
Warren Woods Public Schools

**Financial Report
with Supplemental Information
June 30, 2021**

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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, 2021 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, 2021 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.

To the Board of Education
Warren Woods Public Schools

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 opinions 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 10, 2021 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 solely 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 effectiveness of Warren Woods Public Schools' 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 10, 2021

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, 2021. 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 and 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 2020 Capital Projects Fund, 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, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(In Millions)	
Assets		
Current and other assets	\$ 36.6	\$ 36.7
Capital assets	52.5	51.7
Total assets	89.1	88.4
Deferred Outflows of Resources	23.7	27.9
Liabilities		
Current liabilities	8.8	6.0
Noncurrent liabilities	54.2	58.6
Net pension liability	81.8	78.7
Net OPEB liability	12.8	17.2
Total liabilities	157.6	160.5
Deferred Inflows of Resources	12.9	12.4
Net Position (Deficit)		
Net investment in capital assets	13.8	13.5
Restricted	0.9	1.1
Unrestricted	(72.4)	(71.2)
Total net position (deficit)	<u>\$ (57.7)</u>	<u>\$ (56.6)</u>

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 \$(57.7) million at June 30, 2021. Net investment in capital assets, totaling \$13.8 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, \$(72.4) million, was unrestricted and represents the accumulated results of all past years' operations.

The \$(72.4) 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, 2021 and 2020.

	Governmental Activities	
	2021	2020
	(In Millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.6	\$ 1.1
Operating grants	15.4	12.5
General revenue:		
Taxes	8.1	7.7
State aid not restricted to specific purposes	25.7	24.9
Other	0.3	0.8
Total revenue	50.1	47.0
Expenses		
Instruction	26.9	25.9
Support services	16.5	17.0
Bookstores	-	0.1
Athletics	0.6	0.6
Food services	1.3	1.4
Child care	0.7	0.9
Debt service	1.8	1.5
Depreciation expense (unallocated)	3.4	2.9
Total expenses	51.2	50.3
Change in Net Position	(1.1)	(3.3)
Net Position (Deficit) - Beginning of year	(56.6)	(53.3)
Net Position (Deficit) - End of year	<u><u>\$ (57.7)</u></u>	<u><u>\$ (56.6)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$51.2 million. Certain activities were partially funded from those who benefited from the programs (\$0.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$15.4 million). We paid for the remaining public benefit portion of our governmental activities with \$8.1 million in taxes, \$25.7 million in state foundation allowance, and other revenue (i.e., interest and general entitlements). The School District experienced a decrease in net position of \$1.1 million. A key reason for the change in net position was the increase in the net pension liability.

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 \$28.1 million, which is a decrease of \$2.9 million from last year. The primary reason for the decrease was the spending of the 2020 and 2018 bonds.

In the General Fund, our principal operating fund, the fund balance increased by approximately \$1.6 million to \$10.5 million. The increase relates primarily to an increase in state funding and operational cost savings due to periods of remote learning for the year and buildings at less than full capacity, as families chose to keep their students home during the coronavirus (COVID-19) pandemic. 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. The combined fund balance of the School District's special revenue funds remained consistent with the prior year at approximately \$1.4 million.

Combined, the fund balance of our debt service funds decreased by approximately \$181,000. 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 decreased by \$4.5 million. This decrease is primarily due to continued construction and other projects related to the 2018 and 2020 bonds.

Budgetary Highlights

By state law, the Warren Woods Public Schools Board of Education must approve a budget effective July 1 of each year.

The original budget is prepared to meet our obligation in good faith. Several major variables are not fully known at the time of budget preparation; consequently, over the course of the year, the School District revises its budget as items become known and the School District attempts to deal with unexpected changes in revenue and expenditures. Amendments to the original adopted budget are passed in order to reflect changes in information and circumstances.

The 2020-2021 school year was another challenging year, as the School District found itself navigating the COVID-19 pandemic throughout the fiscal year. The final amendment to the budget was adopted in June 2021 and required significant adjustments, as the School District received considerable amounts of additional federal relief funding and incurred a substantial increase in expenses to support staff and students during the pandemic. 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.

In December 2020, the Board of Education amended the budgeted revenue to account for a decrease in enrollment, as well as changes in state funding, as the State of Michigan did not finalize its 2020-2021 budget until after the School District was required to adopt its original 2020-2021 budget in June 2020.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

As mentioned previously, significant revisions to the General Fund budget were necessary due to COVID-19. Local revenue decreased, as interest rates plummeted, attendance at sporting events was either not allowed or limited, and facility rentals were suspended. State revenue also changed because, at the time of the original budget adoption, the State of Michigan was anticipating substantial cuts to school funding, but an August 2020 revenue conference revealed a surprise increase in state revenue leading to a \$500 per pupil increase above the original projected foundation allowance, which was adopted. In addition, federal revenue notably increased, as the School District was awarded grants and financial assistance from the Elementary and Secondary School Emergency Relief Fund (ESSER), the Governor's Emergency Education Relief Fund (GEER), and the Coronavirus Relief Fund (CRF), including reimbursements for technology from the Macomb Intermediate School District and MiConnect program. In looking at the School District's expenses, the December 2020 amendment addressed increases due to a new teacher contract, additional teaching positions added to keep class sizes small, laptops and instructional supplies for students participating in remote learning, and a substantial investment in personal protective equipment for staff and students.

An additional budget amendment was done in March 2021 to again address the changing landscape of education as we continued to provide instruction to students both in person and remotely with a final amendment adopted in June 2021.

Overall, budgeted revenue was increased by approximately \$2.97 million from the original budget, and budgeted expenses were decreased by approximately \$169,000.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021 and 2019, the School District had \$52.5 million and \$51.7 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 \$0.8 million from 2020 to 2021.

	2021	2020
Land	\$ 4,000	\$ 4,000
Construction in progress	3,698,293	963,176
Buildings and improvements	41,878,857	43,669,402
Furniture and equipment	4,001,281	3,826,269
Buses and other vehicles	437,485	448,647
Land improvements	2,484,026	2,740,067
Total capital assets - Net of accumulated depreciation	\$ 52,503,942	\$ 51,651,561

This year's additions were mainly related to the School District's 2018 and 2020 bond issues, including a new roof on Enterprise High School, a new technology data center, and school busses. As of June 30, 2021, \$3.7 million of construction in progress is related to several major capital projects that will continue into the 2020-2021 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$47.5 million in bonds outstanding versus \$51.3 million in the previous year. The decrease was a result of paying down outstanding debt in accordance with scheduled repayments.

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 25.51 percent of 2021 expenditures, including the Special Education Center Program Fund. The 2021-2022 fiscal year budget anticipates the use of \$2.13 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 2021-2022:

The 2021-2022 budget was adopted in June 2021 based on an estimated number of students who will be enrolled from September 2021 through February 2022. Based on early enrollment projections at the end of the 2020-2021 school year, the School District anticipates that the fall student count will be down by approximately 135 full-time equivalent students from the super blend count used in 2020-2021, and that number was used to create the 2021-2022 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 additional 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 \$211,000 for the 2021-2022 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 2020-2021 final foundation allowance of \$8,259 to the 2021-2022 budgeted level of \$8,354 per student. 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.

At the time of adoption, the State School Aid Act for 2021-2022 still had not been approved, so the Board of Education and administration had to make many assumptions to set the original budget for fiscal year 2021-2022, including an assumed \$95 per pupil increase in the foundation allowance. The retirement rate was projected to increase to 28.23 percent from 28.21 percent, and the School District will be required to pay 15.05 percent for the unfunded actuarial accrued liability (UAAL) as of October 1, 2021. Expenditures for 2021-2022 are estimated to be \$40.2 million with an assumed return to normal operating levels in the fall of 2021. The original budget also included additional teacher positions to continue to keep kindergarten, first grade, and second grade class sizes smaller as the School District begins to work on closing any learning gaps created by the absence of in-person instruction during the 2020-2021 school year. The original budget included the fiscal impact of the Board of Education ratifying a new collective bargaining agreement with one of its four bargaining groups but will have to be amended next fall to incorporate the final impact of a new contract with its other three groups. In addition, the School District has budgeted \$350,000 for the adoption of a new elementary math textbook series and phonics resources. A full listing of all of the assumptions used in setting the original 2021-2022 budget can be found on the School District's website.

In a declining enrollment environment, 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. There continues to be a high degree of uncertainty regarding potential changes due to COVID-19, and the School District is continuously evaluating the impacts of the pandemic as it determines the appropriate methods to deliver instruction to students in a safe environment. Prudent fiscal responsibility and cost containment remain critical to the School District's ability to effectively operate in this volatile and challenging climate. Opportunities to enhance revenue and control costs will be monitored on an ongoing basis. The School District will also need to continue to take on the responsibility of managing an influx of federal dollars as the federal government provides relief funds to ease the potential catastrophic impact of COVID-19 on the local economy. To balance the budget, an estimated \$2.13 million contribution from fund balance will be used as a strategy to further reduce the impact on student programs and services.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

Contacting the School District's Management

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

Neil R. Cassabon, Deputy Superintendent
Warren Woods Public Schools
12900 Frazho Road
Warren, MI 48089
Telephone: (586) 439-4413
Email: ncassabon@mywwps.org

Warren Woods Public Schools

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 12,268,333
Receivables:	
Interest receivable	2,594
Accounts receivable	134,514
Due from other governments	6,625,045
Inventories	18,855
Prepaid costs and other assets	75,007
Restricted assets (Note 4)	17,413,996
Capital assets - Net (Note 6)	<u>52,503,942</u>
Total assets	89,042,286
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	684,498
Deferred pension costs (Note 10)	17,202,292
Deferred OPEB costs (Note 10)	<u>5,854,205</u>
Total deferred outflows of resources	23,740,995
Liabilities	
Accounts payable	2,251,231
Due to other governmental units	708,415
Accrued liabilities and other	3,953,933
Unearned revenue (Note 5)	1,836,691
Noncurrent liabilities:	
Due within one year (Note 8)	4,529,164
Due in more than one year (Note 8)	49,753,356
Net pension liability (Note 10)	81,770,192
Net OPEB liability (Note 10)	<u>12,756,446</u>
Total liabilities	157,559,428
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the report date	3,100,893
Deferred pension cost reductions (Note 10)	242,978
Deferred OPEB cost reductions (Note 10)	<u>9,594,930</u>
Total deferred inflows of resources	<u>12,938,801</u>
Net Position (Deficit)	
Net investment in capital assets	13,792,477
Restricted:	
Debt	330,405
Capital projects	554,753
Unrestricted	<u>(72,392,583)</u>
Total net position (deficit)	<u><u>\$ (57,714,948)</u></u>

Warren Woods Public Schools

Statement of Activities

Year Ended June 30, 2021

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 26,941,930	\$ 55,520	\$ 9,052,633	\$ (17,833,777)
Support services	16,529,957	-	5,025,276	(11,504,681)
Bookstores	2,593	2,782	-	189
Athletics	644,362	24,073	-	(620,289)
Food services	1,245,003	28,730	1,327,839	111,566
Child care	714,751	531,014	-	(183,737)
Interest	1,814,329	-	-	(1,814,329)
Other debt costs	3,149	-	-	(3,149)
Depreciation expense (unallocated)	3,378,364	-	-	(3,378,364)
Total primary government	\$ 51,274,438	\$ 642,119	\$ 15,405,748	(35,226,571)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				3,212,034
Property taxes, levied for debt service				4,897,860
State aid not restricted to specific purposes				25,685,412
Federal grants and contributions not restricted to specific purposes				23,696
Interest and investment earnings				34,865
Penalties, interest, and other taxes				11,442
Loss on sale of capital assets				(5,854)
Other:				
Student activity revenue				188,242
Miscellaneous income				38,536
Total general revenue				34,086,233
Change in Net Position				(1,140,338)
Net Position (Deficit) - Beginning of year				(56,574,610)
Net Position (Deficit) - End of year				\$ (57,714,948)

Warren Woods Public Schools

Governmental Funds Balance Sheet

June 30, 2021

	General Fund	Special Education Center Program Fund	2020 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 10,532,057	\$ -	\$ -	\$ 1,736,276	\$ 12,268,333
Receivables:					
Interest receivable	538	-	2,056	-	2,594
Accounts receivable	-	-	-	134,514	134,514
Due from other governments	6,625,045	-	-	-	6,625,045
Due from other funds (Note 7)	3,922	295,912	-	81,784	381,618
Inventories	-	-	-	18,855	18,855
Prepaid costs and other assets	75,007	-	-	-	75,007
Restricted assets (Note 4)	-	-	15,353,905	2,060,091	17,413,996
	<u>\$ 17,236,569</u>	<u>\$ 295,912</u>	<u>\$ 15,355,961</u>	<u>\$ 4,031,520</u>	<u>\$ 36,919,962</u>
Total assets					
Liabilities					
Accounts payable	\$ 530,112	\$ -	\$ 1,469,047	\$ 252,072	\$ 2,251,231
Due to other governmental units	708,352	-	-	63	708,415
Due to other funds (Note 7)	339,955	15,892	-	25,771	381,618
Accrued liabilities and other	3,662,123	-	-	-	3,662,123
Unearned revenue (Note 5)	1,514,949	280,020	-	41,722	1,836,691
	<u>6,755,491</u>	<u>295,912</u>	<u>1,469,047</u>	<u>319,628</u>	<u>8,840,078</u>
Total liabilities					
Fund Balances					
Nonspendable:					
Inventories	-	-	-	18,855	18,855
Prepaid costs	75,007	-	-	-	75,007
Restricted:					
Debt service	-	-	-	622,215	622,215
Capital projects (unspent bond proceeds)	-	-	13,886,914	1,185,804	15,072,718
Food service	-	-	-	927,721	927,721
Committed:					
Compensated absences	368,593	-	-	-	368,593
Child care	-	-	-	22,777	22,777
Student activities	-	-	-	416,448	416,448
Bookstore	-	-	-	19,731	19,731
Tax tribunal cases	100,000	-	-	-	100,000
Assigned:					
Capital replacements	-	-	-	498,341	498,341
Working capital	3,658,783	-	-	-	3,658,783
Subsequent year budget shortfall	2,117,490	-	-	-	2,117,490
Unassigned	4,161,205	-	-	-	4,161,205
	<u>10,481,078</u>	<u>-</u>	<u>13,886,914</u>	<u>3,711,892</u>	<u>28,079,884</u>
Total fund balances					
Total liabilities and fund balances	<u>\$ 17,236,569</u>	<u>\$ 295,912</u>	<u>\$ 15,355,961</u>	<u>\$ 4,031,520</u>	<u>\$ 36,919,962</u>

Warren Woods Public Schools

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

June 30, 2021

Fund Balances Reported in Governmental Funds	\$ 28,079,884
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	107,110,147
Accumulated depreciation	<u>(54,606,205)</u>
Net capital assets used in governmental activities	52,503,942
Deferred inflows and outflows related to bond refundings are not reported in the funds	684,498
Bonds payable obligations and related premiums are not due and payable in the current period and are not reported in the funds	(53,913,928)
Accrued interest is not due and payable in the current period and is not reported in the funds	(291,810)
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	(368,592)
Net pension liability and related deferred inflows and outflows	(64,810,878)
Net OPEB liability and related deferred inflows and outflows	(16,497,171)
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>(3,100,893)</u>
Net Position (Deficit) of Governmental Activities	<u>\$ (57,714,948)</u>

Warren Woods Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

	General Fund	Special Education Center Program Fund	2020 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 3,339,941	\$ -	\$ 20,613	\$ 5,664,544	\$ 9,025,098
State sources	29,700,027	1,652,568	-	342,680	31,695,275
Federal sources	3,058,860	-	-	1,430,875	4,489,735
Interdistrict and other sources	2,609,796	2,787,000	-	-	5,396,796
Total revenue	38,708,624	4,439,568	20,613	7,438,099	50,606,904
Expenditures					
Current:					
Instruction	22,514,859	2,147,388	-	-	24,662,247
Support services	13,373,783	1,822,148	1,008	197,213	15,394,152
Bookstores	-	-	-	2,593	2,593
Athletics	603,252	-	-	-	603,252
Food services	-	-	-	1,160,442	1,160,442
Child care	-	-	-	664,290	664,290
Debt service:					
Principal	-	-	-	3,785,000	3,785,000
Interest	-	-	-	2,174,055	2,174,055
Other debt costs	-	-	-	3,149	3,149
Capital outlay	207,009	4,295	3,798,064	1,064,408	5,073,776
Total expenditures	36,698,903	3,973,831	3,799,072	9,051,150	53,522,956
Excess of Revenue Over (Under) Expenditures	2,009,721	465,737	(3,778,459)	(1,613,051)	(2,916,052)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	5,460	5,460
Transfers in	540,737	-	-	953,273	1,494,010
Transfers out	(953,273)	(465,737)	-	(75,000)	(1,494,010)
Total other financing (uses) sources	(412,536)	(465,737)	-	883,733	5,460
Net Change in Fund Balances	1,597,185	-	(3,778,459)	(729,318)	(2,910,592)
Fund Balances - Beginning of year	8,883,893	-	17,665,373	4,441,210	30,990,476
Fund Balances - End of year	\$ 10,481,078	\$ -	\$ 13,886,914	\$ 3,711,892	\$ 28,079,884

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, 2021

Net Change in Fund Balance Reported in Governmental Funds	\$ (2,910,592)
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	4,242,059
Depreciation expense	(3,378,364)
Net book value of assets disposed of	(11,314)
Revenue in support of pension contributions made subsequent to the measurement date	(466,950)
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	4,222,286
Interest expense is recognized in the government-wide statements as it accrues	(77,560)
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	(2,759,903)
Change in Net Position of Governmental Activities	<u><u>\$ (1,140,338)</u></u>

June 30, 2021

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 the following 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 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.

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.

Note 2 - Significant Accounting Policies (Continued)

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 and/or balance sheet 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 and/or balance sheet 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 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-of-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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 10, 2021, which is the date the financial statements were available to be issued.

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.

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.

Beginning with the year of bond issuance, the School District has reported the annual activity in the 2018 Capital Projects Fund. The projects for which the 2018 Capital Projects bonds were issued were considered complete during February 2021.

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 no 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:

June 30, 2021

Note 4 - Deposits and Investments (Continued)

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 \$3,043,600 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.

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.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. At June 30, 2021, 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.

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.

At year end, the credit quality ratings of investment pools are as follows:

Security and Rating Agency	Rating	Carrying Value
MILAF Investment Pool - Cash Management Class (S&P)	AAAm	\$ 2,069,544
MILAF Investment Pool - Max Class (S&P)	AAAm	13,196,348
MILAF Investment Pool - Term Series (Kroll)	AAAkf	12,500,000
Total		<u>\$ 27,765,892</u>

Investments in Entities that Calculate Net Asset Value per Share

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

June 30, 2021

Note 4 - Deposits and Investments (Continued)

As of June 30, 2021, the fair value of the School District's investments in the MILAF Term Series was \$12,500,000. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date upon initiation of the investment. Early redemptions are permitted, but an early redemption fee would apply.

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

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, 2021, the School District had no unavailable revenue and \$1,836,691 of unearned revenue, primarily related to categorical aid and federal assistance 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, 2020	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,000
Construction in progress	963,176	(963,176)	3,698,293	-	3,698,293
Subtotal	967,176	(963,176)	3,698,293	-	3,702,293
Capital assets being depreciated:					
Buildings and improvements	82,001,256	553,655	70,468	-	82,625,379
Furniture and equipment	12,344,687	409,521	376,217	(79,793)	13,050,632
Buses and other vehicles	1,776,319	-	97,081	(184,756)	1,688,644
Land improvements	6,043,199	-	-	-	6,043,199
Subtotal	102,165,461	963,176	543,766	(264,549)	103,407,854
Accumulated depreciation:					
Buildings and improvements	38,331,854	-	2,414,668	-	40,746,522
Furniture and equipment	8,518,418	-	599,412	(68,479)	9,049,351
Buses and other vehicles	1,327,672	-	108,243	(184,756)	1,251,159
Land improvements	3,303,132	-	256,041	-	3,559,173
Subtotal	51,481,076	-	3,378,364	(253,235)	54,606,205
Net capital assets being depreciated	50,684,385	963,176	(2,834,598)	(11,314)	48,801,649
Net governmental activities capital assets	\$ 51,651,561	\$ -	\$ 863,695	\$ (11,314)	\$ 52,503,942

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, 2021

Note 6 - Capital Assets (Continued)

Construction Commitments

The School District has active construction projects at year end relating to the 2018 and 2020 bond issue. At year end, the School District's commitments with contractors are as follows:

	<u>Remaining Commitment</u>
2018 Capital Projects Fund	\$ 214,008
2020 Capital Projects Fund	6,236,891

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	\$ -	\$ 280,542	\$ 59,413	\$ 339,955
Special Education Center Program Fund	-	-	15,892	15,892
Nonmajor governmental funds	3,922	15,370	6,479	25,771
Total	<u>\$ 3,922</u>	<u>\$ 295,912</u>	<u>\$ 81,784</u>	<u>\$ 381,618</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	\$ 953,273
Nonmajor funds	General Fund	75,000
Special Education Center Program Fund	General Fund	465,737
	Total	<u>\$ 1,494,010</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. Funds were also transferred from the General Fund to the Building and Site Fund for capital improvements.

June 30, 2021

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2021 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:					
General obligations	\$ 51,275,000	\$ -	\$ (3,785,000)	\$ 47,490,000	\$ 3,900,000
Unamortized bond premiums	7,016,233	-	(592,305)	6,423,928	592,305
Total bonds payable - Other debt	58,291,233	-	(4,377,305)	53,913,928	4,492,305
Compensated absences	346,521	22,071	-	368,592	36,859
Total governmental activities long-term debt	<u>\$ 58,637,754</u>	<u>\$ 22,071</u>	<u>\$ (4,377,305)</u>	<u>\$ 54,282,520</u>	<u>\$ 4,529,164</u>

The School District had deferred outflows of \$684,498 related to deferred charges on bond refundings at June 30, 2021.

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, 2021 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	\$ 555,000
\$7,515,000 general obligation limited tax bonds (2014)	\$790,000 - \$840,000	2.00 - 3.00	2025	3,275,000
\$19,595,000 general obligation unlimited tax and refunding bonds (2015)	\$1,970,000 - \$2,385,000	3.00 - 5.00	2026	10,865,000
\$2,945,000 general obligation unlimited tax and refunding bonds (2016)	\$495,000 - \$510,000	2.05	2023	1,005,000
\$17,675,000 general obligation unlimited tax bonds (2018)	\$300,000 - \$1,860,000	3.00 - 5.00	2037	16,675,000
\$15,115,000 general obligation unlimited tax bonds (2020)	\$460,000 - \$900,000	4.00	2040	15,115,000
Total qualified bonds				<u>\$ 47,490,000</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 salary is 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
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	3,115,000	1,462,200	4,577,200
2027-2031	10,770,000	5,595,000	16,365,000
2032-2036	12,495,000	2,956,250	15,451,250
2037-2041	5,410,000	450,000	5,860,000
Total	\$ 47,490,000	\$ 17,934,558	\$ 65,424,558

*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 (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>.

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.

June 30, 2021

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

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.

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.

June 30, 2021

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

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, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

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, 2021 were \$7,443,151, 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 \$3,100,893 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, 2021.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2021 were \$1,889,966, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2021, the School District reported a liability of \$81,770,192 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. 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, 2020 and 2019, the School District's proportion was 0.24 percent.

Net OPEB Liability

At June 30, 2021, the School District reported a liability of \$12,756,446 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2021 was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. 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, 2020 and 2019, the School District's proportion was 0.24 percent.

June 30, 2021

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

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

For 2021, the School District recognized pension expense of \$11,898,580, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,249,381	\$ (174,526)
Changes in assumptions	9,060,926	-
Net difference between projected and actual earnings on pension plan investments	343,562	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	308,127	(68,452)
The School District's contributions to the plan subsequent to the measurement date	6,240,296	-
	<u>6,240,296</u>	<u>-</u>
Total	<u>\$ 17,202,292</u>	<u>\$ (242,978)</u>

The \$3,100,893 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, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Amount</u>
2022	\$ 4,914,599
2023	3,427,973
2024	1,813,170
2025	563,276
Total	<u>\$ 10,719,018</u>

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

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

For the year ended June 30, 2021, the School District recognized OPEB benefit of \$316,751.

June 30, 2021

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

At June 30, 2021, 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	\$ -	\$ (9,504,745)
Changes in assumptions	4,206,054	-
Net difference between projected and actual earnings on OPEB plan investments	106,467	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	194,749	(90,185)
Employer contributions to the plan subsequent to the measurement date	1,346,935	-
Total	<u>\$ 5,854,205</u>	<u>\$ (9,594,930)</u>

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

Years Ending	Amount
2022	\$ (1,374,030)
2023	(1,225,567)
2024	(1,000,372)
2025	(810,806)
2026	(676,885)
Total	<u>\$ (5,087,660)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2020 are based on the results of an actuarial valuation as of September 30, 2019 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 7.05%	6.00% - 7.05%
Investment rate of return - OPEB	7.50%	7.15%
Salary increases	3.50% - 12.30%	2.75% - 11.55%
Health care cost trend rate - OPEB	7.0%	Year 1 graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 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 MP-2017 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.

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

Significant assumption changes since the prior measurement date, September 30, 2019, for the OPEB plan include a reduction in the health care cost trend rate of 0.50 percentage points and the actual per person health benefit costs were lower than projected. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2020 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020. 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	25.00 %	5.60 %
Private equity pools	16.00	9.30
International equity pools	15.00	7.40
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	4.90
Absolute return pools	9.00	3.20
Real return/opportunistic pools	12.50	6.60
Short-term investment pools	2.00	(0.10)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.1 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	\$ 105,837,642	\$ 81,770,192	\$ 61,823,640

June 30, 2021

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	\$ 16,387,105	\$ 12,756,446	\$ 9,699,736

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 (6.00%)	Current Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the School District	\$ 9,582,700	\$ 12,756,446	\$ 16,366,191

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, 2021, the School District reported a payable of \$1,041,444 and \$205,160 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

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, 2021, the School District's property tax revenue was reduced by \$411,558 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 \$234,282 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from debt service millages. There are no abatements made by the School District.

Required Supplemental Information

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual
Revenue			
Local sources	\$ 3,272,013	\$ 3,340,700	\$ 3,339,941
State sources	27,994,803	29,741,094	29,700,027
Federal sources	1,902,710	3,119,009	3,058,860
Interdistrict and other sources	2,672,174	2,614,172	2,609,796
Total revenue	35,841,700	38,814,975	38,708,624
Expenditures			
Current:			
Instruction:			
Basic programs	17,258,004	18,236,194	17,981,175
Added needs	5,044,567	4,501,219	4,424,247
Adult and continuing education	323,013	329,873	296,106
Total instruction	22,625,584	23,067,286	22,701,528
Support services:			
Pupil	3,085,679	3,172,496	3,120,252
Instructional staff	1,672,705	1,273,612	1,220,755
General administration	528,834	496,040	483,442
School administration	2,157,324	2,156,833	2,123,563
Business services	644,609	556,215	515,946
Operations and maintenance	4,035,116	4,093,518	3,883,699
Transportation	702,544	617,572	571,008
Central support services	1,208,379	1,100,389	1,059,714
Other support services	462,632	428,606	414,144
Athletics	647,048	639,186	604,852
Total expenditures	37,770,454	37,601,753	36,698,903
Excess of Revenue (Under) Over Expenditures	(1,928,754)	1,213,222	2,009,721
Other Financing Uses - Transfers out - Net	(138,304)	(454,685)	(412,536)
Net Change in Fund Balance	(2,067,058)	758,537	1,597,185
Fund Balance - Beginning of year	8,883,893	8,883,893	8,883,893
Fund Balance - End of year	\$ 6,816,835	\$ 9,642,430	\$ 10,481,078

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule Special Education Center Program Fund

Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenue			
State sources	\$ 1,786,085	\$ 1,652,568	\$ 1,652,568
Interdistrict and other sources	2,868,147	2,799,021	2,787,000
Total revenue	4,654,232	4,451,589	4,439,568
Expenditures			
Current:			
Salaries and wages	2,421,786	2,371,757	2,353,110
Employee benefits	1,671,085	1,607,397	1,580,191
Purchased services	37,100	9,702	6,596
Purchased services (contracted)	-	-	986
Supplies and materials	34,070	34,850	28,653
Capital outlay	-	4,295	4,295
Total expenditures	4,164,041	4,028,001	3,973,831
Excess of Revenue Over Expenditures	490,191	423,588	465,737
Other Financing Uses - Transfers out	(490,191)	(423,588)	(465,737)
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Last Seven Plan Years						
	Plan Years Ended September 30						
	<u>2020</u>	<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	0.23804 %	0.23761 %	0.23681 %	0.23615 %	0.23436 %	0.24120 %	0.24020 %
School District's proportionate share of the net pension liability	\$ 81,770,192	\$ 78,687,811	\$ 71,190,104	\$ 61,196,766	\$ 58,471,626	\$ 58,919,322	\$ 52,908,682
School District's covered payroll	\$ 21,127,349	\$ 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	387.03 %	376.48 %	353.00 %	306.65 %	298.49 %	292.26 %	258.91 %
Plan fiduciary net position as a percentage of total pension liability	59.49 %	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

	Last Seven Fiscal Years						
	Years Ended June 30						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 7,267,591	\$ 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>7,267,591</u>	<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>
Contribution Excess (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 21,369,242	\$ 21,158,048	\$ 20,715,730	\$ 20,214,242	\$ 20,713,745	\$ 19,807,674	\$ 20,167,108
Contributions as a Percentage of Covered Payroll	34.01 %	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 Four Plan Years			
	Plan Years Ended September 30			
	2021	2020	2019	2018
School District's proportion of the net OPEB liability	0.23811 %	0.23917 %	0.23682 %	0.23596 %
School District's proportionate share of the net OPEB liability	\$ 12,756,446	\$ 17,167,273	\$ 18,824,608	\$ 20,895,606
School District's covered payroll	\$ 21,127,349	\$ 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	60.38 %	82.14 %	93.34 %	104.71 %
Plan fiduciary net position as a percentage of total OPEB liability	59.76 %	48.67 %	43.10 %	36.53 %

Warren Woods Public Schools

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

	Last Four Fiscal Years Years Ended June 30			
	2021	2020	2019	2018
Statutorily required contribution	\$ 1,778,295	\$ 1,700,176	\$ 1,620,985	\$ 1,449,484
Contributions in relation to the statutorily required contribution	1,778,295	1,700,176	1,620,985	1,449,484
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 21,369,242	\$ 20,158,048	\$ 20,715,730	\$ 20,214,242
Contributions as a Percentage of Covered Payroll	8.32 %	8.43 %	7.82 %	7.17 %

June 30, 2021

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:

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 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. 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 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.

Other Supplemental Information

Warren Woods Public Schools

	Special Revenue Funds				Debt Service Funds
	Bookstore Activities	Food Services	Child Care Program	Student Activities	2012 Issue
Assets					
Cash and investments	\$ 16,269	\$ 797,429	\$ -	\$ 424,237	\$ -
Receivables - Accounts receivable	-	97,176	37,338	-	-
Due from other funds	3,435	67,571	10,778	-	-
Inventories	1,652	17,203	-	-	-
Restricted assets - Restricted cash and cash equivalents	-	-	-	-	-
Total assets	\$ 21,356	\$ 979,379	\$ 48,116	\$ 424,237	\$ -
Liabilities					
Accounts payable:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Retainage payable	-	-	-	-	-
Due to other governmental units	-	63	-	-	-
Due to other funds	-	16,478	1,504	7,789	-
Unearned revenue	-	17,887	23,835	-	-
Total liabilities	-	34,428	25,339	7,789	-
Fund Balances					
Nonspendable - Inventories	1,625	17,230	-	-	-
Restricted:					
Debt service	-	-	-	-	-
Capital projects (unspent bond proceeds)	-	-	-	-	-
Food service	-	927,721	-	-	-
Committed:					
Child care	-	-	22,777	-	-
Student activities	-	-	-	416,448	-
Bookstore	19,731	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	21,356	944,951	22,777	416,448	-
Total liabilities and fund balances	\$ 21,356	\$ 979,379	\$ 48,116	\$ 424,237	\$ -

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

Debt Service Funds					Capital Project Funds		Total
2014 Refunding	2015 Refunding	2016 Refunding	2018 Issue	2020 Debt	Building and Site	2018 Capital Projects Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498,341	\$ -	\$ 1,736,276
-	-	-	-	-	-	-	134,514
-	-	-	-	-	-	-	81,784
-	-	-	-	-	-	-	18,855
98,259	261,687	2	143,675	118,592	-	1,437,876	2,060,091
\$ 98,259	\$ 261,687	\$ 2	\$ 143,675	\$ 118,592	\$ 498,341	\$ 1,437,876	\$ 4,031,520
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220,962	\$ 220,962
-	-	-	-	-	-	31,110	31,110
-	-	-	-	-	-	-	63
-	-	-	-	-	-	-	25,771
-	-	-	-	-	-	-	41,722
-	-	-	-	-	-	252,072	319,628
-	-	-	-	-	-	-	18,855
98,259	261,687	2	143,675	118,592	-	-	622,215
-	-	-	-	-	-	1,185,804	1,185,804
-	-	-	-	-	-	-	927,721
-	-	-	-	-	-	-	22,777
-	-	-	-	-	-	-	416,448
-	-	-	-	-	-	-	19,731
-	-	-	-	-	498,341	-	498,341
98,259	261,687	2	143,675	118,592	498,341	1,185,804	3,711,892
\$ 98,259	\$ 261,687	\$ 2	\$ 143,675	\$ 118,592	\$ 498,341	\$ 1,437,876	\$ 4,031,520

Warren Woods Public Schools

	Special Revenue Funds				Debt Service Funds
	Bookstore Activities	Food Services	Child Care Program	Student Activities	2012 Issue
Revenue					
Local sources	\$ 2,807	\$ 36,858	\$ 531,014	\$ 188,242	\$ -
State sources	-	119,935	72,390	-	-
Federal sources	-	1,327,839	79,340	-	23,696
Total revenue	2,807	1,484,632	682,744	188,242	23,696
Expenditures					
Current:					
Support services - Student activities	-	-	-	197,213	-
Bookstores	2,593	-	-	-	-
Food services	-	1,160,442	-	-	-
Child care	-	-	664,290	-	-
Debt service:					
Principal	-	-	-	-	185,000
Interest	-	-	-	-	25,068
Other debt costs	-	-	-	-	650
Capital outlay	-	100,400	2,313	-	-
Total expenditures	2,593	1,260,842	666,603	197,213	210,718
Excess of Revenue Over (Under) Expenditures	214	223,790	16,141	(8,971)	(187,022)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	187,022
Transfers out	-	(75,000)	-	-	-
Total other financing (uses) sources	-	(75,000)	-	-	187,022
Net Change in Fund Balances	214	148,790	16,141	(8,971)	-
Fund Balances - Beginning of year	21,142	796,161	6,636	425,419	-
Fund Balances - End of year	<u>\$ 21,356</u>	<u>\$ 944,951</u>	<u>\$ 22,777</u>	<u>\$ 416,448</u>	<u>\$ -</u>

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

Year Ended June 30, 2021

Debt Service Funds					Capital Project Funds		Total
2014 Refunding	2015 Refunding	2016 Refunding	2018 Issue	2020 Debt	Building and Site	2018 Capital Projects Fund	
\$ 793,221	\$ 2,299,373	\$ -	\$ 1,204,528	\$ 607,122	\$ -	\$ 1,379	\$ 5,664,544
24,296	70,424	-	36,973	18,662	-	-	342,680
-	-	-	-	-	-	-	1,430,875
817,517	2,369,797	-	1,241,501	625,784	-	1,379	7,438,099
-	-	-	-	-	-	-	197,213
-	-	-	-	-	-	-	2,593
-	-	-	-	-	-	-	1,160,442
-	-	-	-	-	-	-	664,290
750,000	1,890,000	485,000	475,000	-	-	-	3,785,000
120,750	637,750	30,545	852,750	507,192	-	-	2,174,055
500	750	749	500	-	-	-	3,149
-	-	-	-	-	272	961,423	1,064,408
871,250	2,528,500	516,294	1,328,250	507,192	272	961,423	9,051,150
(53,733)	(158,703)	(516,294)	(86,749)	118,592	(272)	(960,044)	(1,613,051)
-	-	-	-	-	5,460	-	5,460
-	-	516,251	-	-	250,000	-	953,273
-	-	-	-	-	-	-	(75,000)
-	-	516,251	-	-	255,460	-	883,733
(53,733)	(158,703)	(43)	(86,749)	118,592	255,188	(960,044)	(729,318)
151,992	420,390	45	230,424	-	243,153	2,145,848	4,441,210
\$ 98,259	\$ 261,687	\$ 2	\$ 143,675	\$ 118,592	\$ 498,341	\$ 1,185,804	\$ 3,711,892

Warren Woods Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2021

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
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	\$ 555,000	\$ 3,275,000	\$ 10,865,000	\$ 1,005,000	\$ 16,675,000	\$ 15,115,000	\$ 47,490,000
Interest rate	2.25%-3.60%	2.00%-3.00%	3.00%-5.00%	2.05%	3.00%-5.00%	4.00%	
Original issue	\$ 2,000,000	\$ 7,515,000	\$ 19,595,000	\$ 2,945,000	\$ 17,675,000	\$ 15,115,000	

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.