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# Novi Community School District

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

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## **Independent Auditor's Report**

To the Board of Education  
Novi Community School District

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

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

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

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

To the Board of Education  
Novi Community School District

**Required Supplemental Information**

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

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Novi Community School District's 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 October 11, 2018 on our consideration of Novi Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Novi Community School District's internal control over financial reporting and compliance.



October 11, 2018

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

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Novi Community School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, Debt Service Fund, and the 2017 Capital Projects Fund. All other funds are presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

#### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

#### **Required Supplemental Information**

Budgetary Information for Major Fund

Schedules of Proportionate Share of the Net Pension and OPEB Liabilities

Schedules of Pension and OPEB Contributions

#### **Other Supplemental Information**

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

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, debt service, capital projects, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund 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).

# Novi Community School District

## Management's Discussion and Analysis (Continued)

### Governmental Funds

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

### *The School District as Trustee - Reporting the School District's Fiduciary Responsibilities*

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

### The School District as a Whole

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

|                                       | Governmental Activities |                  |
|---------------------------------------|-------------------------|------------------|
|                                       | 2018                    | 2017             |
|                                       | (in millions)           |                  |
| <b>Assets</b>                         |                         |                  |
| Current and other assets              | \$ 36.5                 | \$ 41.6          |
| Capital assets                        | 166.4                   | 166.4            |
| Total assets                          | 202.9                   | 208.0            |
| <b>Deferred Outflows of Resources</b> | 27.2                    | 15.8             |
| <b>Liabilities</b>                    |                         |                  |
| Current liabilities                   | 11.7                    | 12.4             |
| Noncurrent liabilities                | 110.3                   | 121.4            |
| Net pension liability                 | 119.1                   | 114.8            |
| Net OPEB liability                    | 40.7                    | -                |
| Total liabilities                     | 281.8                   | 248.6            |
| <b>Deferred Inflows of Resources</b>  | 14.1                    | 5.8              |
| <b>Net Position</b>                   |                         |                  |
| Net investment in capital assets      | 66.2                    | 61.1             |
| Restricted                            | 2.1                     | 2.5              |
| Unrestricted                          | (134.1)                 | (94.2)           |
| Total net position                    | <u>\$ (65.8)</u>        | <u>\$ (30.6)</u> |

# Novi Community School District

## 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 \$(65.8) million at June 30, 2018. Net investment in capital assets totaling \$66.2 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(134.1) million) was unrestricted.

The \$(134.1) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. The net deficit position is largely due to the requirement to record the pension and OPEB liabilities on the government-wide set of financial statements.

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

|  | Governmental Activities |                  |
|--|-------------------------|------------------|
|  | 2018                    | 2017             |
|  | (in millions)           |                  |
| <b>Revenue</b>                                   |                         |                  |
| Program revenue:                                 |                         |                  |
| Charges for services                             | \$ 5.6                  | \$ 5.3           |
| Operating grants                                 | 15.3                    | 13.4             |
| General revenue:                                 |                         |                  |
| Taxes  | 37.9                    | 38.1             |
| State aid not restricted to specific purposes    | 37.9                    | 37.2             |
| Other  | 1.5                     | 1.4              |
| Total revenue                                    | 98.2                    | 95.4             |
| <b>Expenses</b>                                  |                         |                  |
| Instruction                                      | 50.7                    | 48.7             |
| Support services                                 | 26.7                    | 29.4             |
| Athletics  | 0.7                     | 0.8              |
| Food services                                    | 2.0                     | 2.0              |
| Community services                               | 2.4                     | 2.2              |
| Debt service                                     | 4.0                     | 4.0              |
| Depreciation expense (unallocated)               | 5.7                     | 5.5              |
| Total expenses                                   | 92.2                    | 92.6             |
| <b>Change in Net Position</b>                    | 6.0                     | 2.8              |
| <b>Net Position - Beginning of year</b>          | (30.6)                  | (33.4)           |
| <b>Cumulative Effect of Change in Accounting</b> | (41.2)                  | -                |
| <b>Net Position - Beginning of year</b>          | (71.8)                  | (33.4)           |
| <b>Net Position - End of year</b>                | <b>\$ (65.8)</b>        | <b>\$ (30.6)</b> |

As reported in the statement of activities, the cost of all of our governmental activities this year was \$92.2 million. Certain activities were partially funded from those who benefited from the programs (\$5.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$15.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$37.9 million in taxes, \$37.9 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

# Novi Community School District

## Management's Discussion and Analysis (Continued)

The School District experienced a increase in net position of \$6.0 million as a result of ongoing operations.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the School District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$41.2 million and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

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 \$25.1 million, which is a decrease of \$4.6 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance increased \$1.5 million to \$11.7 million. The General Fund fund balance is available to fund costs related to allowable school operating purposes.

The 2016 Capital Projects Fund fund balance was depleted, as the School District spent the proceeds from the voter approved bond that was issued during the 2013-2014 fiscal year.

In the 2017 Capital Projects Fund, the fund balance decreased by \$3.8 million, as the School District continued to spend the proceeds from the voter-approved bonds.

Our Special Revenue Funds increased from the prior years, showing a net increase of approximately \$438,000. The Food Service Fund had an approximate \$200,000 increase in fund balance, while the Recreation Fund had an approximate \$238,000 increase in fund balance.

The Debt Service Fund showed a fund balance decrease of approximately \$107,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The Debt Service Fund fund balance is restricted since it can only be used to pay debt service obligations.

The Sinking Fund fund balance decreased as the School District utilized it as planned for capital improvements during 2018. The School District collected \$1,073,000 in voter-approved sinking fund millage. This millage is available to fund specific capital projects and repairs allowed by state law and approved by the voters.

### **General Fund Budgetary Highlights**

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

Revisions made to the 2017-2018 General Fund original budget included an increase to revenue of \$1.89 million primarily due to an increase in student enrollment and changes in certain categorical revenue from the State. Budgeted expenditures were increased \$1.61 million to account for the increase in salaries, retirement costs, and purchased professional services resulting from the School District's revised operating plan due to the increased enrollment and fluctuations in revenue.



# Novi Community School District

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### **Capital Assets**

As of June 30, 2018, the School District had \$166.4 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$81,000 from last year.

|  | 2018                         | 2017                         |
|--|------------------------------|------------------------------|
| Land   | \$ 9,607,341                 | \$ 9,607,341                 |
| Construction in progress                               | 588,449                      | 3,401,397                    |
| Buildings and improvements                             | 205,226,421                  | 199,254,180                  |
| Furniture and equipment                                | 7,380,328                    | 6,991,463                    |
| Buses and other vehicles                               | 3,771,417                    | 3,453,561                    |
| Site improvements                                      | 18,817,733                   | 17,109,340                   |
| Total capital assets                                   | 245,391,689                  | 239,817,282                  |
| Less - Accumulated depreciation                        | 79,023,854                   | 73,368,220                   |
| Total capital assets - Net of accumulated depreciation | <u><u>\$ 166,367,835</u></u> | <u><u>\$ 166,449,062</u></u> |

This year's additions of \$5.6 included vehicles, equipment, technology, building renovations, site improvements, building additions, and buses.

#### **Debt**

At the end of this year, the School District had \$98.6 million in bonds outstanding versus \$108.6 million in the previous year - a decrease of 9.2 percent.

The School District's general obligation bond rating is Aa2. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$60.2 million is significantly below this \$426.5 million statutorily imposed limit. Other obligations include accrued compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2019 fiscal year is 10 percent and 90 percent of the February 2018 and October 2018 student counts, respectively. The 2018-2019 budget was adopted in June 2018, based on an estimate of students who will be enrolled in September 2018; the blended student count is projected to be 40 students greater than 2017-2018. Approximately 52 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

The 2018-2019 General Fund budget, approved by the Board of Education in June, reflects an operating deficit of \$1,423,570 for the year. Despite the planned use of fund balance in 2018-2019, the Board of Education's goal of maintaining combined General Fund fund balance of at least 10 percent of General Fund expenditures, will still be met. These are difficult financial times for Michigan school districts and their employees. However, the Board of Education, administration, staff, and union leadership are committed to the students and to providing them with an education that prepares them to compete in our global society. We will continue to work together collaboratively to reach this goal no matter what challenges and financial constraints we face.

## **Novi Community School District**

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

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#### **Contacting the School District's Management**

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

# Novi Community School District

## Statement of Net Position

June 30, 2018

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>   |                                    |
| Cash and investments (Note 4)   | \$ 11,370,912                      |
| Receivables:  |                                    |
| Property taxes receivable   | 500,197                            |
| Other receivables   | 256,031                            |
| Due from other governments  | 9,591,327                          |
| Inventory   | 28,503                             |
| Prepaid expenses and other assets   | 756,346                            |
| Restricted assets   | 14,067,576                         |
| Capital assets - Net (Note 6)   | <u>166,367,835</u>                 |
| Total assets  | 202,938,727                        |
| <b>Deferred Outflows of Resources</b>   |                                    |
| Deferred charges on bond refunding (Note 8)   | 403,027                            |
| Deferred pension costs (Note 10)  | 24,534,896                         |
| Deferred OPEB costs (Note 10)   | <u>2,229,779</u>                   |
| Total deferred outflows of resources  | 27,167,702                         |
| <b>Liabilities</b>  |                                    |
| Accounts payable  | 1,379,271                          |
| Due to other governmental units   | 866,535                            |
| Accrued liabilities:  |                                    |
| Accrued salaries and wages  | 7,765,115                          |
| Payroll taxes and withholdings  | 31,920                             |
| Accrued interest payable  | 769,466                            |
| Unearned revenue (Note 5)   | 901,803                            |
| Noncurrent liabilities:   |                                    |
| Due within one year (Note 8)  | 12,433,675                         |
| Due in more than one year (Note 8)  | 97,876,861                         |
| Net pension liability (Note 10)   | 119,132,187                        |
| Net OPEB liability (Note 10)  | <u>40,657,770</u>                  |
| Total liabilities   | 281,814,603                        |
| <b>Deferred Inflows of Resources</b>  |                                    |
| Deferred benefit on bond refunding (Note 8)   | 542,411                            |
| Revenue in support of pension contributions made subsequent to the measurement date (Note 10) | 4,760,795                          |
| Deferred pension cost reductions (Note 10)  | 7,458,355                          |
| Deferred OPEB cost reductions (Note 10)   | <u>1,374,529</u>                   |
| Total deferred inflows of resources   | <u>14,136,090</u>                  |
| <b>Net Position</b>   |                                    |
| Net investment in capital assets  | 66,190,112                         |
| Restricted:   |                                    |
| Capital projects  | 2,086,879                          |
| Debt service  | 18,308                             |
| Unrestricted  | <u>(134,139,563)</u>               |
| Total net position  | <u><u>\$ (65,844,264)</u></u>      |

# Novi Community School District

## Statement of Activities

Year Ended June 30, 2018

| 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   | \$ 50,718,983        | \$ 331,613           | \$ 14,841,679                      | \$ (35,545,691)                                   |
| Support services  | 26,725,588           | -                    | -                                  | (26,725,588)                                      |
| Athletics   | 734,347              | 376,602              | -                                  | (357,745)   |
| Food services   | 2,011,094            | 1,608,948            | 445,924                            | 43,778  |
| Community services  | 2,366,539            | 3,271,290            | -                                  | 904,751   |
| Interest  | 3,967,275            | -                    | -                                  | (3,967,275)                                       |
| Depreciation expense (unallocated)                              | 5,655,634            | -                    | -                                  | (5,655,634)                                       |
| <b>Total primary government</b>                                 | <b>\$ 92,179,460</b> | <b>\$ 5,588,453</b>  | <b>\$ 15,287,603</b>               | <b>(71,303,404)</b>                               |
| General revenue:  |                      |                      |                                    |   |
| Taxes:  |                      |                      |                                    |   |
| Property taxes, levied for general purposes                     |                      |                      |                                    | 19,559,386  |
| Property taxes, levied for debt service                         |                      |                      |                                    | 15,155,385  |
| Property taxes, levied for capital projects                     |                      |                      |                                    | 1,061,820   |
| Property taxes, levied for recreation                           |                      |                      |                                    | 2,125,935   |
| State aid not restricted to specific purposes                   |                      |                      |                                    | 37,873,651  |
| Interest and investment earnings                                |                      |                      |                                    | 182,496   |
| Other   |                      |                      |                                    | 1,295,529   |
| <b>Total general revenue</b>                                    |                      |                      |                                    | <b>77,254,202</b>                                 |
| <b>Change in Net Position</b>                                   |                      |                      |                                    | <b>5,950,798</b>                                  |
| <b>Net Position - Beginning of year, as previously reported</b> |                      |                      |                                    | <b>(30,617,904)</b>                               |
| <b>Cumulative Effect of Change in Accounting</b>                |                      |                      |                                    | <b>(41,177,158)</b>                               |
| <b>Net Position - Beginning of year</b>                         |                      |                      |                                    | <b>(71,795,062)</b>                               |
| <b>Net Position - End of year</b>                               |                      |                      |                                    | <b>\$ (65,844,264)</b>                            |

# Novi Community School District

## Governmental Funds Balance Sheet

June 30, 2018

|  | General Fund         | 2017 Capital<br>Projects Fund | Debt Service<br>Fund | Nonmajor Funds      | Total<br>Governmental<br>Funds |
|--|----------------------|-------------------------------|----------------------|---------------------|--------------------------------|
| <b>Assets</b>  |                      |                               |                      |                     |                                |
| Cash and investments (Note 4)  | \$ 11,370,912        | \$ -                          | \$ -                 | \$ -                | \$ 11,370,912                  |
| Receivables:   |                      |                               |                      |                     |                                |
| Property taxes receivable  | 336,882              | -                             | 136,911              | 26,404              | 500,197                        |
| Other receivables  | 256,031              | -                             | -                    | -                   | 256,031                        |
| Due from other governments   | 9,591,327            | -                             | -                    | -                   | 9,591,327                      |
| Due from other funds (Note 7)  | 4,945                | -                             | -                    | -                   | 4,945                          |
| Inventory  | -                    | -                             | -                    | 28,503              | 28,503                         |
| Prepaid expenses and other assets  | 581,346              | -                             | -                    | 175,000             | 756,346                        |
| Restricted assets  | -                    | 10,265,069                    | 783,999              | 3,018,508           | 14,067,576                     |
| <b>Total assets</b>  | <b>\$ 22,141,443</b> | <b>\$ 10,265,069</b>          | <b>\$ 920,910</b>    | <b>\$ 3,248,415</b> | <b>\$ 36,575,837</b>           |
| <b>Liabilities</b>   |                      |                               |                      |                     |                                |
| Accounts payable   | \$ 648,730           | \$ 329,382                    | \$ -                 | \$ 401,159          | \$ 1,379,271                   |
| Due to other governmental units  | 866,464              | -                             | -                    | 71                  | 866,535                        |
| Due to other funds (Note 7)  | -                    | -                             | 4,945                | -                   | 4,945                          |
| Accrued liabilities  | 7,797,035            | -                             | -                    | -                   | 7,797,035                      |
| Unearned revenue (Note 5)  | 798,570              | -                             | -                    | 103,233             | 901,803                        |
| <b>Total liabilities</b>   | <b>10,110,799</b>    | <b>329,382</b>                | <b>4,945</b>         | <b>504,463</b>      | <b>10,949,589</b>              |
| <b>Deferred Inflows of Resources - Unavailable<br/>revenue (Note 5)</b>            | <b>333,323</b>       | <b>-</b>                      | <b>128,190</b>       | <b>23,804</b>       | <b>485,317</b>                 |
| <b>Total liabilities and deferred<br/>inflows of resources</b>                     | <b>10,444,122</b>    | <b>329,382</b>                | <b>133,135</b>       | <b>528,267</b>      | <b>11,434,906</b>              |
| <b>Fund Balances</b>   |                      |                               |                      |                     |                                |
| Nonspendable:  |                      |                               |                      |                     |                                |
| Inventory  | -                    | -                             | -                    | 28,503              | 28,503                         |
| Prepays  | 581,346              | -                             | -                    | 175,000             | 756,346                        |
| Restricted:  |                      |                               |                      |                     |                                |
| Debt service   | -                    | -                             | 787,775              | -                   | 787,775                        |
| Capital projects   | -                    | 9,935,687                     | -                    | 1,908,375           | 11,844,062                     |
| Food service   | -                    | -                             | -                    | 21,088              | 21,088                         |
| Recreation   | -                    | -                             | -                    | 587,182             | 587,182                        |
| Assigned - Budgeted use of fund balance in<br>subsequent year                      | 1,423,570            | -                             | -                    | -                   | 1,423,570                      |
| Unassigned   | 9,692,405            | -                             | -                    | -                   | 9,692,405                      |
| <b>Total fund balances</b>   | <b>11,697,321</b>    | <b>9,935,687</b>              | <b>787,775</b>       | <b>2,720,148</b>    | <b>25,140,931</b>              |
| <b>Total liabilities, deferred<br/>inflows of resources, and<br/>fund balances</b> | <b>\$ 22,141,443</b> | <b>\$ 10,265,069</b>          | <b>\$ 920,910</b>    | <b>\$ 3,248,415</b> | <b>\$ 36,575,837</b>           |

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

**June 30, 2018**

|   |                                      |
|---|--------------------------------------|
| <b>Fund Balances Reported in Governmental Funds</b>   | <b>\$ 25,140,931</b>                 |
| 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  | 245,391,689                          |
| Accumulated depreciation  | <u>(79,023,854)</u>                  |
| Net capital assets used in governmental activities  | 166,367,835                          |
| Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.                   | 485,317                              |
| Deferred inflows and outflows related to bond refundings are not reported in the funds  | (139,384)                            |
| Bonds payable are not due and payable in the current period and are not reported in the funds   | (109,795,523)                        |
| Accrued interest is not due and payable in the current period and is not reported in the funds  | (769,466)                            |
| 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   | (466,894)                            |
| Provision for dental and vision claims  | (48,119)                             |
| Net pension liability and related deferred inflows and outflows   | (102,055,646)                        |
| Net OPEB liability and related deferred inflows and outflows  | (39,802,520)                         |
| 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>(4,760,795)</u>                   |
| <b>Net Position of Governmental Activities</b>  | <b><u><u>\$ (65,844,264)</u></u></b> |

# Novi Community School District

## Governmental Funds

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

**Year Ended June 30, 2018**

|  | General Fund         | 2017 Capital<br>Projects Fund | Debt Service<br>Fund | Nonmajor Funds      | Total<br>Governmental<br>Funds |
|--|----------------------|-------------------------------|----------------------|---------------------|--------------------------------|
| <b>Revenue</b>                                     |                      |                               |                      |                     |                                |
| Local sources                                      | \$ 24,709,273        | \$ 143,473                    | \$ 15,237,003        | \$ 4,931,781        | \$ 45,021,530                  |
| State sources                                      | 47,437,168           | -                             | -                    | 84,081              | 47,521,249                     |
| Federal sources                                    | 1,519,087            | -                             | -                    | 445,924             | 1,965,011                      |
| Interdistrict sources                              | 3,613,445            | -                             | -                    | -                   | 3,613,445                      |
| Total revenue                                      | 77,278,973           | 143,473                       | 15,237,003           | 5,461,786           | 98,121,235                     |
| <b>Expenditures</b>                                |                      |                               |                      |                     |                                |
| Current:   |                      |                               |                      |                     |                                |
| Instruction  | 50,153,349           | -                             | -                    | -                   | 50,153,349                     |
| Support services                                   | 23,207,887           | 252                           | 2,951                | 1,356,547           | 24,567,637                     |
| Athletics  | 730,645              | -                             | -                    | -                   | 730,645                        |
| Food services                                      | -                    | -                             | -                    | 2,009,555           | 2,009,555                      |
| Community services                                 | 1,768,810            | -                             | -                    | 577,447             | 2,346,257                      |
| Debt service:                                      |                      |                               |                      |                     |                                |
| Principal  | -                    | -                             | 9,975,000            | -                   | 9,975,000                      |
| Interest   | -                    | -                             | 5,365,952            | -                   | 5,365,952                      |
| Capital outlay                                     | 95,860               | 3,978,442                     | -                    | 3,454,637           | 7,528,939                      |
| Total expenditures                                 | 75,956,551           | 3,978,694                     | 15,343,903           | 7,398,186           | 102,677,334                    |
| <b>Excess of Revenue Over (Under) Expenditures</b> | 1,322,422            | (3,835,221)                   | (106,900)            | (1,936,400)         | (4,556,099)                    |
| <b>Other Financing Sources (Uses)</b>              |                      |                               |                      |                     |                                |
| Transfers in (Note 7)                              | 268,607              | -                             | -                    | 115,035             | 383,642                        |
| Transfers out (Note 7)                             | (115,035)            | -                             | -                    | (268,607)           | (383,642)                      |
| Total other financing sources<br>(uses)            | 153,572              | -                             | -                    | (153,572)           | -                              |
| <b>Net Change in Fund Balances</b>                 | 1,475,994            | (3,835,221)                   | (106,900)            | (2,089,972)         | (4,556,099)                    |
| <b>Fund Balances - Beginning of year</b>           | 10,221,327           | 13,770,908                    | 894,675              | 4,810,120           | 29,697,030                     |
| <b>Fund Balances - End of year</b>                 | <b>\$ 11,697,321</b> | <b>\$ 9,935,687</b>           | <b>\$ 787,775</b>    | <b>\$ 2,720,148</b> | <b>\$ 25,140,931</b>           |

**Novi Community School District**

**Governmental Funds**

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

**Year Ended June 30, 2018**

|   |                            |
|---|----------------------------|
| <b>Net Change in Fund Balance Reported in Governmental Funds</b>  | <b>\$ (4,556,099)</b>      |
| Amounts reported for governmental activities in the statement of activities are different because:  |                            |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:  |                            |
| Capitalized capital outlay  | 5,574,407                  |
| Depreciation expense  | (5,655,634)                |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available  | (52,526)                   |
| Revenue in support of pension contributions made subsequent to the measurement date   | (1,246,271)                |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds | 11,193,067                 |
| Interest expense is recognized in the government-wide statements as it accrues  | 180,610                    |
| Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds  | 513,244                    |
| <b>Change in Net Position of Governmental Activities</b>  | <b><u>\$ 5,950,798</u></b> |



# Novi Community School District

## Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2018

|                               | <u>Agency Fund</u>         |
|-------------------------------|----------------------------|
| <b>Assets - Cash (Note 4)</b> | <b><u>\$ 1,125,275</u></b> |
| <b>Liabilities</b>            |                            |
| Accounts payable              | \$ 1,732                   |
| Due to student groups         | <u>1,123,543</u>           |
| Total liabilities             | <b><u>\$ 1,125,275</u></b> |

June 30, 2018

### Note 1 - Nature of Business

Novi Community School District (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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### *Fund Accounting*

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

#### *Governmental Funds*

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

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

- **General Fund** - 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.
- **2017 Capital Project Fund** - This Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for school building and site purposes. The fund operates until the purpose for which it was created is accomplished.
- **Debt Service Fund** - This Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

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

- **Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The Food Service Fund and the Recreation Fund are the School District's only nonmajor special revenue funds. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from state and federal sources. The Recreation Fund is used by the School District to account for the proceeds of the restricted voter-approved millage that is to be spent on voter-approved recreation-type activities. Any operating deficit generated by these activities is the responsibility of the General Fund.
- **Capital Projects Funds** - Capital projects funds are used to record bond proceeds, sinking fund millages, or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, technology upgrades, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.

**Fiduciary Funds**

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

- **Agency Fund** - The Agency Fund is used to record the transactions of student groups for school and school-related purposes. The fund is segregated and held in trust for the students.

**Interfund Activity**

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds 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 healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

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

Fiduciary funds 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 certain 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 are recorded as expenditures when consumed rather than when purchased. 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 Service 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 unspent bond proceeds and related interest of the capital projects funds require amounts to be set aside for construction. These amounts have been classified as restricted assets. The cash held in the Debt Service Fund is recorded as restricted as the amounts are required to be used to make the applicable bond principal and interest payments, as they are due. The cash held in the Food Service Fund and the Recreation Fund is recorded as restricted as the amounts are required to be used to operate the School District's food service program and to operate a system of public recreation and playgrounds, respectively.

**Capital Assets**

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

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

|                            | Depreciable Life -<br>Years |
|----------------------------|-----------------------------|
| Buildings and improvements | 20 to 50                    |
| Furniture and equipment    | 5 to 10                     |
| Buses and other vehicles   | 5 to 10                     |
| Site improvements          | 15 to 30                    |

**Long-term Obligations**

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

**Deferred Outflows/Inflows of Resources**

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

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

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

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

**Net Position**

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

**Net Position Flow Assumption**

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide 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 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 assistant superintendent of business and operations 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.

Amounts that do not fall into any other category above are unassigned. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**Property Tax Revenue**

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

**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 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 (MPSERS), and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS 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 (Sick Leave)**

The liability for compensated absences reported in the government-wide financial statements consists of earned but unused sick leave benefits and termination payments. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included. 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.

**Comparative Data**

Comparative data is not included in the School District's financial statements.

**Adoption of New Accounting Pronouncements**

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

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

In accordance with the statement, the School District has reported a net OPEB liability of \$42,884,940, deferred outflows of financial resources for OPEB contributions of \$3,015,602 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from state aid in support of OPEB contributions of \$1,307,820 that was received subsequent to the measurement date, as the effects of these changes in accounting principles on the School District's net position as of July 1, 2017.

***Upcoming Accounting Pronouncements***

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

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

**Note 3 - Stewardship, Compliance, and Accountability**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds, except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)" and that capital outlay is budgeted in other expenditure 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. There were no significant amendments during the year.

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

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

The School District did not have significant expenditure budget variances.



**Note 4 - Deposits and Investments**

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

The School District has designated five banks for the deposit of its funds. The investment policy adopted by the board in accordance with state statutes has authorized investment in bonds and securities of the United States government and bank accounts and CDs.

There are no limitations or restrictions on participant withdrawals for the investment pools in the Michigan Liquid Asset Fund that are recorded at amortized cost except that there is a one-day minimum investment period.

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

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

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$17,427,190 had \$16,411,515 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Custodial Credit Risk of Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. There were no investment securities that were uninsured and unregistered and held at June 30, 2018.

***Interest Rate Risk***

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

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

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The School District's investment in the Michigan Liquid Asset Fund, which totaled \$10,234,785 at June 30, 2018, has an S&P rating of AAAM.

***Concentration of Credit Risk***

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

***Foreign Currency Risk***

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

**Note 5 - Unavailable/Unearned Revenue**

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

At June 30, 2018, the various components of unearned and unavailable revenue were as follows:

|   | Governmental Funds               |                         |                     |
|---|----------------------------------|-------------------------|---------------------|
|   | Deferred Inflow -<br>Unavailable | Liability -<br>Unearned | Total               |
| Delinquent property taxes   | \$ 485,317                       | \$ -                    | \$ 485,317          |
| Student food sales  | -                                | 103,233                 | 103,233             |
| Summer tuition and fall school charges received prior<br>to services being rendered | -                                | 798,570                 | 798,570             |
| Total   | <u>\$ 485,317</u>                | <u>\$ 901,803</u>       | <u>\$ 1,387,120</u> |

**Note 6 - Capital Assets**

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

**Governmental Activities**

|  | Balance<br>July 1, 2017 | Transfers   | Additions   | Disposals and<br>Adjustments | Balance<br>June 30, 2018 |
|--|-------------------------|-------------|-------------|------------------------------|--------------------------|
| Capital assets not being depreciated:      |                         |             |             |                              |                          |
| Land                                       | \$ 9,607,341            | \$ -        | \$ -        | \$ -                         | \$ 9,607,341             |
| Construction in progress                   | 3,401,397               | (2,896,504) | 83,556      | -                            | 588,449                  |
| Subtotal                                   | 13,008,738              | (2,896,504) | 83,556      | -                            | 10,195,790               |
| Capital assets being depreciated:          |                         |             |             |                              |                          |
| Buildings and improvements                 | 199,254,180             | 2,265,826   | 3,706,415   | -                            | 205,226,421              |
| Furniture and equipment                    | 6,991,463               | 72,306      | 316,559     | -                            | 7,380,328                |
| Buses and other vehicles                   | 3,453,561               | -           | 317,856     | -                            | 3,771,417                |
| Site improvements                          | 17,109,340              | 558,372     | 1,150,021   | -                            | 18,817,733               |
| Subtotal                                   | 226,808,544             | 2,896,504   | 5,490,851   | -                            | 235,195,899              |
| Accumulated depreciation:                  |                         |             |             |                              |                          |
| Buildings and improvements                 | 55,602,241              | -           | 3,987,766   | -                            | 59,590,007               |
| Furniture and equipment                    | 5,754,155               | -           | 326,016     | -                            | 6,080,171                |
| Buses and other vehicles                   | 1,575,682               | -           | 499,755     | -                            | 2,075,437                |
| Site improvements                          | 10,436,142              | -           | 842,097     | -                            | 11,278,239               |
| Subtotal                                   | 73,368,220              | -           | 5,655,634   | -                            | 79,023,854               |
| Net capital assets being depreciated       | 153,440,324             | 2,896,504   | (164,783)   | -                            | 156,172,045              |
| Net governmental activities capital assets | \$ 166,449,062          | \$ -        | \$ (81,227) | \$ -                         | \$ 166,367,835           |

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

**Construction Commitments**

The School District has active construction projects at year end. The School District's commitments with contractors related to the 2017 Capital Projects Fund and Sinking Fund totaled \$115,504 and \$1,366,308, respectively.

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

At June 30, 2018, the General Fund was owed \$4,945 from the Debt Service Fund.

Transfers of \$123,706 from the Recreation Fund to the General Fund were made to record the value of foregone rental income from the City of Novi, Michigan.

The Food Service Fund transferred \$29,300 to the General Fund to reimburse the General Fund for its share of indirect costs related to the year ended June 30, 2018.

The Food Service Fund transferred \$115,601 to the General Fund and then the General Fund transferred \$115,035 to the Food Service Fund related to a revision that was made to how the indirect cost recovery was recorded in a prior period.

**June 30, 2018**

**Note 8 - Long-term Debt**

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

|  | Beginning Balance     | Additions         | Reductions             | Ending Balance        | Due Within One Year  |
|--|-----------------------|-------------------|------------------------|-----------------------|----------------------|
| Bonds payable:                               |                       |                   |                        |                       |                      |
| General obligations                          | \$ 108,570,000        | \$ -              | \$ (9,975,000)         | \$ 98,595,000         | \$ 11,080,000        |
| Unamortized bond premiums                    | 12,459,079            | -                 | (1,258,556)            | 11,200,523            | 1,258,556            |
| Compensated absences                         | 353,430               | 113,464           | -                      | 466,894               | 47,000               |
| Self-Insurance                               | 41,300                | 6,819             | -                      | 48,119                | 48,119               |
| Total governmental activities long-term debt | <u>\$ 121,423,809</u> | <u>\$ 120,283</u> | <u>\$ (11,233,556)</u> | <u>\$ 110,310,536</u> | <u>\$ 12,433,675</u> |

The School District had deferred outflows of \$403,027 related to deferred charges on bond refundings at June 30, 2018.

The School District had deferred inflows of \$542,411 related to deferred benefit on bond refundings at June 30, 2018.

**General Obligation Bonds and Other Long-term Obligations**

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Qualified bonds are fully guaranteed by the State of Michigan. Other long-term obligations include compensated absences and certain risk liabilities. Long-term obligations outstanding at June 30, 2018 are as follows:

| Obligation                                   | Remaining Annual Installments | Interest Rates | Maturing May 1 | Outstanding         |
|--|-------------------------------|----------------|----------------|---------------------|
| \$23,235,000 2017 Qualified, Refunding Bonds | \$4,455,000 to \$4,490,000    | 5.00           | 2022           | \$ 17,880,000       |
| \$12,230,000 2017 General Obligation Bonds   | \$475,000 to \$875,000        | 3.00 - 5.00    | 2037           | 12,230,000          |
| \$13,530,000 2012 Qualified, Refunding Bonds | \$1,645,000 to \$1,650,000    | 5.00           | 2021           | 4,940,000           |
| \$44,000,000 2014 General Obligation Bonds   | \$2,550,000 to \$3,000,000    | 4.00 - 5.00    | 2034           | 41,800,000          |
| \$16,145,000 2016 Qualified, Refunding Bonds | \$1,065,000 to \$1,930,000    | 2.50 - 5.00    | 2027           | 15,545,000          |
| \$6,515,000 2016 General Obligation Bonds    | \$325,000 to \$350,000        | 3.00 - 4.00    | 2036           | <u>6,200,000</u>    |
| Total governmental activities                |                               |                |                | <u>\$98,595,000</u> |

**Other Long-term Liabilities**

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

***Debt Service Requirements to Maturity***

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

| Years Ending June 30 | Governmental Activities |                      |                       |
|----------------------|-------------------------|----------------------|-----------------------|
|                      | Principal               | Interest             | Total                 |
| 2019                 | \$ 11,080,000           | \$ 4,616,800         | \$ 15,696,800         |
| 2020                 | 11,980,000              | 4,116,950            | 16,096,950            |
| 2021                 | 10,540,000              | 3,576,600            | 14,116,600            |
| 2022                 | 9,615,000               | 3,094,000            | 12,709,000            |
| 2023                 | 5,280,000               | 2,664,750            | 7,944,750             |
| 2024-2028            | 25,220,000              | 9,514,750            | 34,734,750            |
| 2029-2033            | 18,150,000              | 4,310,000            | 22,460,000            |
| 2034-2037            | 6,730,000               | 601,250              | 7,331,250             |
| <b>Total</b>         | <b>\$ 98,595,000</b>    | <b>\$ 32,495,100</b> | <b>\$ 131,090,100</b> |

**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 participates in the Middle Cities Risk Management Trust risk pool for claims relating to property liability and errors and omissions. The School District is fully insured for medical benefits provided to the employees and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

The School District is self-insured for dental and vision claims at June 30, 2018. The School District estimates the liability for dental and vision claims that have been incurred through the end of the fiscal year, including claims that have been reported, as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years are reported in the government-wide financial statements and were as follows:

|   | 2018             | 2017             |
|---|------------------|------------------|
| Estimated liability - Beginning of year                   | \$ 41,300        | \$ 49,615        |
| Estimated claims incurred, including changes in estimates | 6,819            | (8,315)          |
| Estimated liability - End of year                         | <u>\$ 48,119</u> | <u>\$ 41,300</u> |

**Note 10 - Michigan Public School Employees' Retirement System**

***Plan Description***

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

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

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

***Benefits Provided***

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

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 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. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

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

***Contributions***

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

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

**June 30, 2018**

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

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

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

The range of rates is as follows:

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

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

The School District's required and actual contributions to the plan for the year ended June 30, 2018 were \$12,719,707, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$4,760,795 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, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147c(2) of the State Aid act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were \$2,927,112, which include the School District's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2018, the School District reported a liability of \$119,132,187 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 0.46 percent.

June 30, 2018

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

**Net OPEB Liability**

At June 30, 2018, the School District reported a liability of \$40,657,770 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 0.46 percent.

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

For the year ended June 30, 2018, the School District recognized pension expense of \$12,202,046, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|--|--------------------------------------|----------------------------------|
| Difference between expected and actual experience  | \$ 1,035,340                         | \$ (584,557)                     |
| Changes in assumptions   | 13,051,878                           | -                                |
| Net difference between projected and actual earnings on pension plan investments   | -                                    | (5,695,302)                      |
| Changes in proportion and differences between the School District's contributions and proportionate share of contributions | 586,337                              | (1,178,496)                      |
| The School District's contributions to the plan subsequent to the measurement date   | 9,861,341                            | -                                |
| Total  | <u>\$ 24,534,896</u>                 | <u>\$ (7,458,355)</u>            |

The \$4,760,795 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending | Amount              |
|--------------|---------------------|
| 2019         | \$ 2,024,286        |
| 2020         | 3,933,334           |
| 2021         | 1,522,584           |
| 2022         | <u>(265,004)</u>    |
| Total        | <u>\$ 7,215,200</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, 2018, the School District recognized OPEB expense of \$2,720,718.



**June 30, 2018**

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

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

|  | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|--|--------------------------------------|----------------------------------|
| Difference between expected and actual experience  | \$ -                                 | \$ (432,886)                     |
| Net difference between projected and actual earnings on OPEB plan investments                                    | -                                    | (941,643)                        |
| Changes in proportionate share or difference between amount contributed and proportionate share of contributions | 5,450                                | -                                |
| Employer contributions to the plan subsequent to the measurement date  | 2,224,329                            | -                                |
| <b>Total</b>   | <b>\$ 2,229,779</b>                  | <b>\$ (1,374,529)</b>            |

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

| Years Ending | Amount                |
|--------------|-----------------------|
| 2019         | \$ (330,940)          |
| 2020         | (330,940)             |
| 2021         | (330,940)             |
| 2022         | (330,940)             |
| 2023         | (45,319)              |
| <b>Total</b> | <b>\$ (1,369,079)</b> |

**Actuarial Assumptions**

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

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

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

June 30, 2018

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

**Discount Rate**

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

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

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

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

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

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

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

|  | 1 Percent<br>Decrease (6.00 -<br>6.50%) | Current Discount<br>Rate (7.00 -<br>7.50%) | 1 Percent<br>Increase (8.00 -<br>8.50%) |
|--|---|--|---|
| Net pension liability of the School District | \$ 155,189,615                          | \$ 119,132,187                             | \$ 88,774,129                           |

June 30, 2018

**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 Percent<br>Decrease<br>(6.50%) | Current Discount<br>Rate<br>(7.50%) | 1 Percent<br>Increase<br>(8.50%) |
|---|----------------------------------|-------------------------------------|----------------------------------|
| Net OPEB liability of the School District | \$ 47,622,000                    | \$ 40,657,770                       | \$ 34,747,320                    |

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

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

|   | 1 Percent<br>Decrease<br>(6.50%) | Current Discount<br>Rate<br>(7.50%) | 1 Percent<br>Increase<br>(8.50%) |
|---|----------------------------------|-------------------------------------|----------------------------------|
| Net OPEB liability of the School District | \$ 34,431,666                    | \$ 40,657,770                       | \$ 47,727,077                    |

***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 and OPEB Plans***

At June 30, 2018, the School District reported a payable of \$2,559,532 and \$738,341 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

**Note 11 - Tax Abatements**

The School District receives reduced property tax revenue as a result of Tool & Die Renaissance Recovery Zones (PA 378 of 1996) and Commercial Rehabilitation Projects (PA 210 of 2005) granted by cities, villages, and townships within the boundaries of the School District. These abatements are intended to promote economic activity and create new jobs or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2018, the School District's property tax revenue was reduced by \$35,374 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately \$2,500 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the sinking fund, recreation fund, or debt service millages. There are no abatements made by the School District.

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## Required Supplemental Information

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# Novi Community School District

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

|  | Original<br>Budget  | Final Budget        | Actual               | Over (Under)<br>Final Budget |
|--|---------------------|---------------------|----------------------|------------------------------|
| <b>Revenue</b>                                   |                     |                     |                      |                              |
| Local sources                                    | \$ 24,106,202       | \$ 24,065,466       | \$ 24,709,273        | \$ 643,807                   |
| State sources                                    | 45,736,868          | 47,187,725          | 47,437,168           | 249,443                      |
| Federal sources                                  | 1,504,818           | 1,896,915           | 1,519,087            | (377,828)                    |
| Interdistrict sources and transfers in           | 3,626,195           | 3,713,530           | 3,767,017            | 53,487                       |
| Total revenue                                    | 74,974,083          | 76,863,636          | 77,432,545           | 568,909                      |
| <b>Expenditures</b>                              |                     |                     |                      |                              |
| Current:   |                     |                     |                      |                              |
| Instruction:                                     |                     |                     |                      |                              |
| Basic programs                                   | 40,505,805          | 40,789,594          | 40,645,653           | (143,941)                    |
| Added needs                                      | 9,524,134           | 9,599,505           | 9,277,540            | (321,965)                    |
| Adult/Continuing education                       | 222,854             | 210,513             | 231,295              | 20,782                       |
| Total instruction                                | 50,252,793          | 50,599,612          | 50,154,488           | (445,124)                    |
| Support services:                                |                     |                     |                      |                              |
| Pupil  | 4,676,696           | 4,766,918           | 4,629,122            | (137,796)                    |
| Instructional staff                              | 4,784,619           | 5,096,896           | 4,449,628            | (647,268)                    |
| General administration                           | 544,537             | 578,258             | 557,788              | (20,470)                     |
| School administration                            | 3,776,856           | 3,924,978           | 3,900,191            | (24,787)                     |
| Business   | 857,624             | 911,019             | 792,224              | (118,795)                    |
| Operations and maintenance                       | 4,390,502           | 4,489,247           | 4,596,481            | 107,234                      |
| Pupil transportation services                    | 2,290,080           | 2,420,595           | 2,321,349            | (99,246)                     |
| Central  | 1,693,392           | 1,794,163           | 2,055,825            | 261,662                      |
| Total support services                           | 23,014,306          | 23,982,074          | 23,302,608           | (679,466)                    |
| Athletics  | 937,100             | 1,099,833           | 730,645              | (369,188)                    |
| Community services                               | 1,655,038           | 1,781,755           | 1,768,810            | (12,945)                     |
| Payments to other public schools (ISDs,<br>LEAs) | 18,178              | 24,538              | -                    | (24,538)                     |
| Total expenditures                               | 75,877,415          | 77,487,812          | 75,956,551           | (1,531,261)                  |
| <b>Net Change in Fund Balances</b>               | (903,332)           | (624,176)           | 1,475,994            | 2,100,170                    |
| <b>Fund Balances - Beginning of year</b>         | 10,221,327          | 10,221,327          | 10,221,327           | -                            |
| <b>Fund Balances - End of year</b>               | <b>\$ 9,317,995</b> | <b>\$ 9,597,151</b> | <b>\$ 11,697,321</b> | <b>\$ 2,100,170</b>          |

## Novi Community School District

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

#### Last Four Plan Years For the Plan Year Ended September 30

|  | 2017           | 2016           | 2015           | 2014           |
|--|----------------|----------------|----------------|----------------|
| School District's proportion of the net pension liability  | 0.45972 %      | 0.46023 %      | 0.46769 %      | 0.43629 %      |
| School District's proportionate share of the net pension liability   | \$ 119,132,187 | \$ 114,824,425 | \$ 114,234,482 | \$ 102,041,454 |
| School District's covered employee payroll   | \$ 38,560,076  | \$ 38,540,672  | \$ 38,955,408  | \$ 37,678,292  |
| School District's proportionate share of the net pension liability as a percentage of its covered employee payroll | 308.95 %       | 297.93 %       | 293.24 %       | 270.82 %       |
| Plan fiduciary net position as a percentage of total pension liability   | 63.96 %        | 63.01 %        | 62.92 %        | 66.15 %        |

## Novi Community School District

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

#### Last Four Fiscal Years Year Ended June 30

|  | 2018                 | 2017                 | 2016                 | 2015                 |
|--|----------------------|----------------------|----------------------|----------------------|
| Statorily required contribution                                  | \$ 11,676,588        | \$ 11,076,646        | \$ 10,764,810        | \$ 7,781,084         |
| Contributions in relation to the statorily required contribution | 11,676,588           | 11,076,646           | 10,764,810           | 7,781,084            |
| <b>Contribution Deficiency</b>                                   | <b>\$ -</b>          | <b>\$ -</b>          | <b>\$ -</b>          | <b>\$ -</b>          |
| <b>School District's Covered Employee Payroll</b>                | <b>\$ 38,768,262</b> | <b>\$ 38,643,725</b> | <b>\$ 38,567,537</b> | <b>\$ 37,383,521</b> |
| <b>Contributions as a Percentage of Covered Employee Payroll</b> | <b>30.12 %</b>       | <b>28.66 %</b>       | <b>27.91 %</b>       | <b>20.81 %</b>       |

**Novi Community School District**

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

**Last One Plan Year  
For the Plan Year Ended September 30**

|   | <u>2017</u>   |
|---|---------------|
| School District's proportion of the net OPEB liability  | 0.45913 %     |
| School District's proportionate share of the net OPEB liability   | \$ 40,657,770 |
| School District's covered employee payroll  | \$ 38,560,076 |
| School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | 105.44 %      |
| Plan fiduciary net position as a percentage of total OPEB liability   | 36.53 %       |



**Novi Community School District**

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

**Last One Fiscal Year  
Year Ended June 30**

|  | <u>2018</u>          |
|--|----------------------|
| Statorily required contribution                                  | \$ 2,795,424         |
| Contributions in relation to the statorily required contribution | <u>2,795,424</u>     |
| <b>Contribution Deficiency</b>                                   | <b>\$ -</b>          |
| <b>School District's Covered Employee Payroll</b>                | <b>\$ 38,768,262</b> |
| <b>Contributions as a Percentage of Covered Employee Payroll</b> | <b>7.21 %</b>        |

**Pension Information**

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

**Benefit Changes**

There were no changes of benefit terms in 2017.

**Changes in Assumptions**

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

**Covered Payroll**

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

**OPEB Information**

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

**Benefit Changes**

There were no changes of benefit terms in 2017.

**Changes in Assumptions**

There were no changes of benefit assumptions in 2017.

**Covered Payroll**

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

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## Other Supplemental Information

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# Novi Community School District

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

**June 30, 2018**

|   | Special Revenue Funds |                   |                             | Capital Project Fund |                            |                             | Total               |
|---|-----------------------|-------------------|-----------------------------|----------------------|----------------------------|-----------------------------|---------------------|
|   | Food Service Fund     | Recreation Fund   | Total Special Revenue Funds | Sinking Fund         | 2016 Capital Projects Fund | Total Capital Project Funds |                     |
| <b>Assets</b>   |                       |                   |                             |                      |                            |                             |                     |
| Receivables - Property taxes receivable                             | \$ -                  | \$ 17,477         | \$ 17,477                   | \$ 8,927             | \$ -                       | \$ 8,927                    | \$ 26,404           |
| Inventory   | 28,503                | -                 | 28,503                      | -                    | -                          | -                           | 28,503              |
| Prepaid expenses and other assets                                   | 175,000               | -                 | 175,000                     | -                    | -                          | -                           | 175,000             |
| Restricted assets   | 202,202               | 669,729           | 871,931                     | 2,146,577            | -                          | 2,146,577                   | 3,018,508           |
| Total assets  | <b>\$ 405,705</b>     | <b>\$ 687,206</b> | <b>\$ 1,092,911</b>         | <b>\$ 2,155,504</b>  | <b>\$ -</b>                | <b>\$ 2,155,504</b>         | <b>\$ 3,248,415</b> |
| <b>Liabilities</b>  |                       |                   |                             |                      |                            |                             |                     |
| Accounts payable  | \$ 77,810             | \$ 84,552         | \$ 162,362                  | \$ 238,797           | \$ -                       | \$ 238,797                  | \$ 401,159          |
| Due to other governmental units                                     | 71                    | -                 | 71                          | -                    | -                          | -                           | 71                  |
| Unearned revenue  | 103,233               | -                 | 103,233                     | -                    | -                          | -                           | 103,233             |
| Total liabilities   | 181,114               | 84,552            | 265,666                     | 238,797              | -                          | 238,797                     | 504,463             |
| <b>Deferred Inflows of Resources -</b>                              |                       |                   |                             |                      |                            |                             |                     |
| Unavailable revenue   | -                     | 15,472            | 15,472                      | 8,332                | -                          | 8,332                       | 23,804              |
| Total liabilities and deferred inflows of resources                 | 181,114               | 100,024           | 281,138                     | 247,129              | -                          | 247,129                     | 528,267             |
| <b>Fund Balances</b>  |                       |                   |                             |                      |                            |                             |                     |
| Nonspendable:   |                       |                   |                             |                      |                            |                             |                     |
| Inventory   | 28,503                | -                 | 28,503                      | -                    | -                          | -                           | 28,503              |
| Prepays   | 175,000               | -                 | 175,000                     | -                    | -                          | -                           | 175,000             |
| Restricted:   |                       |                   |                             |                      |                            |                             |                     |
| Capital projects  | -                     | -                 | -                           | 1,908,375            | -                          | 1,908,375                   | 1,908,375           |
| Food service  | 21,088                | -                 | 21,088                      | -                    | -                          | -                           | 21,088              |
| Recreation  | -                     | 587,182           | 587,182                     | -                    | -                          | -                           | 587,182             |
| Total fund balances   | 224,591               | 587,182           | 811,773                     | 1,908,375            | -                          | 1,908,375                   | 2,720,148           |
| Total liabilities, deferred inflows of resources, and fund balances | <b>\$ 405,705</b>     | <b>\$ 687,206</b> | <b>\$ 1,092,911</b>         | <b>\$ 2,155,504</b>  | <b>\$ -</b>                | <b>\$ 2,155,504</b>         | <b>\$ 3,248,415</b> |

# Novi Community School District

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

**Year Ended June 30, 2018**

|  | Special Revenue Funds |                   |                             | Capital Project Fund |                            |                             | Total               |
|--|-----------------------|-------------------|-----------------------------|----------------------|----------------------------|-----------------------------|---------------------|
|  | Food Service Fund     | Recreation Fund   | Total Special Revenue Funds | Sinking Fund         | 2016 Capital Projects Fund | Total Capital Project Funds |                     |
| <b>Revenue</b>                                     |                       |                   |                             |                      |                            |                             |                     |
| Local sources                                      | \$ 1,716,671          | \$ 2,129,775      | \$ 3,846,446                | \$ 1,072,531         | \$ 12,804                  | \$ 1,085,335                | \$ 4,931,781        |
| State sources                                      | 84,081                | -                 | 84,081                      | -                    | -                          | -                           | 84,081              |
| Federal sources                                    | 445,924               | -                 | 445,924                     | -                    | -                          | -                           | 445,924             |
| Total revenue                                      | 2,246,676             | 2,129,775         | 4,376,451                   | 1,072,531            | 12,804                     | 1,085,335                   | 5,461,786           |
| <b>Expenditures</b>                                |                       |                   |                             |                      |                            |                             |                     |
| Current:   |                       |                   |                             |                      |                            |                             |                     |
| Support services                                   | -                     | 1,190,724         | 1,190,724                   | 165,529              | 294                        | 165,823                     | 1,356,547           |
| Food services                                      | 2,009,555             | -                 | 2,009,555                   | -                    | -                          | -                           | 2,009,555           |
| Community services                                 | -                     | 577,447           | 577,447                     | -                    | -                          | -                           | 577,447             |
| Capital outlay                                     | 7,041                 | -                 | 7,041                       | 1,367,765            | 2,079,831                  | 3,447,596                   | 3,454,637           |
| Total expenditures                                 | 2,016,596             | 1,768,171         | 3,784,767                   | 1,533,294            | 2,080,125                  | 3,613,419                   | 7,398,186           |
| <b>Excess of Revenue Over (Under) Expenditures</b> | 230,080               | 361,604           | 591,684                     | (460,763)            | (2,067,321)                | (2,528,084)                 | (1,936,400)         |
| <b>Other Financing Sources (Uses)</b>              |                       |                   |                             |                      |                            |                             |                     |
| Transfers in                                       | 115,035               | -                 | 115,035                     | -                    | -                          | -                           | 115,035             |
| Transfers out                                      | (144,901)             | (123,706)         | (268,607)                   | -                    | -                          | -                           | (268,607)           |
| Total other financing uses                         | (29,866)              | (123,706)         | (153,572)                   | -                    | -                          | -                           | (153,572)           |
| <b>Net Change in Fund Balances</b>                 | 200,214               | 237,898           | 438,112                     | (460,763)            | (2,067,321)                | (2,528,084)                 | (2,089,972)         |
| <b>Fund Balances - Beginning of year</b>           | 24,377                | 349,284           | 373,661                     | 2,369,138            | 2,067,321                  | 4,436,459                   | 4,810,120           |
| <b>Fund Balances - End of year</b>                 | <b>\$ 224,591</b>     | <b>\$ 587,182</b> | <b>\$ 811,773</b>           | <b>\$ 1,908,375</b>  | <b>\$ -</b>                | <b>\$ 1,908,375</b>         | <b>\$ 2,720,148</b> |

**Novi Community School District**

**Other Supplemental Information  
Schedule of Bonded Indebtedness**

**June 30, 2018**

| Years Ending June 30     | 2012 Refunding Bonds |                   | 2014 School Building and Site Bonds |                      |
|--------------------------|----------------------|-------------------|-------------------------------------|----------------------|
|                          | Principal            | Interest          | Principal                           | Interest             |
| 2019                     | \$ 1,650,000         | \$ 247,000        | \$ 2,550,000                        | \$ 1,983,000         |
| 2020                     | 1,645,000            | 164,500           | 3,000,000                           | 1,881,000            |
| 2021                     | 1,645,000            | 82,250            | 2,575,000                           | 1,761,000            |
| 2022                     | -                    | -                 | 2,575,000                           | 1,658,000            |
| 2023                     | -                    | -                 | 2,575,000                           | 1,555,000            |
| 2024                     | -                    | -                 | 2,575,000                           | 1,426,250            |
| 2025                     | -                    | -                 | 2,575,000                           | 1,297,500            |
| 2026                     | -                    | -                 | 2,575,000                           | 1,168,750            |
| 2027                     | -                    | -                 | 2,600,000                           | 1,040,000            |
| 2028                     | -                    | -                 | 2,600,000                           | 910,000              |
| 2029                     | -                    | -                 | 2,600,000                           | 780,000              |
| 2030                     | -                    | -                 | 2,600,000                           | 650,000              |
| 2031                     | -                    | -                 | 2,600,000                           | 520,000              |
| 2032                     | -                    | -                 | 2,600,000                           | 390,000              |
| 2033                     | -                    | -                 | 2,600,000                           | 260,000              |
| 2034                     | -                    | -                 | 2,600,000                           | 130,000              |
| 2035                     | -                    | -                 | -                                   | -                    |
| 2036                     | -                    | -                 | -                                   | -                    |
| 2037                     | -                    | -                 | -                                   | -                    |
| Total remaining payments | <b>\$ 4,940,000</b>  | <b>\$ 493,750</b> | <b>\$ 41,800,000</b>                | <b>\$ 17,410,500</b> |
| Principal payments due   | May 1                |                   | May 1                               |                      |
| Interest payments due    | May 1 and November 1 |                   | May 1 and November 1                |                      |
| Interest rate            | 5.00%                |                   | 4.00% - 5.00%                       |                      |
| Original issue           | <b>\$ 13,530,000</b> |                   | <b>\$ 44,000,000</b>                |                      |

**Novi Community School District**

**Other Supplemental Information  
Schedule of Bonded Indebtedness (Continued)**

**June 30, 2018**

| Years Ending June 30            | 2016 School Building and Site Bonds |                     | 2016 Refunding Bonds |                     |
|---------------------------------|-------------------------------------|---------------------|----------------------|---------------------|
|                                 | Principal                           | Interest            | Principal            | Interest            |
| 2019                            | \$ 325,000                          | \$ 241,000          | \$ 1,590,000         | \$ 668,300          |
| 2020                            | 325,000                             | 228,000             | 1,665,000            | 604,700             |
| 2021                            | 325,000                             | 215,000             | 1,065,000            | 538,100             |
| 2022                            | 325,000                             | 202,000             | 1,750,000            | 495,500             |
| 2023                            | 350,000                             | 189,000             | 1,830,000            | 425,500             |
| 2024                            | 350,000                             | 175,000             | 1,880,000            | 334,000             |
| 2025                            | 350,000                             | 161,000             | 1,930,000            | 240,000             |
| 2026                            | 350,000                             | 147,000             | 1,915,000            | 191,750             |
| 2027                            | 350,000                             | 136,500             | 1,920,000            | 96,000              |
| 2028                            | 350,000                             | 126,000             | -                    | -                   |
| 2029                            | 350,000                             | 112,000             | -                    | -                   |
| 2030                            | 350,000                             | 98,000              | -                    | -                   |
| 2031                            | 350,000                             | 84,000              | -                    | -                   |
| 2032                            | 350,000                             | 70,000              | -                    | -                   |
| 2033                            | 350,000                             | 56,000              | -                    | -                   |
| 2034                            | 350,000                             | 42,000              | -                    | -                   |
| 2035                            | 350,000                             | 28,000              | -                    | -                   |
| 2036                            | 350,000                             | 14,000              | -                    | -                   |
| 2037                            | -                                   | -                   | -                    | -                   |
| <b>Total remaining payments</b> | <b>\$ 6,200,000</b>                 | <b>\$ 2,324,500</b> | <b>\$ 15,545,000</b> | <b>\$ 3,593,850</b> |
| Principal payments due          | May 1                               |                     | May 1                |                     |
| Interest payments due           | May 1 and November 1                |                     | May 1 and November 1 |                     |
| Interest rate                   | 3.00% - 4.00%                       |                     | 2.50% - 5.00%        |                     |
| Original issue                  | <b>\$ 6,515,000</b>                 |                     | <b>\$ 16,145,000</b> |                     |

**Novi Community School District**

**Other Supplemental Information  
Schedule of Bonded Indebtedness (Continued)**

**June 30, 2018**

| Years Ending June 30     | 2017 School Building and Site<br>Bonds Series III |                     | 2017 Refunding Bonds |                     |
|--------------------------|---|---------------------|----------------------|---------------------|
|                          | Principal   | Interest            | Principal            | Interest            |
| 2019                     | \$ 475,000  | \$ 583,500          | \$ 4,490,000         | \$ 894,000          |
| 2020                     | 875,000   | 569,250             | 4,470,000            | 669,500             |
| 2021                     | 475,000   | 534,250             | 4,455,000            | 446,000             |
| 2022                     | 500,000   | 515,250             | 4,465,000            | 223,250             |
| 2023                     | 525,000   | 495,250             | -                    | -                   |
| 2024                     | 550,000   | 469,000             | -                    | -                   |
| 2025                     | 550,000   | 441,500             | -                    | -                   |
| 2026                     | 575,000   | 414,000             | -                    | -                   |
| 2027                     | 600,000   | 385,250             | -                    | -                   |
| 2028                     | 625,000   | 355,250             | -                    | -                   |
| 2029                     | 650,000   | 324,000             | -                    | -                   |
| 2030                     | 650,000   | 291,500             | -                    | -                   |
| 2031                     | 675,000   | 259,000             | -                    | -                   |
| 2032                     | 700,000   | 225,250             | -                    | -                   |
| 2033                     | 725,000   | 190,250             | -                    | -                   |
| 2034                     | 750,000   | 154,000             | -                    | -                   |
| 2035                     | 775,000   | 116,500             | -                    | -                   |
| 2036                     | 775,000   | 77,750              | -                    | -                   |
| 2037                     | 780,000   | 39,000              | -                    | -                   |
| Total remaining payments | <b>\$ 12,230,000</b>                              | <b>\$ 6,439,750</b> | <b>\$ 17,880,000</b> | <b>\$ 2,232,750</b> |
| Principal payments due   | May 1   |                     | May 1                |                     |
| Interest payments due    | May 1 and November 1                              |                     | May 1 and November 1 |                     |
| Interest rate            | 3.00% - 5.00%                                     |                     | 5.00%                |                     |
| Original issue           | <b>\$ 12,230,000</b>                              |                     | <b>\$ 23,235,000</b> |                     |



**Novi Community School District**

**Other Supplemental Information  
Schedule of Bonded Indebtedness (Continued)**

**June 30, 2018**

| <u>Years Ending June 30</u> | <u>Total</u>                 |
|-----------------------------|------------------------------|
| 2019                        | \$ 15,696,800                |
| 2020                        | 16,096,950                   |
| 2021                        | 14,116,600                   |
| 2022                        | 12,709,000                   |
| 2023                        | 7,944,750                    |
| 2024                        | 7,759,250                    |
| 2025                        | 7,545,000                    |
| 2026                        | 7,336,500                    |
| 2027                        | 7,127,750                    |
| 2028                        | 4,966,250                    |
| 2029                        | 4,816,000                    |
| 2030                        | 4,639,500                    |
| 2031                        | 4,488,000                    |
| 2032                        | 4,335,250                    |
| 2033                        | 4,181,250                    |
| 2034                        | 4,026,000                    |
| 2035                        | 1,269,500                    |
| 2036                        | 1,216,750                    |
| 2037                        | 819,000                      |
| Total remaining payments    | <b><u>\$ 131,090,100</u></b> |
| Principal payments due      |                              |
| Interest payments due       |                              |
| Interest rate               |                              |
| Original issue              | <b><u>\$ 118,995,000</u></b> |