	-	-	-	-
Total revenue	248,791	8,608,160	49,759	5,818,784	2,989,282	796,131
Expenditures						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	-	-	-	-	-
Food services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Debt service:						
Principal	-	4,395,000	-	4,955,000	1,000,000	455,000
Interest	258,981	4,255,750	63,500	834,875	1,938,219	327,950
Other debt costs	750	200	500	1,000	1,000	500
Capital outlay	-	-	-	-	-	-
Total expenditures	259,731	8,650,950	64,000	5,790,875	2,939,219	783,450
Excess of Revenue (Under) Over Expenditures	(10,940)	(42,790)	(14,241)	27,909	50,063	12,681
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net Change in Fund Balances	(10,940)	(42,790)	(14,241)	27,909	50,063	12,681
Fund Balances - Beginning of year	38,495	701,594	113,039	430,328	253,198	44,790
Fund Balances - End of year	<u>\$ 27,555</u>	<u>\$ 658,804</u>	<u>\$ 98,798</u>	<u>\$ 458,237</u>	<u>\$ 303,261</u>	<u>\$ 57,471</u>

Birmingham Public Schools

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

Year Ended June 30, 2018

	Debt Service Funds		Capital Project Funds			
	2017 Refunding	Total Debt Service Funds	Building and Site Projects	Capital Equipment	Total Capital Project Funds	Total
Revenue						
Local sources	\$ 397,534	\$ 18,882,815	\$ -	\$ 129,095	\$ 129,095	\$ 22,573,629
State sources	532	26,158	-	-	-	1,906,978
Federal sources	-	-	-	-	-	318,981
Interdistrict sources	-	-	-	-	-	4,381,219
Total revenue	398,066	18,908,973	-	129,095	129,095	29,180,807
Expenditures						
Current:						
Instruction	-	-	-	-	-	3,105,993
Support services	-	-	14,312	-	14,312	2,070,241
Food services	-	-	-	-	-	2,025,726
Community services	-	-	-	-	-	1,682,690
Debt service:						
Principal	-	10,805,000	-	-	-	10,805,000
Interest	387,738	8,067,013	-	-	-	8,067,013
Other debt costs	500	4,450	-	-	-	4,450
Capital outlay	-	-	1,468,867	235,805	1,704,672	1,740,525
Total expenditures	388,238	18,876,463	1,483,179	235,805	1,718,984	29,501,638
Excess of Revenue (Under) Over Expenditures	9,828	32,510	(1,483,179)	(106,710)	(1,589,889)	(320,831)
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	120,000	54,390	174,390	174,390
Transfers in	-	-	-	-	-	20,069
Transfers out	-	-	-	-	-	(439,373)
Total other financing sources (uses)	-	-	120,000	54,390	174,390	(244,914)
Net Change in Fund Balances	9,828	32,510	(1,363,179)	(52,320)	(1,415,499)	(565,745)
Fund Balances - Beginning of year	32,413	1,613,857	1,065,234	1,015,976	2,081,210	7,546,306
Fund Balances - End of year	<u>\$ 42,241</u>	<u>\$ 1,646,367</u>	<u>\$ (297,945)</u>	<u>\$ 963,656</u>	<u>\$ 665,711</u>	<u>\$ 6,980,561</u>

Birmingham Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2018

Years Ending June 30	2010 Refunding Principal	2013 Refunding Principal	2014 Refunding Principal	2015 Building and Site Principal	2015 Refunding Principal	2016 Refunding Principal	2017 Refunding Principal	2018 Building and Site Principal	Total
2019	\$ -	\$ 4,205,000	\$ 4,635,000	\$ 925,000	\$ 905,000	\$ -	\$ -	\$ 515,000	\$ 11,185,000
2020	-	4,190,000	-	1,000,000	5,970,000	-	-	1,050,000	12,210,000
2021	115,000	4,575,000	-	1,025,000	5,940,000	-	-	1,550,000	13,205,000
2022	1,805,000	4,555,000	-	1,025,000	1,405,000	2,900,000	-	375,000	12,065,000
2023	4,500,000	5,495,000	-	575,000	-	1,605,000	-	375,000	12,550,000
2024	640,000	5,455,000	-	600,000	-	1,760,000	4,050,000	400,000	12,905,000
2025	-	5,930,000	-	625,000	-	1,820,000	4,420,000	425,000	13,220,000
2026	-	6,545,000	-	3,425,000	-	-	-	450,000	10,420,000
2027	-	6,705,000	-	3,575,000	-	-	-	475,000	10,755,000
2028	-	6,890,000	-	3,700,000	-	-	-	500,000	11,090,000
2029	-	7,090,000	-	3,850,000	-	-	-	525,000	11,465,000
2030	-	7,265,000	-	4,000,000	-	-	-	550,000	11,815,000
2031	-	7,440,000	-	4,175,000	-	-	-	575,000	12,190,000
2032	-	7,555,000	-	4,350,000	-	-	-	600,000	12,505,000
2033	-	7,575,000	-	4,525,000	-	-	-	650,000	12,750,000
2034	-	7,425,000	-	4,700,000	-	-	-	650,000	12,775,000
2035	-	-	-	4,775,000	-	-	-	650,000	5,425,000
2036	-	-	-	-	-	-	-	650,000	650,000
Total remaining payments	<u>\$ 7,060,000</u>	<u>\$ 98,895,000</u>	<u>\$ 4,635,000</u>	<u>\$ 46,850,000</u>	<u>\$ 14,220,000</u>	<u>\$ 8,085,000</u>	<u>\$ 8,470,000</u>	<u>\$ 10,965,000</u>	<u>\$ 199,180,000</u>
Principal payments due	May	May	November	May	November	November	November	November	
Interest rate	3.375% - 4.50%	3.00% - 5.00%	1.37%	2.00% - 5.00%	5.00%	2.00% - 4.00%	4.00%	4.00% - 5.00%	
Original issue	<u>\$ 7,060,000</u>	<u>\$ 112,060,000</u>	<u>\$ 8,485,000</u>	<u>\$ 50,000,000</u>	<u>\$ 24,030,000</u>	<u>\$ 8,540,000</u>	<u>\$ 8,470,000</u>	<u>\$ 10,965,000</u>	<u>\$ 229,610,000</u>

Interest payments for the bond issues are due on May 1 and November 1 of each year.

Birmingham Public Schools

Other Supplemental Information Schedule of Cash Receipts and Disbursements Fiduciary Funds

Year Ended June 30, 2018

	Student Activities	Community Service Organizations	Total
Cash - Beginning of year	\$ 1,197,658	\$ 1,153,921	\$ 2,351,579
Receipts	2,862,666	1,857,812	4,720,478
Disbursements	2,888,017	1,841,090	4,729,107
Cash - End of year	<u><u>\$ 1,172,307</u></u>	<u><u>\$ 1,170,643</u></u>	<u><u>\$ 2,342,950</u></u>