
West Bloomfield School District

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

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Independent Auditor's Report

To the Board of Education
West Bloomfield School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Bloomfield School District (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise West Bloomfield 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, each major fund, and the aggregate remaining fund information of West Bloomfield School District as of June 30, 2020 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
West Bloomfield School District

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Bloomfield 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 September 28, 2020 on our consideration of West Bloomfield 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 West Bloomfield School District's internal control over financial reporting and compliance.



September 28, 2020

This section of West Bloomfield 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, 2020. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand West Bloomfield 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 and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund, the 2020 Capital Projects Fund, the 2017 Capital Projects Fund, and the Debt Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

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

Schedule of Pension Contributions

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

Schedule of OPEB Contributions

Other Supplemental Information

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

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

West Bloomfield School District

Management's Discussion and Analysis (Continued)

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

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

Reporting the School District's 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 (such as the Cafeteria and Community Education funds) 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). The governmental funds of the School District use the following accounting approach:

Governmental Funds

All of the School District's services are reported in 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 (fund level statements) in a reconciliation to help readers understand the differences in accounting methods.

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. 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.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Assets		
Current and other assets	\$ 95.9	\$ 48.9
Capital assets	153.9	135.0
Total assets	249.8	183.9
Deferred Outflows of Resources	44.0	42.0
Liabilities		
Current liabilities	11.6	11.3
Noncurrent liabilities	141.1	81.9
Net pension liability	122.2	109.3
Net OPEB liability	26.4	29.4
Total liabilities	301.3	231.9
Deferred Inflows of Resources	20.3	22.6
Net Position		
Net investment in capital assets	82.7	75.9
Restricted	1.8	0.7
Unrestricted	(112.3)	(105.2)
Total net position	<u>\$ (27.8)</u>	<u>\$ (28.6)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was a deficit of \$27.8 million at June 30, 2020. Net investment in capital assets totaling \$82.7 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 (\$(112.3) million) was unrestricted.

The \$(112.3) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance, when positive, enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

Summary of Activities

	Governmental Activities	
	2020	2019
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 2.5	\$ 3.1
Operating grants	14.6	13.5
General revenue:		
Taxes	27.2	26.1
State aid not restricted to specific purposes	39.5	41.1
Other	1.3	1.6
	<u>85.1</u>	<u>85.4</u>
Total revenue		
Expenses		
Instruction	46.7	41.9
Support services	28.6	26.7
Athletics	1.2	1.2
Food services	1.5	1.7
Community services	2.3	2.4
Debt service	4.0	3.1
	<u>84.3</u>	<u>77.0</u>
Total expenses		
Change in Net Position	0.8	8.4
Net Position - Beginning of year	<u>(28.6)</u>	<u>(37.0)</u>
Net Position - End of year	<u><u>\$ (27.8)</u></u>	<u><u>\$ (28.6)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$84.3 million. Certain activities were partially funded from those who benefited from the programs (\$2.5 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$14.6 million). We paid for the remaining public benefit portion of our governmental activities with \$27.2 million in taxes, \$39.5 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$0.8 million during fiscal year 2020.

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.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. This fund-by-fund breakdown of revenue and expenditures (and related assets and liabilities) 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 \$85.0 million, which is an increase of \$47.0 million from last year. The primary reasons for the increase are discussed in further detail below:

During the 2019-2020 school year, the School District's General Fund, our principal operating fund, ended the year with a nearly balanced budget, resulting in an ending General Fund fund balance of approximately \$11.1 million. The General Fund fund balance has remained stable compared to the previous year's fund balance of \$11.1 million. During the 2019-2020 school year, the School District was affected by the COVID-19 pandemic with Executive Order (EO 2020-2021) signed by Governor Gretchen Whitmer on March 23, 2020. The "Stay Home, Stay Safe" order directed all Michigan residents, businesses, and operations to suspend activities that were not necessary to sustain or protect life. Because of the governor's executive order, school districts transitioned to remote-only learning for the remainder of the 2019-2020 school year, which was approximately one-third of the school year. Our School District was uniquely positioned to transition to an online learning model since all students had been previously issued portable computing devices (Chrome Books) as a part of the School District's overall instructional plan.

The financial implications of the COVID pandemic caused the state budget process to halt in March 2020 with concerns about decreased state revenue caused by the Stay Home, Stay Safe executive order. The regularly scheduled May 2020 Revenue Estimating Conference estimated that the 2020 School Aid Fund would end the year with an approximately \$1 billion deficit, roughly translated to a \$685 per pupil reduction. In the months that followed the May Revenue Estimating Conference, and well after the FY 2020 school year ended, a budget deal was signed by the governor with a \$175 per pupil proration reduction in FY 2020. The State of Michigan held a special Revenue Estimating Conference in August 2020 with the goal of collecting better data related to the status of state revenue for FY 2020 and FY 2021. The conclusion was that the \$175 per pupil reduction would not be carried over into FY 2021 and that the School Aid Fund would end in a better position that predicted in the May Revenue Estimating Conference.

Fund balance of our special revenue funds, which include the Cafeteria Fund and Community Education Funds, increased from \$472,153 last year to \$716,335 this year because of surplus operating revenue in excess of operating expenditures for the Cafeteria Fund of \$290,282. The School District outsources the Cafeteria Fund to Aramark Education, LLC.

The fund balance of our Debt Fund stayed steady at approximately \$1.2 million. Annually, debt millage rates are reviewed and revised as necessary to ensure that the School District accumulates sufficient resources to pay annual bond-related debt service. The Debt Fund fund balance is reserved since it can only be used to pay debt service obligations.

Combined, the fund balance of our capital project funds, which include the 2017 and 2020 Capital Projects funds and the Sinking Fund, increased by \$46.8 million. This increase is due to the sale of the second series of voter-approved bonds of approximately \$68.7 million on April 30, 2020. The sale of all outstanding bonds associated with the 2017 Bond Issue was done via a very successful competitive bid, which resulted in the School District receiving 10 competitive bids to purchase district bonds. The bond sale was awarded to Bank of America Merrill Lynch with the low bid of 2.78 percent true interest cost. Spending in the 2017 Capital Projects Fund continued through FY 2020 related to facility improvements and renovations.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2020. 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.

The General Fund budget was first amended in February 2020 to account for changes in enrollment, foundation allowance, updated grant allocations, and staffing changes to more accurately reflect changes that occurred since the FY 2019-2020 original budget was developed. Overall, the first General Fund amendment resulted in a favorable increase of \$473,653 and increased the forecast for ending fund balance from 14.6 to 15.3 percent of budgeted revenue. The FY 2019-2020 General Fund budget was amended again in June of 2020, which included the impact of the COVID-19 pandemic and the shift to online instruction for the last third of the FY 2019-2020 school year. The most significant change to budgeted revenue was the addition of \$291,009 in federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding under the Elementary and Secondary Schools Emergency Relief Formula (ESSER-F). There were significant revisions made to budgeted expenditures primarily due to the change to remote-only learning when the COVID-19 pandemic began in March 2020. Budgeted expenditures were decreased by \$923,328 to reflect lower anticipated costs in support services netted together with an increase in the transfer of \$298,890 to the Community Service Fund.

The target foundation allowance increased by \$120, from \$8,409 to \$8,529, in FY 2019-2020, representing an increase of 1.3 percent. A budget deal for FY 2019-2020 was announced on June 29, 2020 and signed by the governor later in July that prorated (reduced) the School District's foundation allowance by \$175 per pupil, which resulted in a reduction of revenue of \$950,288 in the final state aid payment for FY 2019-2020. This reduction in state funding was not included in the final FY 2019-2020 amendment since it was signed into law after the close of FY 2019-2020. When a proration is applied, it does not change the actual foundation allowance, but, for practical purposes, the net result was a decrease of \$55 in per pupil funding for the 2019-2020 fiscal year.

When comparing the School District's final FY 2019-2020 budget amendment to the actual FY 2019-2020 results, the overall budget variance was \$425,293, or 0.65 percent of actual revenue.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the School District had \$153.9 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$18.9 million, or 14.0 percent, from last year.

	2020	2019
Land	\$ 7,764,664	\$ 7,764,664
Construction in progress	13,801,311	14,975,513
Buildings and improvements	184,300,080	164,427,566
Furniture and equipment	38,384,539	32,662,843
Buses and other vehicles	5,551,383	5,142,297
Total capital assets	249,801,977	224,972,883
Less accumulated depreciation	95,894,845	89,946,734
Total capital assets - Net of accumulated depreciation	<u>\$ 153,907,132</u>	<u>\$ 135,026,149</u>

West Bloomfield School District

Management's Discussion and Analysis (Continued)

This year's additions of \$24.8 million included technology improvements, building renovations, new school construction, new school buses, and instructional furniture and equipment all as a part of the School District's bond and Sinking Fund projects. Several major capital projects are planned for the 2020-2021 fiscal year, including the continuation of construction on the School District's new, state-of-the-art, middle school. We anticipate capital additions will be comparable to this year. We present information that is more detailed about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$126.3 million in bonds outstanding versus \$67.8 million in the previous year, a change of 86.2 percent. Those bonds consisted of the following:

	2020	2019
General obligation bonds	\$ 126,335,000	\$ 67,845,000

The School District's general obligation bond rating is A2 with Moody's Investor Service and A with Standard & Poor's. 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 \$126.3 million is significantly below this \$291.1 million statutorily imposed limit.

Other obligations include compensated absences and a sinking fund loan with a bank. 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 2020-2021 fiscal year budget. One of the most important factors affecting the budget is our student count, since state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil and the category of revenue constitutes approximately 76 percent of total General Fund revenue. For the 2020-2021 school year only, the funded pupil count will be determined using a super blend, which is 75 percent of the FY 2019-2020 blended count and 25 percent of the FY 2020-2021 blended count. The FY 2019-2020 count (10 percent of the February 2019 count and 90 percent of the October 2019 count) would make up 75 percent of the super blend, and the FY 2020-2021 count (10 percent of the February 2020 count and 90 percent of the October 2020 count) would make up the remaining 25 percent of the super blend.

The 2020-2021 budget was adopted in June 2020 based on an estimate of students who will enroll in September 2020. Our estimate of 200 fewer pupils in the original FY 2020-2021 budget was based in part on a demographic study of area school-aged children and included considerations for a COVID-19 pandemic impact. Under state law, the School District cannot assess additional property tax revenue for general operations, and, 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 is known, the General Fund will be amended to reflect the most current information.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The 2020-2021 original budget was developed based upon an estimated decrease of \$600 per pupil. This estimate was developed based on the legislative budgets available at that time and data published from the May Revenue Estimating Conference. The School District's FY 2020-2021 foundation allowance will not be known until amendments to the School Aid Act are finalized. Based on the August 2020 Revenue Estimating Conference, it appears that a reduction in foundation allowance from the FY 2019-2020 level will not occur, and the \$175 per pupil proration will not continue.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

On September 24, 2020, a school aid budget (SB 927) was announced that included the following highlights:

- Foundation allowance remains at FY 2019-2020 levels, with the minimum set at \$8,111 and the target set at \$8,529 per pupil. Our foundation allowance for FY 2020-2021 will be \$9,156 per pupil, which is the same foundation allowance as FY 2019-2020. The \$175 per pupil proration received in FY 2020-2019 will not continue to FY 2020-2021.
- Districts will receive a one-time payment estimated at \$65 per pupil for FY 2020-2021 based on a 50/50 blend (50 percent weight on FY 2019-2020 membership plus 50 percent weight on what would have been the traditional FY 2020-2021 membership).
- Michigan Public School Employees' Retirement System (MPERS) rates are set to increase by 0.71 percent for FY 2020-2021. In total, SB 927 increases funding for pension costs by \$195 million for FY 2020-2021, with a continuation of Section 147(a) MPERS cost offset.
- Special education funding remains consistent with FY 2019-2020 levels, with the additional 2 percent reimbursement rate continued in FY 2020-2021.
- The budget also appropriated \$5 million for FY 2020-2021 to provide matching funds to districts to retain new teachers. The program would provide \$1,000 in state funds to match \$500 in district funds for new teachers completing a full year of teaching in districts with at least 70 percent of pupils being economically disadvantaged.

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 West Bloomfield School District Business Office located at 5810 Commerce Road, West Bloomfield, MI 48324 or call 248-865-6430.

West Bloomfield School District

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 10,354,626
Receivables:	
Property taxes receivable	9,753
Other receivables	182,568
Due from other governments	8,410,990
Inventory	18,530
Prepaid costs and other assets	39,839
Restricted assets	76,872,094
Capital assets - Net (Note 5)	<u>153,907,132</u>
Total assets	249,795,532
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 7)	183,091
Deferred pension costs (Note 9)	35,242,414
Deferred OPEB costs (Note 9)	<u>8,563,000</u>
Total deferred outflows of resources	43,988,505
Liabilities	
Accounts payable	4,069,058
Accrued liabilities and other	7,264,237
Unearned revenue (Note 2)	340,783
Noncurrent liabilities:	
Due within one year (Note 7)	10,757,022
Due in more than one year (Note 7)	130,315,564
Net pension liability (Note 9)	122,173,092
Net OPEB liability (Note 9)	<u>26,414,114</u>
Total liabilities	301,333,870
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to measurement (Note 9)	4,051,619
Deferred pension cost reductions (Note 9)	5,869,051
Deferred OPEB cost reductions (Note 9)	<u>10,372,947</u>
Total deferred inflows of resources	<u>20,293,617</u>
Net Position	
Net investment in capital assets	82,729,541
Restricted:	
Debt service	391,893
Capital projects	1,374,584
Unrestricted	<u>(112,339,468)</u>
Total net position	<u><u>\$ (27,843,450)</u></u>

West Bloomfield School District

Statement of Activities

Year Ended June 30, 2020

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 46,654,789	\$ 7,245	\$ 8,850,721	\$ (37,796,823)
Support services	28,627,341	-	4,156,211	(24,471,130)
Athletics	1,238,481	266,967	-	(971,514)
Food services	1,454,612	579,198	1,110,902	235,488
Community services	2,332,565	1,628,987	-	(703,578)
Interest	3,140,353	-	519,450	(2,620,903)
Other debt costs	847,070	-	-	(847,070)
Total primary government	\$ 84,295,211	\$ 2,482,397	\$ 14,637,284	(67,175,530)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				11,910,681
Property taxes, levied for debt service				12,988,684
Property taxes, levied for capital projects				2,327,693
State aid not restricted to specific purposes				39,497,818
Interest and investment earnings				500,269
Loss on sale of capital assets				(1,887)
Other				757,398
Total general revenue				67,980,656
Change in Net Position				805,126
Net Position - Beginning of year				(28,648,576)
Net Position - End of year				\$ (27,843,450)

West Bloomfield School District

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	2017 Capital Projects Fund	2020 Capital Projects Fund	Debt Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 4)	\$ 9,533,252	\$ -	\$ -	\$ -	\$ 821,374	\$ 10,354,626
Receivables:						
Property taxes receivable	9,753	-	-	-	-	9,753
Other receivables	164,203	-	-	-	18,365	182,568
Due from other governments	8,333,971	-	-	-	77,019	8,410,990
Inventory	-	-	-	-	18,530	18,530
Prepaid costs and other assets	39,839	-	-	-	-	39,839
Restricted assets	-	2,703,057	70,039,659	1,165,336	2,964,042	76,872,094
Total assets	\$ 18,081,018	\$ 2,703,057	\$ 70,039,659	\$ 1,165,336	\$ 3,899,330	\$ 95,888,400
Liabilities						
Accounts payable	\$ 344,494	\$ 2,495,921	\$ 764,771	\$ -	\$ 463,872	\$ 4,069,058
Accrued liabilities and other	6,490,794	-	-	-	-	6,490,794
Unearned revenue (Note 2)	169,303	-	-	-	171,480	340,783
Total liabilities	7,004,591	2,495,921	764,771	-	635,352	10,900,635
Fund Balances						
Nonspendable:						
Inventory	-	-	-	-	18,530	18,530
Prepaid costs	39,839	-	-	-	-	39,839
Restricted:						
Debt service	-	-	-	1,165,336	-	1,165,336
Capital projects	-	207,136	69,274,888	-	2,547,643	72,029,667
Food service	-	-	-	-	697,805	697,805
Assigned - Budgeted use of fund balance in subsequent year	3,747,614	-	-	-	-	3,747,614
Unassigned	7,288,974	-	-	-	-	7,288,974
Total fund balances	11,076,427	207,136	69,274,888	1,165,336	3,263,978	84,987,765
Total liabilities and fund balances	\$ 18,081,018	\$ 2,703,057	\$ 70,039,659	\$ 1,165,336	\$ 3,899,330	\$ 95,888,400

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 84,987,765
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	249,801,977
Accumulated depreciation	<u>(95,894,845)</u>
Net capital assets used in governmental activities	153,907,132
Deferred inflows and outflows related to bond refundings are not reported in the funds	183,091
Bonds payable, direct placement borrowings, and capital lease obligations are not due and payable in the current period and are not reported in the funds	(139,468,122)
Accrued interest is not due and payable in the current period and is not reported in the funds	(773,443)
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	(1,604,464)
Net pension liability and related deferred inflows and outflows	(92,799,729)
Net OPEB liability and related deferred inflows and outflows	(28,224,061)
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>(4,051,619)</u>
Net Position of Governmental Activities	<u>\$ (27,843,450)</u>

West Bloomfield School District

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	2017 Capital Projects Fund	2020 Capital Projects Fund	Debt Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Local sources	\$ 13,114,553	\$ 251,797	\$ 55,119	\$ 12,988,684	\$ 4,556,969	\$ 30,967,122
State sources	45,579,966	-	-	63,783	55,867	45,699,616
Federal sources	2,281,838	-	-	519,450	1,055,035	3,856,323
Interdistrict sources	4,550,201	-	-	-	-	4,550,201
Total revenue	65,526,558	251,797	55,119	13,571,917	5,667,871	85,073,262
Expenditures						
Current:						
Instruction	39,372,970	-	-	-	-	39,372,970
Support services	24,381,111	154,431	-	-	174,720	24,710,262
Athletics	1,157,462	-	-	-	-	1,157,462
Food services	-	-	-	-	1,432,549	1,432,549
Community services	286,946	-	-	-	1,846,623	2,133,569
Debt service: (Note 7)						
Principal	70,044	-	-	10,220,000	565,000	10,855,044
Interest	1,832	-	-	3,335,959	110,847	3,448,638
Other debt costs	-	-	805,386	37,369	4,315	847,070
Capital outlay	35,419	20,800,330	677,186	-	3,343,250	24,856,185
Total expenditures	65,305,784	20,954,761	1,482,572	13,593,328	7,477,304	108,813,749
Excess of Revenue Over (Under) Expenditures	220,774	(20,702,964)	(1,427,453)	(21,411)	(1,809,433)	(23,740,487)
Other Financing Sources (Uses)						
Face value of debt issued (Note 7)	-	-	68,710,000	-	-	68,710,000
Proceeds from sale of capital assets	235	-	-	-	-	235
Premium on debt issued	-	-	1,992,341	-	-	1,992,341
Transfers in (Note 6)	46,100	-	-	-	298,890	344,990
Transfers out (Note 6)	(298,890)	-	-	-	(46,100)	(344,990)
Total other financing (uses) sources	(252,555)	-	70,702,341	-	252,790	70,702,576
Net Change in Fund Balances	(31,781)	(20,702,964)	69,274,888	(21,411)	(1,556,643)	46,962,089
Fund Balances - Beginning of year	11,108,208	20,910,100	-	1,186,747	4,820,621	38,025,676
Fund Balances - End of year	\$ 11,076,427	\$ 207,136	\$ 69,274,888	\$ 1,165,336	\$ 3,263,978	\$ 84,987,765

West Bloomfield 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, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 46,962,089
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	24,850,312
Depreciation expense	(5,967,207)
Net book value of assets disposed of	(2,122)
Revenue in support of pension contributions made subsequent to the measurement date	28,962
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(70,702,341)
Repayment of bond and capital lease 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	11,457,562
Interest expense is recognized in the government-wide statements as it accrues	(294,233)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(5,527,896)
Change in Net Position of Governmental Activities	<u>\$ 805,126</u>

West Bloomfield School District

Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2020

Agency Fund

Assets - Cash and investments (Note 4)

\$ 660,405

Liabilities - Due to student groups

\$ 660,405

Note 1 - Nature of Business

West Bloomfield 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 (GASB). The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with governmental 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 schedules 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. 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 in separate columns in the fund financial statements.

Basis of Accounting

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

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

Note 2 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected or will be 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.

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- 2017 and 2020 Capital Projects funds - These funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for the purchase of buses and building improvements. These funds operate until the purpose for which they were created is accomplished
- Debt 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:

- Sinking Fund - This fund is used to account for construction and repair of buildings that are funded by a specific millage.
- Special revenue funds - These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's special revenue funds include the Cafeteria and Community Education funds. Any operating deficit generated by these activities is the responsibility of the General Fund. The main sources of revenue for these funds are food sales to pupils, free/reduced breakfast and lunch reimbursements from federal funds, and tuition from community education programs.

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. The Student Activity Fund is used to record the transactions of student groups for schools and school-related purposes. The funds are segregated and held in a separate account for the students.

Note 2 - Significant Accounting Policies (Continued)

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 amounts due from/to other funds or 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.

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

Specific Balances and Transactions

Cash and Investments

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

Inventories and Prepaid Costs

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

Restricted Assets

The unspent bond proceeds and related interest of the 2017 and 2020 Capital Projects Bonds, the cash proceeds from the Sinking Fund millage, and cash proceeds from the issuance of a term note for the Sinking Fund are required to be set aside for capital projects. Additionally, the Debt Fund's cash is required to be used for future bond payments. As such, these amounts have been classified as restricted assets.

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

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

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

Note 2 - Significant Accounting Policies (Continued)

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

The School District reports deferred outflows related to the deferred charges for the unfunded pension and OPEB benefit obligation and deferred charges on bond refundings.

In addition to liabilities, the statement of net position and/or balance sheet reports deferred inflows of resources, which represent acquisitions of net position that apply to future periods and will not be recognized as inflows of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension and OPEB payments made subsequent to the measurement date and deferred pension and OPEB 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. Restricted 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 investment in capital assets or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for particular purposes 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.

Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Nonspendable fund balance 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 specific purposes. The School District can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note 2 - Significant Accounting Policies (Continued)

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 superintendent of schools and the deputy superintendent for business operations to assign fund balance. The Board of Education may also assign fund balance, as it does when appropriating fund balance to cover differences between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The School District's fund balance policy prescribes the minimum fund balance as 10 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

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. Taxes are considered to be delinquent on March 1 of the following year. At this time, penalties and interest are assessed, and the total obligation is added to the county tax rolls. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

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

Pension

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

Note 2 - Significant Accounting Policies (Continued)

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the fiscal year, the School District recorded unearned revenue primarily for unspent state grants and unspent community education and food service program revenue totaling \$340,783.

Compensated Absences (Vacation and Sick Leave)

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

Use of Estimates

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

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria will be reported in a fiduciary fund in the basic financial statements. The School District has evaluated the impact this standard will have on the financial statements. As of July 1, 2020, the School District will report the activities and related balances currently reported as fiduciary in a newly created special revenue fund.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2022.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 28, 2020, which is the date the financial statements were available to be issued.

Following the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID-19 pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the School District received \$1,966,899 of these restricted CRF funds from the Michigan Department of Education.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds, except that capital outlay is budgeted in other expenditure categories on a functional basis. The actual amounts in the budget-to-actual statement have been presented in the same classification as the budget. 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.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not recorded during the year. Budget appropriations are considered to be spent once goods are delivered or services are rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant unfavorable expenditure budget variances.

Capital Projects Fund Compliance

The 2017 and 2020 Capital Projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2017 Capital Projects Fund. The project for which the 2017 Building & Site bonds were issued was considered complete on June 30, 2020. The cumulative expenditures recognized for the construction period were \$51,268,491.

The Sinking Fund accounts for capital expenditures funded with Sinking Fund millage. For these funds, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code.

Note 4 - Deposits and Investments

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

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

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost, except for the School District's investments in the Michigan Liquid Asset Fund Plus - MAX Class fund, which may not be redeemed for at least 14 calendar days with the exception of direct investments of funds distributed by the state. Redemptions made prior to the applicable 14-day period are subject to penalty equal to 15 days' interest on the amounts redeemed.

Note 4 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated, and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$15,540,919 included \$15,040,919 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 held at June 30, 2020 that were uninsured and unregistered.

Interest Rate Risk

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

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 has no oversight of the investee organizations, and the fair value of the pool approximates the fair value of the shares owned. The School District's investments in the Michigan Liquid Asset Fund are broken out as follows:

Investment	Carrying Value	Rating	Rating Organization
MILAF+ Cash Management Class	\$ 2,677,707	AAAm	S&P
MILAF+ MAX Class	70,026,808	AAAm	S&P
Total	<u>\$ 72,704,515</u>		

June 30, 2020

Note 4 - Deposits and Investments (Continued)

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District 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. All of the School District's investments are in money market funds and other qualified stable investments.

Foreign Currency Risk

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

Note 5 - Capital Assets

Capital asset activity of the School District was as follows:

Governmental Activities

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 7,764,664	\$ -	\$ -	\$ -	\$ 7,764,664
Construction in progress	14,975,513	(12,152,164)	10,977,962	-	13,801,311
Subtotal	22,740,177	(12,152,164)	10,977,962	-	21,565,975
Capital assets being depreciated:					
Buildings and improvements	164,427,566	10,913,840	8,958,674	-	184,300,080
Furniture and equipment	32,662,843	1,238,324	4,483,372	-	38,384,539
Buses and other vehicles	5,142,297	-	430,304	(21,218)	5,551,383
Subtotal	202,232,706	12,152,164	13,872,350	(21,218)	228,236,002
Accumulated depreciation:					
Buildings and improvements	61,182,530	-	4,193,867	-	65,376,397
Furniture and equipment	25,758,754	-	1,225,863	-	26,984,617
Buses and other vehicles	3,005,450	-	547,477	(19,096)	3,533,831
Subtotal	89,946,734	-	5,967,207	(19,096)	95,894,845
Net capital assets being depreciated	112,285,972	12,152,164	7,905,143	(2,122)	132,341,157
Net governmental activities capital assets	<u>\$ 135,026,149</u>	<u>\$ -</u>	<u>\$ 18,883,105</u>	<u>\$ (2,122)</u>	<u>\$ 153,907,132</u>

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

Governmental activities:	
Instruction	\$ 3,580,324
Support services	2,386,883
Total governmental activities	<u>\$ 5,967,207</u>

June 30, 2020

Note 5 - Capital Assets (Continued)

Construction Commitments

The School District has active construction projects at year end related to the Sinking Fund, the 2017 Capital Projects Fund, and the 2020 Capital Projects Fund. At year end, the School District's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sinking Fund and 2017 and 2020 Capital Projects funds	\$ 13,725,320	\$ 59,705,617

Note 6 - Interfund Receivables, Payables, and Transfers

Interfund transfers include transfers between the special revenue funds and the General Fund. Transfers from the General Fund to the nonmajor special revenue funds totaled \$298,890 to cover the fund deficit within the special revenue funds, bringing the current year fund balance to \$0. Additionally, there was a transfer of \$46,100 from the Cafeteria Fund to the General Fund for indirect costs.

Note 7 - Long-term Debt

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

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds and notes payable:					
Direct borrowings - Sinking fund loan	\$ 5,000,000	\$ -	\$ (565,000)	\$ 4,435,000	\$ 585,000
Other debt - General obligation bonds payable	67,845,000	68,710,000	(10,220,000)	126,335,000	9,055,000
Unamortized bond premiums	7,421,982	1,992,341	(716,201)	8,698,122	715,906
Deferred charges on bond refunding	(296,774)	-	113,683	(183,091)	-
Total bonds and notes payable	79,970,208	70,702,341	(11,387,518)	139,285,031	10,355,906
Capital leases	70,044	-	(70,044)	-	-
Compensated absences	1,574,520	29,944	-	1,604,464	401,116
Total governmental activities long-term debt	<u>\$ 81,614,772</u>	<u>\$ 70,732,285</u>	<u>\$ (11,457,562)</u>	<u>\$ 140,889,495</u>	<u>\$ 10,757,022</u>

Sinking Fund Loan

During the year ended June 30, 2019, the School District borrowed \$5,000,000 from a bank for the purpose of financing certain critical authorized improvements to school facilities that are eligible for payment from the School District's sinking fund millage. The loan matures on June 1, 2027 and requires annual principal payments due on June 1 and semiannual interest payments due on June 1 and December 1 at a 2.30 percent interest rate. The loan is considered a direct borrowing, as the School District has engaged in a loan directly with a bank. The School District has pledged dollars to be collected from its voter-approved sinking fund levy as collateral against the required principal and interest payments of the loan.

June 30, 2020

Note 7 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition of certain equipment and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. General obligations outstanding at June 30, 2020 are as follows:

	Annual Installments	Interest Rates (Percent)	Maturing	Outstanding
Governmental Activities				
2010 Bond Issue - \$15,000,000 serial bonds	\$1,175,000 - \$1,250,000	6.10- 6.70*	2027	\$ 8,550,000
2015 Refunding Bond Issue - \$11,025,000 serial bonds	\$1,845,000	5.00	2021	1,845,000
2016 Refunding Bond Issue - \$8,325,000 serial bonds	\$1,310,000 - \$1,410,000	4.00	2024	5,430,000
2017 Bond Issue - \$42,915,000 serial bonds	\$1,750,000 - \$3,075,000	4.00 - 5.00	2037	41,800,000
2020 Bond Issue - \$68,710,000 serial bonds	\$2,600,000 - \$5,100,000	3.00	2040	68,710,000
Total				<u>\$ 126,335,000</u>

*Interest is subsidized up to a maximum of 5.90 percent.

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

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					
	Bonds Payable			Direct Placement Borrowings		
	Principal	Interest	Interest Subsidy	Principal	Interest	Total
2021	\$ 9,055,000	\$ 4,924,914	\$ (453,723)	\$ 585,000	\$ 89,010	\$ 14,200,201
2022	9,475,000	4,622,776	(391,369)	600,000	75,555	14,381,962
2023	7,060,000	4,249,176	(327,689)	615,000	61,755	11,658,242
2024	7,210,000	3,945,600	(262,682)	635,000	47,610	11,575,528
2025	6,075,000	3,630,876	(197,675)	650,000	33,005	10,191,206
2026 - 2040	87,460,000	24,803,750	(213,750)	1,350,000	20,815	113,420,815
Total	<u>\$ 126,335,000</u>	<u>\$ 46,177,092</u>	<u>\$ (1,846,888)</u>	<u>\$ 4,435,000</u>	<u>\$ 327,750</u>	<u>\$ 175,427,954</u>

Defeased Debt

In prior years, the School District defeased certain bonds by placing the proceeds of the new bonds into an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities of the defeased bonds are not included in the basic financial statements. At June 30, 2020, \$13,975,000 of bonds outstanding is considered defeased.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims. The School District participates in the SET-SEG shared risk pool for claims relating to 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 SET-SEG risk pool operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the service pool that the service pool uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the School District.

Note 9 - Michigan Public School Employees' Retirement System

Plan Description

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

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

Benefits Provided

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

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

Depending on the member's date of hire, MPERS 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.

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

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

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

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

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

Contributions

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

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

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

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

The ranges of rates are as follows:

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

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

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$10,120,528, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$4,051,619 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$2,618,397, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2020, the School District reported a liability of \$122,173,092 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.37 and 0.36 percent, respectively, representing a change of 1.51 percent.

Net OPEB Liability

At June 30, 2020, the School District reported a liability of \$26,414,114 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.37 percent, representing a change of (0.54) percent.

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

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

For 2020, the School District recognized pension expense of \$17,269,604, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 547,619	\$ (509,450)
Changes in assumptions	23,921,577	-
Net difference between projected and actual earnings on pension plan investments	-	(3,915,440)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	2,105,864	(1,444,161)
The School District's contributions to the plan subsequent to the measurement date	8,667,354	-
Total	\$ 35,242,414	\$ (5,869,051)

The \$4,051,619 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2021	\$ 7,594,648
2022	6,738,989
2023	4,581,859
2024	1,790,513
Total	\$ 20,706,009

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

June 30, 2020

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

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$866,293.

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (9,692,085)
Changes in assumptions	5,723,404	-
Net difference between projected and actual earnings on OPEB plan investments	-	(459,354)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	866,963	(221,508)
Employer contributions to the plan subsequent to the measurement date	1,972,633	-
Total	<u>\$ 8,563,000</u>	<u>\$ (10,372,947)</u>

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

Years Ending	Amount
2021	\$ (1,039,022)
2022	(1,039,022)
2023	(809,721)
2024	(544,303)
2025	(350,512)
Total	<u>\$ (3,782,580)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2019 are based on the results of an actuarial valuation as of September 30, 2018 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2019 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Absolute return pools	15.50	5.40
Short-term investment pools	2.00	0.80
Total	100.00 %	

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

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

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

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

	1 Percentage Point Decrease <u>(5.00 - 5.80%)</u>	Current Discount Rate <u>(6.00 - 6.80%)</u>	1 Percentage Point Increase <u>(7.00 - 7.80%)</u>
Net pension liability of the School District	\$ 158,832,836	\$ 122,173,092	\$ 91,780,902

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

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

	1 Percentage Point Decrease <u>(5.95%)</u>	Current Discount Rate <u>(6.95%)</u>	1 Percentage Point Increase <u>(7.95%)</u>
Net OPEB liability of the School District	\$ 32,400,880	\$ 26,414,114	\$ 21,386,893

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

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

	1 Percentage Point Decrease <u>(6.50%)</u>	Current Rate <u>(7.50%)</u>	1 Percentage Point Increase <u>(8.50%)</u>
Net OPEB liability of the School District	\$ 21,173,761	\$ 26,414,114	\$ 32,400,170

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2020, the School District reported a payable of \$2,039,132 and \$339,101 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

Required Supplemental Information

West Bloomfield School District

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 12,815,734	\$ 12,883,067	\$ 13,114,553	\$ 231,486
State sources	46,226,406	46,716,725	45,579,966	(1,136,759)
Federal sources	2,460,534	2,454,182	2,281,838	(172,344)
Interdistrict sources	4,198,938	4,351,413	4,550,201	198,788
Total revenue	65,701,612	66,405,387	65,526,558	(878,829)
Expenditures				
Current:				
Instruction:				
Basic programs	29,907,316	30,022,245	29,999,589	(22,656)
Added needs	9,748,787	9,347,904	9,184,196	(163,708)
Adult/Continuing education	212,250	184,034	189,185	5,151
Total instruction	39,868,353	39,554,183	39,372,970	(181,213)
Support services:				
Pupil	5,843,496	5,557,293	5,587,741	30,448
Instructional staff	3,719,580	4,095,497	4,001,745	(93,752)
General administration	814,240	783,679	777,101	(6,578)
School administration	4,401,724	4,211,525	4,168,423	(43,102)
Business	1,097,673	1,011,235	1,016,750	5,515
Operations and maintenance	4,649,904	4,273,604	4,270,938	(2,666)
Pupil transportation services	2,991,195	2,353,537	2,361,862	8,325
Central	2,279,660	2,258,680	2,231,841	(26,839)
Other	-	74	129	55
Total support services	25,797,472	24,545,124	24,416,530	(128,594)
Athletics and co-curricular activities	1,195,532	1,149,799	1,157,462	7,663
Community services and nonpublic school pupils	327,599	362,836	286,946	(75,890)
Debt service	72,738	72,738	71,876	(862)
Total expenditures	67,261,694	65,684,680	65,305,784	(378,896)
Excess of Revenue (Under) Over Expenditures	(1,560,082)	720,707	220,774	(499,933)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	235	235
Transfers in	60,000	40,000	46,100	6,100
Transfers out	-	(367,195)	(298,890)	68,305
Total other financing sources (uses)	60,000	(327,195)	(252,555)	74,640
Net Change in Fund Balance	(1,500,082)	393,512	(31,781)	(425,293)
Fund Balance - Beginning of year	11,108,208	11,108,208	11,108,208	-
Fund Balance - End of year	<u>\$ 9,608,126</u>	<u>\$ 11,501,720</u>	<u>\$ 11,076,427</u>	<u>\$ (425,293)</u>

See notes to required supplemental information.

West Bloomfield School District

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

	Last Six Plan Years					
	Plan Years Ended September 30					
	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.36892 %	0.36343 %	0.35582 %	0.36392 %	0.38179 %	0.40526 %
School District's proportionate share of the net pension liability	\$ 122,173,092	\$ 109,252,452	\$ 92,209,081	\$ 90,795,798	\$ 93,251,748	\$ 89,264,167
School District's covered payroll	\$ 32,150,589	\$ 31,453,597	\$ 29,693,733	\$ 30,006,650	\$ 31,726,461	\$ 33,131,808
School District's proportionate share of the net pension liability as a percentage of its covered payroll	380.00 %	347.34 %	310.53 %	302.59 %	293.92 %	269.42 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

West Bloomfield School District

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

	Last Six Fiscal Years					
	Years Ended June 30					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 10,120,528	\$ 9,735,253	\$ 8,941,001	\$ 8,631,430	\$ 8,534,354	\$ 6,948,586
Contributions in relation to the statutorily required contribution	<u>10,120,528</u>	<u>9,735,253</u>	<u>8,941,001</u>	<u>8,631,430</u>	<u>8,534,354</u>	<u>6,948,586</u>
Contribution Deficiency	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
School District's Covered Payroll	\$ 32,721,784	\$ 31,971,237	\$ 29,776,265	\$ 31,203,571	\$ 30,032,324	\$ 30,727,559
Contributions as a Percentage of Covered Payroll	30.93 %	30.45 %	30.03 %	27.66 %	28.42 %	22.61 %

West Bloomfield School District

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

	Last Three Plan Years		
	Plan Years Ended September 30		
	2019	2018	2017
School District's proportion of the net OPEB liability	0.36800 %	0.37001 %	0.35530 %
School District's proportionate share of the net OPEB liability	\$ 26,414,114	\$ 29,412,219	\$ 31,463,232
School District's covered payroll	\$ 32,150,589	\$ 31,453,597	\$ 29,693,733
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.16 %	93.51 %	105.96 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.53 %

West Bloomfield School District

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

	Last Three Fiscal Years Years Ended June 30		
	2020	2019	2018
Statutorily required contribution	\$ 2,618,397	\$ 2,503,907	\$ 2,145,603
Contributions in relation to the statutorily required contribution	2,618,397	2,503,907	2,145,603
Contribution Deficiency	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 32,721,784	\$ 31,971,237	\$ 29,776,265
Contributions as a Percentage of Covered Payroll	8.00 %	7.83 %	7.21 %

June 30, 2020

Pension Information

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

Benefit Changes

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

Changes in Assumptions

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

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

OPEB Information

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

Benefit Changes

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

Changes in Assumptions

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

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

Other Supplemental Information

West Bloomfield School District

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Funds		Capital Project Fund	Total
	Cafeteria	Community Education	Sinking	
Assets				
Cash and investments	\$ 740,680	\$ 80,694	\$ -	\$ 821,374
Receivables:				
Other receivables	18,365	-	-	18,365
Due from other governments	77,019	-	-	77,019
Inventory	18,530	-	-	18,530
Restricted assets	-	-	2,964,042	2,964,042
Total assets	<u>\$ 854,594</u>	<u>\$ 80,694</u>	<u>\$ 2,964,042</u>	<u>\$ 3,899,330</u>
Liabilities				
Accounts payable	\$ 46,938	\$ 535	\$ 416,399	\$ 463,872
Unearned revenue	91,321	80,159	-	171,480
Total liabilities	138,259	80,694	416,399	635,352
Fund Balances				
Nonspendable - Inventory	18,530	-	-	18,530
Restricted:				
Capital projects	-	-	2,547,643	2,547,643
Food service	697,805	-	-	697,805
Total fund balances	716,335	-	2,547,643	3,263,978
Total liabilities and fund balances	<u>\$ 854,594</u>	<u>\$ 80,694</u>	<u>\$ 2,964,042</u>	<u>\$ 3,899,330</u>

West Bloomfield School District

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

Year Ended June 30, 2020

	Special Revenue Funds		Capital Project Fund	Total
	Cafeteria	Community Education	Sinking Fund	
Revenue				
Local sources	\$ 636,654	\$ 1,547,733	\$ 2,372,582	\$ 4,556,969
State sources	55,867	-	-	55,867
Federal sources	1,055,035	-	-	1,055,035
Total revenue	1,747,556	1,547,733	2,372,582	5,667,871
Expenditures				
Current:				
Support services	-	-	174,720	174,720
Food services	1,432,549	-	-	1,432,549
Community services	-	1,846,623	-	1,846,623
Debt service:				
Principal	-	-	565,000	565,000
Interest	-	-	110,847	110,847
Other debt costs	-	-	4,315	4,315
Capital outlay	24,725	-	3,318,525	3,343,250
Total expenditures	1,457,274	1,846,623	4,173,407	7,477,304
Excess of Revenue Over (Under) Expenditures	290,282	(298,890)	(1,800,825)	(1,809,433)
Other Financing Sources (Uses)				
Transfers in	-	298,890	-	298,890
Transfers out	(46,100)	-	-	(46,100)
Total other financing (uses) sources	(46,100)	298,890	-	252,790
Net Change in Fund Balances	244,182	-	(1,800,825)	(1,556,643)
Fund Balances - Beginning of year	472,153	-	4,348,468	4,820,621
Fund Balances - End of year	\$ 716,335	\$ -	\$ 2,547,643	\$ 3,263,978

West Bloomfield School District

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2010 Bond	2015 Refunding	2016 Refunding	2017 Bond	2020 Bond	Total
	Principal	Principal	Principal	Principal	Principal	
2021	\$ 1,175,000	\$ 1,845,000	\$ 1,410,000	\$ 1,750,000	\$ 2,875,000	\$ 9,055,000
2022	1,200,000	-	1,375,000	1,800,000	5,100,000	9,475,000
2023	1,225,000	-	1,335,000	1,900,000	2,600,000	7,060,000
2024	1,225,000	-	1,310,000	2,000,000	2,675,000	7,210,000
2025	1,225,000	-	-	2,100,000	2,750,000	6,075,000
2026	1,250,000	-	-	2,200,000	2,850,000	6,300,000
2027	1,250,000	-	-	2,300,000	2,925,000	6,475,000
2028	-	-	-	2,400,000	3,025,000	5,425,000
2029	-	-	-	2,500,000	3,100,000	5,600,000
2030	-	-	-	2,600,000	3,175,000	5,775,000
2031	-	-	-	2,675,000	3,300,000	5,975,000
2032	-	-	-	2,750,000	3,400,000	6,150,000
2033	-	-	-	2,825,000	3,500,000	6,325,000
2034	-	-	-	2,900,000	3,600,000	6,500,000
2035	-	-	-	2,975,000	3,700,000	6,675,000
2036	-	-	-	3,050,000	3,825,000	6,875,000
2037	-	-	-	3,075,000	3,925,000	7,000,000
2038	-	-	-	-	4,050,000	4,050,000
2039	-	-	-	-	4,150,000	4,150,000
2040	-	-	-	-	4,185,000	4,185,000
Total remaining payments	<u>\$ 8,550,000</u>	<u>\$ 1,845,000</u>	<u>\$ 5,430,000</u>	<u>\$ 41,800,000</u>	<u>\$ 68,710,000</u>	<u>\$ 126,335,000</u>
Interest rate	6.10 - 6.70%	5.00%	4.00%	4.00 - 5.00%	3.00%	
Original issue	<u>\$ 15,000,000</u>	<u>\$ 11,025,000</u>	<u>\$ 8,325,000</u>	<u>\$ 42,915,000</u>	<u>\$ 68,710,000</u>	<u>\$ 145,975,000</u>

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

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