
Livonia Public Schools

**Financial Report
with Supplemental Information
June 30, 2019**

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Independent Auditor's Report

To the Board of Education
Livonia Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livonia Public Schools (the "School District") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise Livonia Public Schools' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

To the Board of Education
Livonia Public Schools

Other Matters

Required Supplemental Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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



October 7, 2019

This section of Livonia Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2019. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

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

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Budgetary Comparison Schedule - Major Special Revenue Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Other Supplemental Information

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

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

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

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

Reporting the School District's Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

Agency Funds and Trust Funds

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

The School District as a Whole

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

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

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

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

Livonia 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, 2019 and 2018:

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

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

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

The School District's Funds

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

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

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

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

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

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

General Fund Budgetary Highlights

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

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

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

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the School District had \$264.4 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$16.7 million, or 6.8 percent, from last year.

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

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

Debt

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

Those bonds consisted of the following:

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

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

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

Economic Factors and Next Year's Budgets and Rates

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

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

Contacting the School District's Management

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

June 30, 2019

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

Year Ended June 30, 2019

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

Governmental Funds
Balance Sheet

June 30, 2019

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

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

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

Livonia Public Schools

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

Year Ended June 30, 2019

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

Governmental Funds

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

Year Ended June 30, 2019

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

**Proprietary Funds
Statement of Net Position**

June 30, 2019

Internal Service
Fund - Health
and Welfare
Fund

Assets

Current assets:

Due from other funds (Note 7)

\$ 3,648,780

Prepaid expenses and other assets

42,986

Total assets

3,691,766

Liabilities

Current liabilities:

Accounts payable

1,833,255

Claims payable (Note 10)

440,426

Total liabilities

2,273,681

Net Position - Unrestricted

\$ 1,418,085

Livonia Public Schools

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

Year Ended June 30, 2019

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

**Proprietary Funds
Statement of Cash Flows**

Year Ended June 30, 2019

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

Livonia Public Schools

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2019

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

Livonia Public Schools

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

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

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Report Presentation

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

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

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

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

Basis of Accounting

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

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

Note 2 - Significant Accounting Policies (Continued)

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

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

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

Fund Accounting

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, capital project funds, and permanent funds. The School District reports the following funds as "major" governmental funds:

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

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

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

Note 2 - Significant Accounting Policies (Continued)

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

Proprietary Fund

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

Fiduciary Funds

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

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

Interfund Activity

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

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

Specific Balances and Transactions

Cash and Investments

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

Note 2 - Significant Accounting Policies (Continued)

Inventories and Prepaid Items

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

Restricted Assets

The following amounts are reported as restricted assets:

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

Capital Assets

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

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

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

	Depreciable Life - Years

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

Long-term Obligations

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

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

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

Deferred Outflows/Inflows of Resources

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

Note 2 - Significant Accounting Policies (Continued)

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

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

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

Net Position

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Note 2 - Significant Accounting Policies (Continued)

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

Property Tax Revenue

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

Grants and Contributions

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

Pension and Other Postemployment Benefit (OPEB) Plans

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the 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.

Employee-related Liabilities

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

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

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

Upcoming Accounting Pronouncements

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

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

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Note 4 - Deposits and Investments

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

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

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

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

Custodial Credit Risk of Bank Deposits

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

Custodial Credit Risk of Investments

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

Interest Rate Risk

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

Note 4 - Deposits and Investments (Continued)

Credit Risk

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

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

*Investment fair value reported at amortized cost

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

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

Note 5 - Unavailable/Unearned Revenue

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

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

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

Note 6 - Capital Assets

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

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

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

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

Construction Commitments

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

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

June 30, 2019

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

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

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

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

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

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

Note 8 - Long-term Debt

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

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

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

Note 8 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

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

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

Debt Service Requirements to Maturity

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

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

Note 9 - Michigan Public School Employees' Retirement System

Plan Description

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

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

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

Benefits Provided

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

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

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

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

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

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

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

Contributions

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

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

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

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

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

The range of rates is as follows:

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

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

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

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

Net Pension Liability

At June 30, 2019, the School District reported a liability of \$333,583,678 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the School District's proportion was 1.11 percent.

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

Net OPEB Liability

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

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

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

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

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

Years Ending	Amount
2020	\$ 19,536,749
2021	14,745,774
2022	10,963,820
2023	4,525,095
Total	<u>\$ 49,771,438</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, 2019

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

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (16,386,954)
Changes in assumptions	9,323,736	-
Net difference between projected and actual earnings on OPEB plan investments	-	(3,383,680)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	147,313	(20,955)
Employer contributions to the plan subsequent to the measurement date	5,600,167	-
Total	<u>\$ 15,071,216</u>	<u>\$ (19,791,589)</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
2020	\$ (2,552,313)
2021	(2,552,313)
2022	(2,552,313)
2023	(1,862,135)
2024	(801,466)
Total	<u>\$ (10,320,540)</u>

Actuarial Assumptions

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

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

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

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

Discount Rate

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

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

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

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

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

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

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

June 30, 2019

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

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

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

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

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

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

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

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

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

Note 10 - Risk Management

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

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

Note 10 - Risk Management (Continued)

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

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

Note 11 - Tax Abatements

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

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

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

Required Supplemental Information

Livonia Public Schools

**Required Supplemental Information
Budgetary Comparison Schedule
General Fund**

Year Ended June 30, 2019

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

Livonia Public Schools

Required Supplemental Information
Budgetary Comparison Schedule
General Fund - Funded Projects

Year Ended June 30, 2019

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

Livonia Public Schools

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

Year Ended June 30, 2019

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

Livonia Public Schools

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

	Last Five Plan Years				
	Plan Years Ended September 30				
	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	1.10966 %	1.10839 %	1.11646 %	1.14578 %	1.15492 %
School District's proportionate share of the net pension liability	\$ 333,583,678	\$ 287,231,919	\$ 278,547,083	\$ 279,856,068	\$ 254,389,073
School District's covered payroll	\$ 94,116,658	\$ 92,678,036	\$ 93,062,218	\$ 95,140,276	\$ 96,119,058
School District's proportionate share of the net pension liability as a percentage of its covered payroll	354.44 %	309.92 %	299.31 %	294.15 %	264.66 %
Plan fiduciary net position as a percentage of total pension liability	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

Livonia Public Schools

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

	Last Five Fiscal Years				
	Years Ended June 30				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 29,162,712	\$ 28,273,165	\$ 26,551,658	\$ 26,167,534	\$ 20,507,422
Contributions in relation to the statutorily required contribution	<u>29,162,712</u>	<u>28,273,165</u>	<u>26,551,658</u>	<u>26,167,534</u>	<u>20,507,422</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 95,355,911	\$ 93,813,172	\$ 95,901,095	\$ 92,940,215	\$ 93,694,674
Contributions as a Percentage of Covered Payroll	30.58 %	30.14 %	27.69 %	28.16 %	21.89 %

Livonia Public Schools

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

	Last Two Plan Years	
	Plan Years Ended September 30	
	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	1.10760 %	1.10567 %
School District's proportionate share of the net OPEB liability	\$ 88,042,409	\$ 97,912,644
School District's covered payroll	\$ 94,116,658	\$ 92,678,036
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	93.55 %	105.65 %
Plan fiduciary net position as a percentage of total OPEB liability	43.10 %	36.53 %

Livonia Public Schools

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

	Last Two Fiscal Years	
	Years Ended June 30	
	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 7,413,228	\$ 6,728,930
Contributions in relation to the statutorily required contribution	<u>7,413,228</u>	<u>6,728,930</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 95,355,911	\$ 93,813,172
Contributions as a Percentage of Covered Payroll	7.77 %	7.17 %

Pension Information

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

Benefit Changes

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

Changes in Assumptions

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

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

OPEB Information

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

Benefit Changes

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

Changes in Assumptions

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

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

Other Supplemental Information

Livonia Public Schools

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

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

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

Livonia Public Schools

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

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

Year Ended June 30, 2019

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

Livonia Public Schools

**Other Supplemental Information
Combining Balance Sheet
General Fund**

June 30, 2019

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

Livonia Public Schools

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

Year Ended June 30, 2019

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

**Other Supplemental Information
Schedule of Bonded Indebtedness**

June 30, 2019

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