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# Warren Woods Public Schools

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**Financial Report  
with Supplemental Information  
June 30, 2020**

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## **Independent Auditor's Report**

To the Board of Education  
Warren Woods 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 Warren Woods Public Schools (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Warren Woods 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 Warren Woods Public Schools as of June 30, 2020 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As discussed in Note 2 to the basic financial statements, as of July 1, 2019, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

To the Board of Education  
Warren Woods Public Schools

**Required Supplemental Information**

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

**Other Supplemental Information**

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

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 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 September 17, 2020 on our consideration of Warren Woods 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 Warren Woods Public Schools' internal control over financial reporting and compliance.



September 17, 2020

This section of the annual financial report for Warren Woods Public Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. 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 Warren Woods 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, Special Education Center Program Fund, and the 2018 and 2020 Capital Projects Funds, with all other funds presented in one column as nonmajor funds. This report is composed of the following elements:

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

##### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

##### **Required Supplemental Information**

Budgetary Comparison Schedule - General Fund

Budgetary Comparison Schedule - Special Education Center Program Fund

Schedule of the School District's Proportionate Share of the Net Pension Liability

Schedule of the School District's Pension Contributions

Schedule of the School District's Proportionate Share of the Net OPEB Liability

Schedule of the School District's OPEB Contributions

### **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.

## Warren Woods Public Schools

### Management's Discussion and Analysis (Continued)

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, food services, enrichment, student stores, debt retirement, and internal services. Property taxes, unrestricted state aid, 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 Services Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

#### ***Governmental Funds***

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

#### ***The School District as 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, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(In Millions)	
<b>Assets</b>		
Current and other assets	\$ 36.7	\$ 28.5
Capital assets	51.7	46.2
Total assets	88.4	74.7
<b>Deferred Outflows of Resources</b>	27.9	26.8
<b>Liabilities</b>		
Current liabilities	6.0	7.5
Noncurrent liabilities	58.6	44.9
Net pension liability	78.7	71.2
Net OPEB liability	17.2	18.8
Total liabilities	160.5	142.4
<b>Deferred Inflows of Resources</b>	12.4	12.9
<b>Net Position</b>		
Net investment in capital assets	13.5	12.6
Restricted	1.1	0.8
Unrestricted	(71.2)	(67.2)
Total net position	<b>\$ (56.6)</b>	<b>\$ (53.8)</b>

## Warren Woods Public Schools

### Management's Discussion and Analysis (Continued)

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 \$(56.6) million at June 30, 2020. Net investment in capital assets, totaling \$13.5 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, \$(71.2) million, was unrestricted and represents the accumulated results of all past years' operations.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2019. This standard provides guidance on the identification and reporting of fiduciary activities and required the School District to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2019 beginning net position by approximately \$462,000, which represents the student activities that previously were reported as fiduciary but are now reported in as governmental in accordance with GASB 84. The governmental statement of net position at June 30, 2020 and statement of activities for the year ended June 30, 2020 include all the balances and transactions for those activities that previously were reported as fiduciary. All school districts were required to adopt this new standard, unless a one-year deferral was elected pursuant to GASB Statement No. 95.

The \$(71.2) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements and to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2020 and 2019.

	Governmental Activities	
	2020	2019
	(In Millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 1.1	\$ 1.5
Operating grants	12.5	11.9
General revenue:		
Taxes	7.7	7.6
State aid not restricted to specific purposes	24.9	24.6
Other	0.8	0.4
Total revenue	47.0	46.0
<b>Expenses</b>		
Instruction	25.9	23.1
Support services	17.0	15.4
Bookstores	0.1	-
Athletics	0.6	0.6
Food services	1.4	1.5
Child care	0.9	1.0
Debt service	1.5	1.6
Depreciation expense (unallocated)	2.9	2.7
Total expenses	50.3	45.9
<b>Change in Net Position</b>	(3.3)	0.1
<b>Net Position - Beginning of year (as restated)</b>	(53.3)	(53.9)
<b>Net Position - End of year</b>	<b><u>\$(56.6)</u></b>	<b><u>\$(53.8)</u></b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$50.3 million. Certain activities were partially funded from those who benefited from the programs (\$1.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$12.5 million). We paid for the remaining public benefit portion of our governmental activities with \$7.7 million in taxes, \$24.9 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements). The School District experienced a decrease in net position of \$3.3 million. Key reasons for the change in net position were increases in the net pension and net OPEB liabilities.

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

#### ***The School District's Funds***

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$31.0 million, which is an increase of \$9.3 million from last year. The primary reason for the increase was the issuance of the 2020 bonds.

In the General Fund, our principal operating fund, the fund balance decreased by approximately \$166,000 to \$8.88 million. The fund balance remained relatively stable compared to the prior year. This amount helps to provide cash flow for needs during the months when aid is not received from the State.

Special revenue funds include the Special Education Center Program, Food Services, Child Care Program, Bookstore Activities, and Student Activities funds. With the adoption of GASB 84, the School District created the Student Activities special revenue fund to account for activities previously reported as fiduciary funds. The effect of the adoption was to increase July 1, 2019 beginning fund balance by approximately \$462,000. The combined, restated fund balance of the School District's special revenue funds remained consistent with the prior year at approximately \$1.2 million.

Combined, the fund balance of our debt service funds increased by approximately \$166,000. Warren Woods Public Schools determines the millage rates annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are restricted since they can only be used to pay debt service obligations.

Combined, the fund balance of our capital project funds increased \$9.3 million. This increase is primarily due to the School District's issuance of \$15.1 million in new voter-approved bonds during the current year, offset by continued construction and other projects related to the 2018 bonds, which are estimated to be about 92 percent complete as of the end of the year.

#### ***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 2019-2020 school year was like none other as the School District found itself navigating the coronavirus (COVID-19) pandemic and the forced ending of face-to-face instruction in mid-March. The final amendment to the budget was adopted in June 2020 and required significant adjustments as the School District reinvented the way it delivered instruction in a remote environment with very little notice. A schedule showing the School District's original and final budget amounts compared with actual revenue and expenditures is provided in required supplemental information of these financial statements.



## Warren Woods Public Schools

### Management's Discussion and Analysis (Continued)

By state law, the Warren Woods Public Schools Board of Education (the "Board") must approve a budget effective July 1 of each year. Early in the year, the Board amended the budgeted revenue to account for an increase in enrollment, as well as changes in state funding as the State of Michigan did not finalize its 2019-2020 budget until after the School District was required to adopt its original 2019-2020 budget in June 2019. As mentioned, significant revisions were required to be made to the General Fund budget late in the year due to COVID-19. Overall, budgeted revenue was decreased by approximately \$1.45 million from the original budget, as the State of Michigan was still figuring out how to address a \$3 billion budget shortfall at the time of the School District's final budget adoption. This prompted the Board of Education to approve a final budget with an anticipated cut in state funding of \$675 per pupil. The School District also saw a significant decrease in its budgeted federal revenue, as it was unable to fully utilize all of its grant funding due to COVID-19. Items funded from grants, such as before and after school tutoring, many staff professional development opportunities that could not be converted to online, and the supplies to support those activities are examples of items that were originally budgeted for but needed to be revised down due to the pandemic.

When comparing the final amended budget to actual for revenue, the final actual revenue was approximately \$1.44 million over the projected amounts. The actual revenue was over budget mainly due to two factors: the State of Michigan striking a budget deal that utilized federal stimulus funding and tapping the State Budget Stabilization Fund to ward off a large portion of the cuts that the Board of Education had planned for in the adoption of its final budget for 2019-2020. In the end, the School District received a reduction in funding of \$175 per pupil compared to the \$675 per pupil for which it had budgeted, accounting for \$1.49 million of revenue over the final budget, a majority of the revenue variance. In addition, state and federal grant awards and certain state and local grant programs not being spent in the anticipated time frame contributed to approximately \$44,000 of revenue below projections. For all grant-funded programs, an equal amount of expense was recognized, which had no impact on the bottom line. Certain grants are funded on a 15-month cycle but must be budgeted into the School District's fiscal year for reporting purposes; this cycle routinely creates carryover.

Budgeted expenditures were also decreased by approximately \$1.37 million throughout the year to account for the decrease in salaries, as new staff were hired to replace staff who had resigned and retired during the previous summer. Salaries were also adjusted to account for changes negotiated with the School District's clerical bargaining unit, as well as additional teaching staff to offset the increase in enrollment and the School District's continued growth in its literacy support programs. However, the bulk of the adjustments to the district budget once again came as a result of COVID-19. With the suspension of in-person instruction came the significant reduction in expenditures, such as substitute costs for sub teachers, paraprofessionals, clerical staff, custodians, and bus drivers. In addition, instructional supply costs saw a significant reduction along with the budgeted cost for field trips, office supplies, utility costs, bus fuel, and bus and technology repair costs. Further contributing to the decrease in expenditures was the cancellation of all spring sports for the season. Some of those decreases were offset by the School District needing to make a significant General Fund investment in technology devices for students, as well as personal protective equipment for both its students and staff.

#### **Capital Assets and Debt Administration**

##### **Capital Assets**

As of June 30, 2020 and 2019, the School District had \$51.7 million and \$46.2 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This total represents a net increase (including additions, disposals, and depreciation) of approximately \$5.5 million from 2019 to 2020.

	2020	2019
Land	\$ 4,000	\$ 4,000
Construction in progress	963,176	3,703,896
Buildings and improvements	43,669,402	35,784,696
Furniture and equipment	3,826,269	3,218,253
Buses and other vehicles	448,647	456,151
Land improvements	2,740,067	2,998,620
Total capital assets - Net of accumulated depreciation	<b>\$ 51,651,561</b>	<b>\$ 46,165,616</b>

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

This year's additions were mainly related to the School District's 2018 bond issue, including the renovation of the middle school auditorium and the construction of a new athletic complex at Warren Woods-Tower High School. Also, the School District added a new secure entry at Westwood Elementary along with other building improvements and, at Pinewood Elementary, the building main office was relocated along with adding a new secure entry. Many other building and site improvements were done at each of the School District's buildings, including a complete replacement of the School District's HVAC control system and roof replacements at Warren Woods Middle School, Enterprise High School, and the Education Center. The School District also used its 2018 bond issue funds to invest in technology and security, including a new voice-over IP phone system and access control system upgrades.

### **Debt**

At the end of this year, the School District had \$51.3 million in bonds outstanding versus \$39.8 million in the previous year. The increase was a result of issuing bonds during the year, as mentioned above.

The School District's general obligation bond rating is AA. 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. However, the School District does not have any outstanding unqualified general obligation debt that is subject to this limitation.

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***

Warren Woods Public Schools continues to have strong General Fund reserves; the total available fund balance is 22.92 percent of 2020 expenditures, including the Special Education Center Program Fund. Expenditures exceeded revenue by \$166,084 in the 2019-2020 school year. The 2020-2021 fiscal year budget anticipates the use of \$2.07 million from the fund balance. Continued attention will be focused on strong expenditure controls and close monitoring of revenue changes based on state funding and student count to help reduce this deficit spending.

The following factors will affect the School District in the future and were considered in preparing the School District's budget for fiscal year 2021:

The 2020-2021 budget was adopted in June 2020 based on an estimated number of students who will be enrolled from September 2020 through February 2021. Based on early enrollment projections at the end of the 2019-2020 school year, the School District anticipates that the fall student count will be stable at approximately 3,244 full-time equivalent students, and that number was used to create the 2020-2021 budget. In an effort to sustain student enrollment and maximize funding from the State, Warren Woods Public Schools continues to provide opportunities to students throughout Macomb County through Schools of Choice. The School District has also budgeted for an anticipated Headlee rollback of its personal commercial and nonhomestead property tax collections since 2016-2017. The cumulative result of the rollbacks is a loss of approximately \$150,290 for the 2020-2021 fiscal year.

The School District continues to find ways to deal with a reduced level of funding per student; these reductions fluctuate from the foundation allowance level of \$8,489 per student during the 2008-2009 fiscal year to the effective final foundation allowance of \$8,084 in 2019-2020, and it is looking forward to a 2020-2021 budgeted level of \$7,759 per student. Due to the State's own overall economic decline, Michigan school districts have been allocated funding at less than inflationary increases over the past 15 years. This decrease is due to job losses, reductions in consumer spending, and reductions in property values, resulting in lower revenue from income, sales, and property taxes. These decreases limit funding available to public schools from the State of Michigan, its primary revenue source. The current economic uncertainty and unknown long-term effects of the COVID-19 pandemic only stand to compound this uncertainty for the foreseeable future. Furthermore, the School District has been challenged by increased fixed costs, such as retirement and health care. All of these factors impact the district revenue.

As of this time, the State School Aid Act for 2020-2021 still has not been approved, so the Board of Education and administration had to make many assumptions to set the budget for fiscal year 2020-2021, including an assumed \$500 per pupil decrease in the foundation allowance due to the grim financial forecast coming out of the State's May Consensus Revenue Estimating Conference. The pass-through of the MPSERS UAAL funding through the School District also continues to affect the School District's financial statements, and, at the time of the original budget adoption, the rate was assumed to be increasing from 12.41 percent to 14.51 percent, creating additional revenue and expenditures to be reported. A full listing of all of the assumptions used in setting the original 2020-2021 budget can be found on the School District's website. Since funding levels for 2020-2021 remain uncertain, the board will adopt a budget amendment when funding levels are solidified by the State.

The School District will continue to face unprecedented challenges to contain operational costs, with the added complexity of navigating the school year in the midst of the COVID-19 pandemic. Prudent fiscal responsibility and cost containment remain critical to the School District's ability to effectively operate in this volatile and challenging economic climate. Opportunities to enhance revenue and control costs will be monitored on an ongoing basis. The School District will also need to take on the responsibility of managing an influx of federal dollars as the federal government provides stimulus funds to states to ease the potential catastrophic impact of COVID-19 on the local economy. During the past nine years, the School District has made a series of budget adjustments to protect the financial future of its schools. To balance the budget, an estimated \$2.06 million contribution from fund balances will be used as a strategy to further reduce impact to student programs and services.

#### ***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 12900 Frazho Road, Warren, MI 48089.

# Warren Woods Public Schools

## Statement of Net Position

June 30, 2020

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 4)	\$ 9,617,475
Receivables:	
Accounts receivable	148,170
Due from other governments	5,889,578
Inventories	30,315
Prepaid costs and other assets	102,838
Restricted assets	21,030,390
Capital assets - Net (Note 6)	51,651,561
	<hr/>
Total assets	88,470,327
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 8)	839,517
Deferred pension costs (Note 10)	21,834,391
Deferred OPEB costs (Note 10)	5,224,200
	<hr/>
Total deferred outflows of resources	27,898,108
<b>Liabilities</b>	
Accounts payable	647,610
Due to other governmental units	520,724
Accrued liabilities and other	3,661,988
Unearned revenue (Note 5)	1,212,218
Noncurrent liabilities:	
Due within one year (Note 8)	4,411,957
Due in more than one year (Note 8)	54,225,797
Net pension liability (Note 10)	78,687,811
Net OPEB liability (Note 10)	17,167,273
	<hr/>
Total liabilities	160,535,378
<b>Deferred Inflows of Resources</b>	
Revenue in support of pension contributions made subsequent to the report date	2,633,943
Deferred pension cost reductions (Note 10)	3,155,085
Deferred OPEB cost reductions (Note 10)	6,618,639
	<hr/>
Total deferred inflows of resources	12,407,667
<b>Net Position</b>	
Net investment in capital assets	13,478,305
Restricted:	
Debt service	588,601
Capital projects	532,761
Unrestricted	(71,174,277)
	<hr/>
Total net position	<u><u>\$ (56,574,610)</u></u>

# Warren Woods Public Schools

## Statement of Activities

Year Ended June 30, 2020

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	\$ 25,857,830	\$ 51,508	\$ 7,159,409	\$ (18,646,913)
Support services	17,049,111	-	4,082,302	(12,966,809)
Bookstores	25,856	30,749	-	4,893
Athletics	607,957	35,796	-	(572,161)
Food services	1,437,122	250,183	1,260,596	73,657
Child care	934,242	766,051	-	(168,191)
Interest	1,483,449	-	-	(1,483,449)
Other debt costs	58,622	-	-	(58,622)
Depreciation expense (unallocated)	2,887,021	-	-	(2,887,021)
<b>Total primary government</b>	<b>\$ 50,341,210</b>	<b>\$ 1,134,287</b>	<b>\$ 12,502,307</b>	<b>(36,704,616)</b>
General revenue:				
Taxes:				
Property taxes, levied for general purposes				3,003,991
Property taxes, levied for debt service				4,708,526
State aid not restricted to specific purposes				24,864,990
Federal grants and contributions not restricted to specific purposes				28,624
Interest and investment earnings				274,103
Penalties, interest, and other taxes				9,007
Gain on sale of capital assets				750
Other:				
Student activity revenue				424,597
Miscellaneous income				127,328
<b>Total general revenue</b>				<b>33,441,916</b>
<b>Change in Net Position</b>				<b>(3,262,700)</b>
<b>Net Position - Beginning of year (as restated) (Note 2)</b>				<b>(53,311,910)</b>
<b>Net Position - End of year</b>				<b>\$ (56,574,610)</b>

# Warren Woods Public Schools

## Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Special Education Center Program Fund	2018 Capital Projects Fund	2020 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments (Note 4)	\$ 8,344,942	\$ -	\$ -	\$ -	\$ 1,272,533	\$ 9,617,475
Receivables:						
Accounts receivable	-	-	-	-	148,170	148,170
Due from other governments	5,889,578	-	-	-	-	5,889,578
Due from other funds (Note 7)	32,247	138,535	-	-	107,414	278,196
Inventories	-	-	-	-	30,315	30,315
Prepaid costs and other assets	102,838	-	-	-	-	102,838
Restricted assets	-	-	2,516,413	17,711,126	802,851	21,030,390
	<u>\$ 14,369,605</u>	<u>\$ 138,535</u>	<u>\$ 2,516,413</u>	<u>\$ 17,711,126</u>	<u>\$ 2,361,283</u>	<u>\$ 37,096,962</u>
Total assets						
<b>Liabilities</b>						
Accounts payable	\$ 231,292	\$ -	\$ 370,565	\$ 45,753	\$ -	\$ 647,610
Due to other governmental units	520,661	-	-	-	63	520,724
Due to other funds (Note 7)	240,389	514	-	-	37,293	278,196
Accrued liabilities and other	3,447,738	-	-	-	-	3,447,738
Unearned revenue (Note 5)	1,045,632	138,021	-	-	28,565	1,212,218
	<u>5,485,712</u>	<u>138,535</u>	<u>370,565</u>	<u>45,753</u>	<u>65,921</u>	<u>6,106,486</u>
Total liabilities						
<b>Fund Balances</b>						
Nonspendable:						
Inventories	-	-	-	-	30,315	30,315
Prepaid costs	102,838	-	-	-	-	102,838
Restricted:						
Debt service	-	-	-	-	802,851	802,851
Capital projects (unspent bond proceeds)	-	-	2,145,848	17,665,373	-	19,811,221
Food service	-	-	-	-	769,404	769,404
Committed:						
Compensated absences	346,521	-	-	-	-	346,521
Child care	-	-	-	-	6,636	6,636
Student activities	-	-	-	-	425,419	425,419
Bookstore	-	-	-	-	17,584	17,584
Tax tribunal cases	100,000	-	-	-	-	100,000
Assigned:						
Capital replacements	-	-	-	-	243,153	243,153
Working capital	3,819,282	-	-	-	-	3,819,282
Subsequent year budget shortfall	2,067,058	-	-	-	-	2,067,058
Unassigned	2,448,194	-	-	-	-	2,448,194
	<u>8,883,893</u>	<u>-</u>	<u>2,145,848</u>	<u>17,665,373</u>	<u>2,295,362</u>	<u>30,990,476</u>
Total fund balances						
Total liabilities and fund balances	<u>\$ 14,369,605</u>	<u>\$ 138,535</u>	<u>\$ 2,516,413</u>	<u>\$ 17,711,126</u>	<u>\$ 2,361,283</u>	<u>\$ 37,096,962</u>

# Warren Woods Public Schools

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

June 30, 2020

<b>Fund Balances Reported in Governmental Funds</b>	\$ 30,990,476
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	103,132,637
Accumulated depreciation	<u>(51,481,076)</u>
Net capital assets used in governmental activities	51,651,561
Deferred inflows and outflows related to bond refundings are not reported in the funds	839,517
Bonds payable obligations and related premiums are not due and payable in the current period and are not reported in the funds	(58,291,233)
Accrued interest is not due and payable in the current period and is not reported in the funds	(214,250)
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	(346,521)
Net pension liability and related deferred inflows and outflows	(60,008,505)
Net OPEB liability and related deferred inflows and outflows	(18,561,712)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(2,633,943)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ (56,574,610)</u></u></b>

# Warren Woods Public Schools

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2020**

	General Fund	Special Education Center Program Fund	2018 Capital Projects Fund	2020 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>						
Local sources	\$ 3,293,151	\$ -	\$ 149,890	\$ 411	\$ 6,238,387	\$ 9,681,839
State sources	28,385,063	1,661,904	-	-	327,812	30,374,779
Federal sources	1,444,993	-	-	-	1,289,220	2,734,213
Interdistrict and other sources	1,264,590	3,039,099	-	-	-	4,303,689
<b>Total revenue</b>	<b>34,387,797</b>	<b>4,701,003</b>	<b>149,890</b>	<b>411</b>	<b>7,855,419</b>	<b>47,094,520</b>
<b>Expenditures</b>						
Current:						
Instruction	20,547,622	2,325,193	-	-	-	22,872,815
Support services	13,040,443	1,879,043	946	83,067	460,975	15,464,474
Bookstores	-	-	-	-	25,856	25,856
Athletics	548,767	-	-	-	-	548,767
Food services	-	-	-	-	1,361,959	1,361,959
Child care	-	-	-	-	835,982	835,982
Debt service:						
Principal	-	-	-	-	3,670,000	3,670,000
Interest	-	-	-	-	1,806,253	1,806,253
Other debt costs	-	-	-	55,472	3,150	58,622
Capital outlay	279,186	-	8,420,191	49,924	233,576	8,982,877
<b>Total expenditures</b>	<b>34,416,018</b>	<b>4,204,236</b>	<b>8,421,137</b>	<b>188,463</b>	<b>8,397,751</b>	<b>55,627,605</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(28,221)</b>	<b>496,767</b>	<b>(8,271,247)</b>	<b>(188,052)</b>	<b>(542,332)</b>	<b>(8,533,085)</b>
<b>Other Financing Sources (Uses)</b>						
Face value of debt issued	-	-	-	15,115,000	-	15,115,000
Proceeds from sale of capital assets	-	-	-	-	750	750
Premium on debt issued	-	-	-	2,738,425	-	2,738,425
Transfers in	571,767	-	-	-	709,630	1,281,397
Transfers out	(709,630)	(496,767)	-	-	(75,000)	(1,281,397)
<b>Total other financing (uses) sources</b>	<b>(137,863)</b>	<b>(496,767)</b>	<b>-</b>	<b>17,853,425</b>	<b>635,380</b>	<b>17,854,175</b>
<b>Net Change in Fund Balances</b>	<b>(166,084)</b>	<b>-</b>	<b>(8,271,247)</b>	<b>17,665,373</b>	<b>93,048</b>	<b>9,321,090</b>
<b>Fund Balances - Beginning of year (as restated) (Note 2)</b>	<b>9,049,977</b>	<b>-</b>	<b>10,417,095</b>	<b>-</b>	<b>2,202,314</b>	<b>21,669,386</b>
<b>Fund Balances - End of year</b>	<b>\$ 8,883,893</b>	<b>\$ -</b>	<b>\$ 2,145,848</b>	<b>\$ 17,665,373</b>	<b>\$ 2,295,362</b>	<b>\$ 30,990,476</b>



## Warren Woods Public Schools

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

Year Ended June 30, 2020

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 9,321,090</b>
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	8,372,966
Depreciation expense	<u>(2,887,021)</u>
Total	5,485,945
Revenue in support of pension contributions made subsequent to the measurement date	(16,760)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(17,853,425)
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	3,970,364
Interest expense is recognized in the government-wide statements as it accrues	22,440
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(4,192,354)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (3,262,700)</u></u></b>

June 30, 2020

**Note 1 - Nature of Business**

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

**Note 2 - Significant Accounting Policies**

***Accounting and Reporting Principles***

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. 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.

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

***Fund Accounting***

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

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, 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 Center Program Fund is used to record special education millage revenue from the county, state revenue related to special education, and disbursements associated with special education center programs administered by the School District on behalf of the county.
- The 2018 Capital Projects Fund is used to record the 2018 bond proceeds and expenditures related to voter-approved capital improvements.
- The 2020 Capital Projects Fund is used to record the 2020 bond proceeds and expenditures related to voter-approved capital improvements.

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, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

**Interfund Activity**

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

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In 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.

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

***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 health-care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

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

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Specific Balances and Transactions***

**Cash and Investments**

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

**Inventories and Prepaid Items**

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

**Restricted Assets**

The following amounts are reported as restricted assets:

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

**Capital Assets**

Capital assets 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.

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

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

	Depreciable Life - Years
Buildings and improvements	20 to 50
Furniture and equipment	5 to 10
Buses and other vehicles	5 to 10
Land improvements	20

**Long-term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

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

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

**Net Position**

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

**Net Position Flow Assumption**

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

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

**Fund Balance Flow Assumptions**

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

**Fund Balance Policies**

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

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

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

The fund balance policy prescribes the minimum fund balance as 15 percent of expenditures in the General Fund. This is deemed by the School District to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year. If the total fund balance of the General Fund falls below the goal, it shall be recovered at a rate of at least 1 percent each year.

**Property Tax Revenue**

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

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

**Grants and Contributions**

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

**Pension and Other Postemployment Benefit (OPEB) Plans**

For the purpose 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 MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

**Compensated Absences (Vacation and Sick Leave)**

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

**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 Pronouncement**

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, 2022.

June 30, 2020

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

***Adoption of New Accounting Pronouncement***

During the current year, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, student activities were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within a nonmajor governmental special revenue fund.

The effect of this new standard on fund balance/net position was as follows:

	Governmental Activities	Nonmajor Governmental Funds
Net position/fund balance - June 30, 2019 (as previously reported)	\$ (53,773,707)	\$ 1,740,517
Adjustment for GASB Statement No. 84 to change fund type	461,797	461,797
Net position/fund balance - June 30, 2019 (as restated)	<u>\$ (53,311,910)</u>	<u>\$ 2,202,314</u>

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including September 17, 2020, which is the date the financial statements were available to be issued.

Following the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID-19 pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the School District received \$1,175,261 of these restricted CRF funds from the Michigan Department of Education.

**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 except that transfers in and transfers out are reported net, and capital outlay expenditures are reported in other functional expenditure categories. Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for all special revenue funds except that expenditures are budgeted by object rather than functional categories. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District amended the General Fund budgeted amounts during the year to reflect changes in funding from state and federal sources.

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

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The School District did not have significant expenditure budget variances.



**Note 3 - Stewardship, Compliance, and Accountability (Continued)**

***Capital Projects Fund Compliance***

The 2018 and 2020 Capital Projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects funds, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

**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 and investments are in accordance with statutory authority.

The School District has designated five financial institutions for the deposits and investments of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a one-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

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

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had \$2,339,376 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 does not have a policy for custodial credit risk.

***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.

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District's investment in the Michigan Liquid Asset Fund, which totaled \$28,695,589 at June 30, 2020, has an S&P rating of AAAM.

**Note 4 - Deposits and Investments (Continued)**

**Concentration of Credit Risk**

The School District places no limit on the amount it may invest in any one issuer. At June 30, 2020, all of the School District's investments are in the Michigan Liquid Asset Fund and, therefore, are the only investment type subject to concentration of credit risk.

**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, 2020, the School District had no unavailable revenue and \$1,212,218 of unearned revenue, primarily related to categorical aid payments received prior to meeting all eligibility requirements.

**Note 6 - Capital Assets**

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

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,000
Construction in progress	3,703,896	(3,703,896)	963,176	-	963,176
Subtotal	3,707,896	(3,703,896)	963,176	-	967,176
Capital assets being depreciated:					
Buildings and improvements	72,122,018	3,703,896	6,175,342	-	82,001,256
Furniture and equipment	11,359,632	-	1,137,521	(152,466)	12,344,687
Buses and other vehicles	1,679,392	-	96,927	-	1,776,319
Land improvements	6,043,199	-	-	-	6,043,199
Subtotal	91,204,241	3,703,896	7,409,790	(152,466)	102,165,461
Accumulated depreciation:					
Buildings and improvements	36,337,322	-	1,994,532	-	38,331,854
Furniture and equipment	8,141,379	-	529,505	(152,466)	8,518,418
Buses and other vehicles	1,223,241	-	104,431	-	1,327,672
Land improvements	3,044,579	-	258,553	-	3,303,132
Subtotal	48,746,521	-	2,887,021	(152,466)	51,481,076
Net capital assets being depreciated	42,457,720	3,703,896	4,522,769	-	50,684,385
Net governmental activities capital assets	\$ 46,165,616	\$ -	\$ 5,485,945	\$ -	\$ 51,651,561

Depreciation expense was not charged to activities, as the School District considers its assets to impact multiple activities and allocation to be impractical.

June 30, 2020

**Note 6 - Capital Assets (Continued)**

**Construction Commitments**

The School District has active construction projects at year end relating to the 2018 bond issue. At year end, the School District's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2018 Capital Projects Fund	\$ 18,825,586	\$ 137,677

**Note 7 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

<u>Fund Due From</u>	<u>Fund Due To</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Education Center Program Fund</u>	<u>Nonmajor Funds</u>	
General Fund	\$ -	\$ 138,535	\$ 101,854	\$ 240,389
Special Education Center Program Fund	-	-	514	514
Nonmajor governmental funds	<u>32,247</u>	<u>-</u>	<u>5,046</u>	<u>37,293</u>
Total	<u>\$ 32,247</u>	<u>\$ 138,535</u>	<u>\$ 107,414</u>	<u>\$ 278,196</u>

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:

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Nonmajor funds	\$ 709,630
Nonmajor funds	General Fund	75,000
Special Education Center Program Fund	General Fund	<u>496,767</u>
	Total	<u>\$ 1,281,397</u>

Transfers from the General Fund provided funding for debt service payments on nonvoted bonds. Funds from the Food Services Fund and Special Education Center Program Fund were transferred to the General Fund to cover excess costs related to operations of the funds for the purposes for which they were created.

June 30, 2020

**Note 8 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2020 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:					
General obligations	\$ 39,830,000	\$ 15,115,000	\$ (3,670,000)	\$ 51,275,000	\$ 3,785,000
Unamortized bond premiums	4,733,192	2,738,425	(455,384)	7,016,233	592,305
Total bonds payable - Other debt	44,563,192	17,853,425	(4,125,384)	58,291,233	4,377,305
Compensated absences	305,021	41,500	-	346,521	34,652
Total governmental activities long-term debt	<u>\$ 44,868,213</u>	<u>\$ 17,894,925</u>	<u>\$ (4,125,384)</u>	<u>\$ 58,637,754</u>	<u>\$ 4,411,957</u>

The School District had deferred outflows of \$839,517 related to deferred charges on bond refundings at June 30, 2020.

**General Obligation Bonds and Contracts**

The School District issues general obligation bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. All of the School District's bonds are qualified and, thus, 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, 2020 are as follows:

	Remaining Annual Installments	Interest Rate(s) (Percent)	Maturing May 1	Outstanding
\$2,000,000 general obligation limited tax bonds (2012)	\$185,000	2.25 - 3.60*	2024	\$ 740,000
\$7,515,000 general obligation limited tax bonds (2014)	\$750,000 - \$840,000	2.00 - 3.00	2025	4,025,000
\$19,595,000 general obligation unlimited tax and refunding bonds (2015)	\$1,890,000 - \$2,385,000	3.00 - 5.00	2026	12,755,000
\$2,945,000 general obligation unlimited tax and refunding bonds (2016)	\$485,000 - \$510,000	2.05	2023	1,490,000
\$17,675,000 general obligation unlimited tax bonds (2018)	\$300,000 - \$1,860,000	3.00 - 5.00	2037	17,150,000
\$15,115,000 general obligation unlimited tax bonds (2020)	\$430,000 - \$900,000	4.00	2040	15,115,000
Total qualified bonds				<u>\$ 51,275,000</u>

\*Partially subsidized

**Other Long-term Liabilities**

Compensated absences attributable to the governmental activities will be liquidated from the funds from which the individual employee's salaries are paid.

**Note 8 - Long-term Debt (Continued)**

***Debt Service Requirements to Maturity***

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

Years Ending June 30	Governmental Activities - Other Debt		
	Principal	Interest*	Total
2021	\$ 3,785,000	\$ 2,148,988	\$ 5,933,988
2022	3,900,000	2,100,452	6,000,452
2023	4,125,000	1,949,706	6,074,706
2024	3,800,000	1,789,450	5,589,450
2025	3,875,000	1,631,500	5,506,500
2026-2030	11,605,000	6,135,950	17,740,950
2030-2034	12,120,000	3,518,500	15,638,500
2035-2037	8,065,000	809,000	8,874,000
Total	\$ 51,275,000	\$ 20,083,546	\$ 71,358,546

\*Interest presented net of maximum potential interest subsidy

**Note 9 - Risk Management**

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

The SET-SEG 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 - 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 health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care 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 health care plans. That report is available on the web at <http://www.michigan.gov/orsschools> or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

June 30, 2020

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 health care 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 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

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 health care 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.

June 30, 2020

**Note 10 - 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 health care 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 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 health care 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 ranges of rates are as follows:

	Pension	OPEB
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

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, 2020 were \$6,742,573, 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 \$2,633,943 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, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$1,786,457, which include the School District's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2020, the School District reported a liability of \$78,687,811 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. 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, 2019 and 2018, the School District's proportion was 0.24 percent.

June 30, 2020

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

**Net OPEB Liability**

At June 30, 2020, the School District reported a liability of \$17,167,273 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. 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, 2019 and 2018, the School District's proportion was 0.24 percent.

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

For 2020, the School District recognized pension expense of \$11,953,965, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020, 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	\$ 352,704	\$ (328,121)
Changes in assumptions	15,407,129	-
Net difference between projected and actual earnings on pension plan investments	-	(2,521,811)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	389,191	(305,153)
The School District's contributions to the plan subsequent to the measurement date	5,685,367	-
Total	\$ 21,834,391	\$ (3,155,085)

The \$2,633,943 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, 2021. 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
2021	\$ 5,053,147
2022	4,173,579
2023	2,689,561
2024	1,077,652
Total	\$ 12,993,939

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

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$485,113.



June 30, 2020

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

At June 30, 2020, 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	\$ -	\$ (6,299,158)
Changes in assumptions	3,719,800	-
Net difference between projected and actual earnings on OPEB plan investments	-	(298,547)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	223,111	(20,934)
Employer contributions to the plan subsequent to the measurement date	1,281,289	-
<b>Total</b>	<b>\$ 5,224,200</b>	<b>\$ (6,618,639)</b>

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
2021	\$ (753,205)
2022	(753,205)
2023	(604,081)
2024	(377,862)
2025	(187,375)
<b>Total</b>	<b>\$ (2,675,728)</b>

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2019 are based on the results of an actuarial valuation as of September 30, 2018 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% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% 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

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.

June 30, 2020

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

Significant assumption changes since the prior measurement date, September 30, 2018, for pension and OPEB include a reduction in both discount rates, continued impact of the updated experience study that resulted in a lower than projected per person health benefit costs for OPEB, and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2018.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2019 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2019. 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 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Absolute return pools	15.50	5.40
Short-term investment pools	2.00	0.80
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.3 percent.

**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 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 102,299,188	\$ 78,687,811	\$ 59,113,165

June 30, 2020

**Note 10 - 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 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 21,058,240	\$ 17,167,273	\$ 13,899,941

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

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

	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the School District	\$ 13,761,420	\$ 17,167,273	\$ 21,057,778

***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, 2020, the School District reported a payable of \$932,908 and \$190,547 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

**Note 11 - Tax Abatements**

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

For the fiscal year ended June 30, 2020, the School District's property tax revenue was reduced by approximately \$434,000 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 \$248,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from debt service millages. There are no abatements made by the School District.

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## Required Supplemental Information

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## Warren Woods Public Schools

### Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual
<b>Revenue</b>			
Local sources	\$ 3,265,453	\$ 3,299,765	\$ 3,293,151
State sources	28,475,626	26,910,646	28,385,063
Federal sources	1,713,655	1,479,140	1,444,993
Interdistrict and other sources	950,722	1,260,362	1,264,590
Total revenue	34,405,456	32,949,913	34,387,797
<b>Expenditures - Current</b>			
Instruction:			
Basic program	16,591,755	16,062,299	15,981,380
Added needs	4,488,567	4,555,909	4,488,396
Adult and continuing education	352,683	280,984	266,220
Total instruction	21,433,005	20,899,192	20,735,996
Support services:			
Pupil	2,943,485	2,759,964	2,739,573
Instructional staff	1,746,706	1,613,129	1,562,807
General administration	543,522	486,127	480,742
School administration	2,209,126	2,082,139	2,059,113
Business services	649,003	610,202	576,111
Operations and maintenance	3,913,164	3,792,939	3,675,673
Transportation	669,914	614,255	605,755
Central support services	1,016,732	1,043,396	1,005,951
Other support services	494,469	433,589	425,530
Athletics	638,573	553,889	548,767
Total expenditures	36,257,699	34,888,821	34,416,018
<b>Excess of Revenue Under Expenditures</b>	(1,852,243)	(1,938,908)	(28,221)
<b>Other Financing Uses - Transfers out - Net</b>	(92,107)	(254,716)	(137,863)
<b>Net Change in Fund Balance</b>	(1,944,350)	(2,193,624)	(166,084)
<b>Fund Balance - Beginning of year</b>	9,049,977	9,049,977	9,049,977
<b>Fund Balance - End of year</b>	<b>\$ 7,105,627</b>	<b>\$ 6,856,353</b>	<b>\$ 8,883,893</b>

## Warren Woods Public Schools

### Required Supplemental Information Budgetary Comparison Schedule Special Education Center Program Fund

**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual
<b>Revenue</b>			
State sources	\$ 1,699,473	\$ 1,661,896	\$ 1,661,904
Interdistrict and other sources	3,158,518	2,951,078	3,039,099
Total revenue	4,857,991	4,612,974	4,701,003
<b>Expenditures</b>			
Current:			
Salaries and wages	2,562,674	2,521,383	2,515,486
Employee benefits	1,705,928	1,653,965	1,638,986
Purchased services	37,681	15,383	7,536
Purchased services (contracted)	-	-	6,800
Supplies and materials	39,080	36,367	35,428
Total expenditures	4,345,363	4,227,098	4,204,236
<b>Excess of Revenue Over Expenditures</b>	512,628	385,876	496,767
<b>Other Financing Uses - Transfers out</b>	(512,628)	(385,876)	(496,767)
<b>Net Change in Fund Balance</b>	-	-	-
<b>Fund Balance - Beginning of year</b>	-	-	-
<b>Fund Balance - End of year</b>	\$ -	\$ -	\$ -

## Warren Woods Public Schools

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

	<b>Last Six Plan Years</b>					
	<b>Plan Years Ended September 30</b>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.23761 %	0.23681 %	0.23615 %	0.23436 %	0.24120 %	0.24020 %
School District's proportionate share of the net pension liability	\$ 78,687,811	\$ 71,190,104	\$ 61,196,766	\$ 58,471,626	\$ 58,919,322	\$ 52,908,682
School District's covered payroll	\$ 20,900,984	\$ 20,167,109	\$ 19,956,386	\$ 19,589,242	\$ 20,159,703	\$ 20,435,231
School District's proportionate share of the net pension liability as a percentage of its covered payroll	376.48 %	353.00 %	306.65 %	298.49 %	292.26 %	258.91 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

## Warren Woods Public Schools

### Required Supplemental Information Schedule of the School District's Pension Contributions Michigan Public School Employees' Retirement System

	<b>Last Six Fiscal Years Years Ended June 30</b>					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 6,642,991	\$ 6,262,975	\$ 5,920,103	\$ 5,724,529	\$ 5,567,852	\$ 4,414,076
Contributions in relation to the statutorily required contribution	<u>6,642,991</u>	<u>6,262,975</u>	<u>5,920,103</u>	<u>5,724,529</u>	<u>5,567,852</u>	<u>4,414,076</u>
<b>Contribution Excess (Deficiency)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>School District's Covered Payroll</b>	\$ 21,158,048	\$ 20,715,730	\$ 20,214,242	\$ 20,713,745	\$ 19,807,674	\$ 20,167,108
<b>Contributions as a Percentage of Covered Payroll</b>	31.40 %	30.23 %	29.29 %	27.64 %	28.11 %	21.89 %



## Warren Woods Public Schools

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

	Last Three Plan Years		
	Plan Years Ended September 30		
	2019	2018	2017
School District's proportion of the net OPEB liability	0.23917 %	0.23682 %	0.23596 %
School District's proportionate share of the net OPEB liability	\$ 17,167,273	\$ 18,824,608	\$ 20,895,606
School District's covered payroll	\$ 20,900,984	\$ 20,167,109	\$ 19,956,386
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.14 %	93.34 %	104.71 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.53 %

## Warren Woods Public Schools

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

	Last Three Fiscal Years Years Ended June 30		
	2020	2019	2018
Statutorily required contribution	\$ 1,700,176	\$ 1,620,985	\$ 1,449,484
Contributions in relation to the statutorily required contribution	1,700,176	1,620,985	1,449,484
<b>Contribution Excess (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$ 20,158,048</b>	<b>\$ 20,715,730</b>	<b>\$ 20,214,242</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>8.43 %</b>	<b>7.82 %</b>	<b>7.17 %</b>

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

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

***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:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

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## Other Supplemental Information

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## Warren Woods Public Schools

	Special Revenue Funds				Debt Service Funds
	Bookstore Activities	Food Services	Child Care Program	Student Activities	2012 Issue
<b>Assets</b>					
Cash and investments	\$ 16,244	\$ 579,928	\$ -	\$ 433,208	\$ -
Receivables - Accounts receivable	-	92,247	55,923	-	-
Due from other funds	1,340	106,074	-	-	-
Inventories	3,558	26,757	-	-	-
Restricted assets - Restricted cash and cash equivalents	-	-	-	-	-
<b>Total assets</b>	<b>\$ 21,142</b>	<b>\$ 805,006</b>	<b>\$ 55,923</b>	<b>\$ 433,208</b>	<b>\$ -</b>
<b>Liabilities</b>					
Due to other governmental units	\$ -	\$ 63	\$ -	\$ -	\$ -
Due to other funds	-	-	29,504	7,789	-
Unearned revenue	-	8,782	19,783	-	-
<b>Total liabilities</b>	<b>-</b>	<b>8,845</b>	<b>49,287</b>	<b>7,789</b>	<b>-</b>
<b>Fund Balances</b>					
Nonspendable - Inventories	3,558	26,757	-	-	-
Restricted:					
Debt service	-	-	-	-	-
Food service	-	769,404	-	-	-
Committed:					
Child care	-	-	6,636	-	-
Student activities	-	-	-	425,419	-
Bookstore	17,584	-	-	-	-
Assigned	-	-	-	-	-
<b>Total fund balances</b>	<b>21,142</b>	<b>796,161</b>	<b>6,636</b>	<b>425,419</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 21,142</b>	<b>\$ 805,006</b>	<b>\$ 55,923</b>	<b>\$ 433,208</b>	<b>\$ -</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2020

Debt Service Funds				Capital Project Fund		
2014 Refunding	2015 Refunding	2016 Refunding	2018 Issue	Building and Site	Total	
\$ -	\$ -	\$ -	\$ -	\$ 243,153	\$	1,272,533
-	-	-	-	-		148,170
-	-	-	-	-		107,414
-	-	-	-	-		30,315
151,992	420,390	45	230,424	-		802,851
<b>\$ 151,992</b>	<b>\$ 420,390</b>	<b>\$ 45</b>	<b>\$ 230,424</b>	<b>\$ 243,153</b>	<b>\$</b>	<b>2,361,283</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$	63
-	-	-	-	-		37,293
-	-	-	-	-		28,565
-	-	-	-	-		65,921
-	-	-	-	-		30,315
151,992	420,390	45	230,424	-		802,851
-	-	-	-	-		769,404
-	-	-	-	-		6,636
-	-	-	-	-		425,419
-	-	-	-	-		17,584
-	-	-	-	243,153		243,153
151,992	420,390	45	230,424	243,153		2,295,362
<b>\$ 151,992</b>	<b>\$ 420,390</b>	<b>\$ 45</b>	<b>\$ 230,424</b>	<b>\$ 243,153</b>	<b>\$</b>	<b>2,361,283</b>

## Warren Woods Public Schools

	Special Revenue Funds				Debt Service Funds
	Bookstore Activities	Food Services	Child Care Program	Student Activities	2012 Issue
<b>Revenue</b>					
Local sources	\$ 30,847	\$ 261,427	\$ 766,051	\$ 424,597	\$ 6
State sources	-	97,734	71,949	-	-
Federal sources	-	1,260,596	-	-	28,624
<b>Total revenue</b>	<b>30,847</b>	<b>1,619,757</b>	<b>838,000</b>	<b>424,597</b>	<b>28,630</b>
<b>Expenditures</b>					
Current:					
Support services -					
Transportation	-	-	-	460,975	-
Bookstores	25,856	-	-	-	-
Food services	-	1,361,959	-	-	-
Child care	-	-	835,982	-	-
Debt service:					
Principal	-	-	-	-	180,000
Interest	-	-	-	-	30,468
Other debt costs	-	-	-	-	650
Capital outlay	-	172,869	1,461	-	-
<b>Total expenditures</b>	<b>25,856</b>	<b>1,534,828</b>	<b>837,443</b>	<b>460,975</b>	<b>211,118</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>4,991</b>	<b>84,929</b>	<b>557</b>	<b>(36,378)</b>	<b>(182,488)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	6,039	-	182,488
Transfers out	-	(75,000)	-	-	-
<b>Total other financing (uses) sources</b>	<b>-</b>	<b>(75,000)</b>	<b>6,039</b>	<b>-</b>	<b>182,488</b>
<b>Net Change in Fund Balances</b>	<b>4,991</b>	<b>9,929</b>	<b>6,596</b>	<b>(36,378)</b>	<b>-</b>
<b>Fund Balances - Beginning of year (as restated)</b>	<b>16,151</b>	<b>786,232</b>	<b>40</b>	<b>461,797</b>	<b>-</b>
<b>Fund Balances - End of year</b>	<b>\$ 21,142</b>	<b>\$ 796,161</b>	<b>\$ 6,636</b>	<b>\$ 425,419</b>	<b>\$ -</b>

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

Year Ended June 30, 2020

Debt Service Funds				Capital Project Fund	
2014 Refunding	2015 Refunding	2016 Refunding	2018 Issue	Building and Site	Total
\$ 869,731	\$ 2,584,349	\$ 45	\$ 1,301,334	\$ -	\$ 6,238,387
28,885	85,916	-	43,328	-	327,812
-	-	-	-	-	1,289,220
898,616	2,670,265	45	1,344,662	-	7,855,419
-	-	-	-	-	460,975
-	-	-	-	-	25,856
-	-	-	-	-	1,361,959
-	-	-	-	-	835,982
720,000	1,815,000	480,000	475,000	-	3,670,000
135,150	728,500	40,385	871,750	-	1,806,253
500	750	750	500	-	3,150
-	-	-	-	59,246	233,576
855,650	2,544,250	521,135	1,347,250	59,246	8,397,751
42,966	126,015	(521,090)	(2,588)	(59,246)	(542,332)
-	-	-	-	750	750
-	-	521,103	-	-	709,630
-	-	-	-	-	(75,000)
-	-	521,103	-	750	635,380
42,966	126,015	13	(2,588)	(58,496)	93,048
109,026	294,375	32	233,012	301,649	2,202,314
<b>\$ 151,992</b>	<b>\$ 420,390</b>	<b>\$ 45</b>	<b>\$ 230,424</b>	<b>\$ 243,153</b>	<b>\$ 2,295,362</b>



## Warren Woods Public Schools

### Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2012 Issue (Nonvoted) Principal	2014 Refunding (Voted) Principal	2015 Refunding (Voted) Principal	2016 Refunding (Nonvoted) Principal	2018 Capital Projects (Voted) Principal	2020 Capital Projects (Voted) Principal	Total
2021	\$ 185,000	\$ 750,000	\$ 1,890,000	\$ 485,000	\$ 475,000	\$ -	\$ 3,785,000
2022	185,000	790,000	1,970,000	495,000	-	460,000	3,900,000
2023	185,000	810,000	2,070,000	510,000	-	550,000	4,125,000
2024	185,000	835,000	2,170,000	-	-	610,000	3,800,000
2025	-	840,000	2,270,000	-	-	765,000	3,875,000
2026	-	-	2,385,000	-	300,000	430,000	3,115,000
2027	-	-	-	-	1,160,000	875,000	2,035,000
2028	-	-	-	-	1,215,000	875,000	2,090,000
2029	-	-	-	-	1,275,000	875,000	2,150,000
2030	-	-	-	-	1,340,000	875,000	2,215,000
2031	-	-	-	-	1,405,000	875,000	2,280,000
2032	-	-	-	-	1,475,000	875,000	2,350,000
2033	-	-	-	-	1,545,000	875,000	2,420,000
2034	-	-	-	-	1,620,000	875,000	2,495,000
2035	-	-	-	-	1,700,000	875,000	2,575,000
2036	-	-	-	-	1,780,000	875,000	2,655,000
2037	-	-	-	-	1,860,000	875,000	2,735,000
2038	-	-	-	-	-	875,000	875,000
2039	-	-	-	-	-	900,000	900,000
2040	-	-	-	-	-	900,000	900,000
Total remaining payments	<u>\$ 740,000</u>	<u>\$ 4,025,000</u>	<u>\$ 12,755,000</u>	<u>\$ 1,490,000</u>	<u>\$ 17,150,000</u>	<u>\$ 15,115,000</u>	<u>\$ 51,275,000</u>
Interest rate	2.25%-3.60%	2.00%-3.00%	3.00%-5.00%	2.05%	3.00%-5.00%	4.00%	
Original issue	<u>\$ 2,000,000</u>	<u>\$ 7,515,000</u>	<u>\$ 19,595,000</u>	<u>\$ 2,945,000</u>	<u>\$ 17,675,000</u>	<u>\$ 15,115,000</u>	

Principal payments for the bond issues are due on May 1 of each year.

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