
Novi Community School District

**Financial Report
with Supplemental Information
June 30, 2022**

Novi Community School District

Contents

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements -	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Notes to Financial Statements	16-35
Required Supplemental Information	36
Budgetary Comparison Schedule - General Fund	37
Schedule of Proportionate Share of the Net Pension Liability	38
Schedule of Pension Contributions	39
Schedule of Proportionate Share of the Net OPEB Liability	40
Schedule of OPEB Contributions	41
Notes to Required Supplemental Information	42
Other Supplemental Information	43
Nonmajor Governmental Funds:	
Combining Balance Sheet	44
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	45
Schedule of Bonded Indebtedness	46-48
Federal Awards Supplemental Information	Issued Under Separate Cover

Independent Auditor's Report

To the Board of Education
Novi Community School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Novi Community School District (the "School District") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 the School District as of June 30, 2022 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Education
Novi Community School District

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. Such 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. The 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.

To the Board of Education
Novi Community School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 the School District's internal control over financial reporting and compliance.

Plante & Morse, PLLC

October 27, 2022

Novi Community School District

Management's Discussion and Analysis

This section of Novi Community School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2022. 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 Novi Community School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term 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 Debt Service Fund, the 2020 Capital Projects Fund, and the 2022 Capital Projects Fund. All other funds are presented in one column as nonmajor funds. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Other Supplemental Information

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

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

Novi Community 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, debt service, capital projects, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Fund Financial Statements

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

Governmental Funds

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

Novi Community 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, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
Assets		
Current and other assets	\$ 124.2	\$ 103.3
Capital assets	198.8	169.8
Total assets	323.0	273.1
Deferred Outflows of Resources	30.6	44.2
Liabilities		
Current liabilities	19.0	16.5
Noncurrent liabilities	190.8	152.2
Net pension liability	107.1	159.3
Net OPEB liability	6.9	24.7
Total liabilities	323.8	352.7
Deferred Inflows of Resources	74.2	25.8
Net Position (Deficit)		
Net investment in capital assets	85.0	80.3
Restricted	4.8	5.6
Unrestricted	(134.2)	(147.1)
Total net position (deficit)	\$ (44.4)	\$ (61.2)

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 \$(44.4) million at June 30, 2022. Net investment in capital assets totaling \$85.0 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(134.2) million) was unrestricted.

The \$(134.2) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. The net deficit position is largely due to the requirement to record the pension and OPEB liabilities on the government-wide set of financial statements.

Novi Community School District

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 4.2	\$ 2.1
Operating grants	26.8	24.6
General revenue:		
Taxes	40.8	42.6
State aid not restricted to specific purposes	39.5	37.9
Other	3.1	2.0
Total revenue	114.4	109.2
Expenses		
Instruction	48.4	57.5
Support services	32.2	34.1
Athletics	1.0	0.7
Food services	2.7	2.2
Community services	1.9	1.9
Debt service	5.4	5.4
Depreciation expense (unallocated)	6.0	5.6
Total expenses	97.6	107.4
Change in Net Position	16.8	1.8
Net Position (Deficit) - Beginning of year	(61.2)	(63.0)
Net Position (Deficit) - End of year	<u>\$ (44.4)</u>	<u>\$ (61.2)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$97.6 million. Certain activities were partially funded from those who benefited from the programs (\$4.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$26.8 million). We paid for the remaining public benefit portion of our governmental activities with \$40.8 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 \$16.8 million largely as a result of the significant decrease in the pension and OPEB liabilities during 2022.

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

The School District's Funds

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

Novi Community School District

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$106.7 million, which is an increase of \$18.8 million from last year. The primary reasons for the net increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased by \$54,000 to \$15.8 million. The General Fund fund balance is available to fund costs related to allowable school operating purposes.

In the 2022 Capital Projects Fund, the fund balance increased by \$54.9 million, as the School District received the proceeds from the voter-approved bonds in the current year.

In the 2020 Capital Projects Fund, the fund balance decreased by \$37.3 million, as the School District continued to spend the proceeds from the voter-approved bonds.

In the 2017 Capital Projects Fund, the fund balance decreased by \$816,000, as the School District continued to spend the proceeds from the voter-approved bonds.

Our special revenue funds increased from the prior year, showing an increase of approximately \$2 million. The Food Service Fund had an increase in fund balance of approximately \$1.2 million, the Student Activities Fund had an increase in fund balance of approximate \$95,000, and the Recreation Fund had an increase in fund balance of approximate \$755,000.

The Debt Service Fund showed a fund balance decrease of approximately \$436,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The Debt Service Fund fund balance is restricted since it can be used only to pay debt service obligations.

The Sinking Fund fund balance increased by approximately \$402,000. The School District collected \$1.3 million in voter-approved sinking fund millage. This millage is available to fund specific capital projects and repairs allowed by state law and approved by the voters.

General Fund Budgetary Highlights

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

Total operating revenue received decreased by \$755,198 when compared to the final budget, including decreases to state and local revenue of \$220,296 and \$602,514, respectively. However, federal revenue increased compared to the final budget by \$252,470.

Overall expenses decreased from the final budget by \$2,064,535 mainly due to basic programs coming in significantly under budget.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022, the School District had \$198.8 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 \$29 million from last year.

Novi Community School District

Management's Discussion and Analysis (Continued)

	2022	2021
Land	\$ 9,607,341	\$ 9,607,341
Construction in progress	26,997,217	7,717,399
Buildings and improvements	226,852,913	213,788,054
Furniture and equipment	8,471,302	7,800,164
Buses and other vehicles	4,076,729	3,651,713
Site improvements	23,361,242	21,787,156
Total capital assets	299,366,744	264,351,827
Less accumulated depreciation	100,583,499	94,583,096
Total capital assets - Net of accumulated depreciation	<u>\$ 198,783,245</u>	<u>\$ 169,768,731</u>

This year's additions of \$35.0 million included equipment, technology, building renovations, site improvements, and building additions. The majority of the additions were funded by the voter-approved bond issues.

Debt

At the end of this year, the School District had \$165.9 million in bonds outstanding versus \$124.4 million in the previous year, an increase of 33.0 percent.

The School District's general obligation bond rating is Aa2 (Moody's) and AA- (Standard & Poor's). The School District's rating did not fall. 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 \$156.4 million is significantly below this \$503.0 million statutorily imposed limit. Other obligations include accrued compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2022-2023 fiscal year budget.

The State of Michigan did not have a budget in place for fiscal year 2022-2023 at the time that the School District had to adopt its original budget for fiscal year 2022-2023, which was in June 2022. Subsequently, the State adopted a budget that increased the foundation allowance to \$450. Additionally, for 2021-2022 and subsequent years, the State has returned to the pupil count formula to be based on 10 percent of the February count date and 90 percent of the October count date.

In 2022-2023, the business office will continue to manage any existing or new COVID-19 funds and develop a spenddown plan to reflect responsible spending to avoid a funding cliff.

Contacting the School District's Management

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

Novi Community School District

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 11,953,514
Receivables:	
Other receivables	412,668
Due from other governments	15,223,673
Inventory	53,251
Prepaid expenses and other assets	1,379,541
Restricted assets	95,097,170
Capital assets - Net (Note 7)	198,783,245
Total assets	322,903,062
Deferred Outflows of Resources	
Deferred pension costs (Note 11)	22,026,928
Deferred OPEB costs (Note 11)	8,603,766
Total deferred outflows of resources	30,630,694
Liabilities	
Accounts payable	6,824,522
Due to other governmental units	1,228,739
Accrued liabilities:	
Accrued salaries and wages	7,340,965
Payroll taxes and withholdings	64,121
Accrued interest payable	1,417,637
Unearned revenue (Note 6)	2,018,817
Noncurrent liabilities:	
Due within one year (Note 9)	13,602,493
Due in more than one year (Note 9)	177,234,245
Net pension liability (Note 11)	107,141,611
Net OPEB liability (Note 11)	6,861,923
Total liabilities	323,735,073
Deferred Inflows of Resources	
Deferred benefit on bond refunding (Note 9)	2,800,561
Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	6,752,512
Deferred pension cost reductions (Note 11)	38,048,249
Deferred OPEB cost reductions (Note 11)	26,637,195
Total deferred inflows of resources	74,238,517
Net Position (Deficit)	
Net investment in capital assets	84,970,672
Restricted:	
Capital projects	4,381,336
Debt service	431,072
Unrestricted	(134,222,914)
Total net position (deficit)	\$ (44,439,834)

Novi Community School District

Statement of Activities

Year Ended June 30, 2022

	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 48,402,381	\$ 286,006	\$ 23,560,470	\$ (24,555,905)
Support services	32,246,818	-	-	(32,246,818)
Athletics	1,014,456	351,129	-	(663,327)
Food services	2,691,310	436,334	3,271,194	1,016,218
Community services	1,898,599	3,079,401	-	1,180,802
Interest	4,849,036	-	-	(4,849,036)
Other debt costs	539,483	-	-	(539,483)
Depreciation expense (unallocated)	6,000,403	-	-	(6,000,403)
Total primary government	\$ 97,642,486	\$ 4,152,870	\$ 26,831,664	(66,657,952)
General revenue:				
Taxes:				
Property taxes levied for general purposes				19,868,608
Property taxes levied for debt service				17,261,189
Property taxes levied for capital projects				1,251,265
Property taxes levied for recreation				2,449,557
State aid not restricted to specific purposes				39,531,784
Net interest and investment loss				(78,796)
Other:				
Student activities				1,839,970
Miscellaneous				1,284,606
Total general revenue				<u>83,408,183</u>
Change in Net Position				16,750,231
Net Position (Deficit) - Beginning of year				<u>(61,190,065)</u>
Net Position (Deficit) - End of year				<u>\$ (44,439,834)</u>

Novi Community School District

Governmental Funds Balance Sheet

June 30, 2022

	General Fund	2022 Capital Projects Fund	2020 Capital Projects Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 4)	\$ 10,582,276	\$ -	\$ -	\$ -	\$ 1,371,238	\$ 11,953,514
Receivables:						
Other receivables	278,647	-	-	-	134,021	412,668
Due from other governments	15,223,673	-	-	-	-	15,223,673
Due from other funds (Note 8)	4,945	-	-	-	-	4,945
Inventory	-	-	-	-	53,251	53,251
Prepaid expenses and other assets	1,204,541	-	-	-	175,000	1,379,541
Restricted assets	-	54,891,174	30,107,435	1,853,654	8,244,907	95,097,170
Total assets	\$ 27,294,082	\$ 54,891,174	\$ 30,107,435	\$ 1,853,654	\$ 9,978,417	\$ 124,124,762
Liabilities						
Accounts payable	\$ 959,793	\$ -	\$ 5,454,024	\$ -	\$ 410,705	\$ 6,824,522
Due to other governmental units	1,228,282	-	-	-	457	1,228,739
Due to other funds (Note 8)	-	-	-	4,945	-	4,945
Accrued liabilities	7,405,086	-	-	-	-	7,405,086
Unearned revenue (Note 6)	1,956,088	-	-	-	62,729	2,018,817
Total liabilities	11,549,249	-	5,454,024	4,945	473,891	17,482,109
Fund Balances						
Nonspendable:						
Inventory	-	-	-	-	53,251	53,251
Prepays	1,204,541	-	-	-	175,000	1,379,541
Restricted:						
Debt service	-	-	-	1,848,709	-	1,848,709
Capital projects	-	54,891,174	24,653,411	-	3,835,314	83,379,899
Food service	-	-	-	-	1,535,764	1,535,764
Recreation	-	-	-	-	2,558,868	2,558,868
Committed - Student activities	-	-	-	-	1,346,329	1,346,329
Assigned - Budgeted use of fund balance in subsequent year	1,179,767	-	-	-	-	1,179,767
Unassigned	13,360,525	-	-	-	-	13,360,525
Total fund balances	15,744,833	54,891,174	24,653,411	1,848,709	9,504,526	106,642,653
Total liabilities and fund balances	\$ 27,294,082	\$ 54,891,174	\$ 30,107,435	\$ 1,853,654	\$ 9,978,417	\$ 124,124,762

Novi Community School District

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

June 30, 2022

Fund Balances Reported in Governmental Funds

\$ 106,642,653

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets and lease assets used in governmental activities are not financial resources and are not reported in the funds:

Cost of capital assets

299,366,744

Accumulated depreciation

(100,583,499)

Net capital assets and lease assets used in governmental activities

198,783,245

Deferred inflows and outflows related to bond refundings are not reported in the funds

(2,800,561)

Bonds payable, installment purchase agreements, and related premiums from issuance are not due and payable in the current period and are not reported in the funds

(190,010,575)

Accrued interest is not due and payable in the current period and is not reported in the funds

(1,417,637)

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

(620,566)

Early termination incentive obligations

(150,000)

Provision for dental and vision claims

(55,597)

Net pension liability and related deferred inflows and outflows

(123,162,932)

Net OPEB liability and related deferred inflows and outflows

(24,895,352)

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

(6,752,512)

Net Position (Deficit) of Governmental Activities

\$ (44,439,834)

Novi Community School District

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

Year Ended June 30, 2022

	General Fund	2022 Capital Projects Fund	2020 Capital Projects Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Local sources	\$ 24,824,906	\$ 79,662	\$ (166,221)	\$ 17,265,230	\$ 6,025,692	\$ 48,029,269
State sources	51,671,338	-	-	-	146,794	51,818,132
Federal sources	8,189,211	-	-	-	3,245,512	11,434,723
Interdistrict sources	3,918,999	-	-	-	-	3,918,999
Total revenue	88,604,454	79,662	(166,221)	17,265,230	9,417,998	115,201,123
Expenditures						
Current:						
Instruction	56,603,426	-	-	-	-	56,603,426
Support services	29,302,091	-	33,991	3,104	2,973,134	32,312,320
Athletics	1,061,692	-	-	-	-	1,061,692
Food services	-	-	-	-	2,691,310	2,691,310
Community services	1,612,569	-	-	-	548,924	2,161,493
Debt service:						
Principal	-	-	-	11,525,000	553,814	12,078,814
Interest	-	-	-	5,971,650	91,575	6,063,225
Other debt costs	-	330,424	-	410,059	-	740,483
Capital outlay	120,162	2,501	37,080,039	-	823,528	38,026,230
Total expenditures	88,699,940	332,925	37,114,030	17,909,813	7,682,285	151,738,993
Excess of Revenue (Under) Over Expenditures	(95,486)	(253,263)	(37,280,251)	(644,583)	1,735,713	(36,537,870)
Other Financing Sources (Uses)						
Face value of debt issued	-	51,675,000	-	27,260,000	-	78,935,000
Premium on debt issued	-	3,469,437	-	-	-	3,469,437
Transfers in (Note 8)	149,173	-	-	-	-	149,173
Payment to bond refunding escrow agent	-	-	-	(27,050,941)	-	(27,050,941)
Transfers out (Note 8)	-	-	-	-	(149,173)	(149,173)
Total other financing sources (uses)	149,173	55,144,437	-	209,059	(149,173)	55,353,496
Net Change in Fund Balances	53,687	54,891,174	(37,280,251)	(435,524)	1,586,540	18,815,626
Fund Balances - Beginning of year	15,691,146	-	61,933,662	2,284,233	7,917,986	87,827,027
Fund Balances - End of year	<u>\$ 15,744,833</u>	<u>\$ 54,891,174</u>	<u>\$ 24,653,411</u>	<u>\$ 1,848,709</u>	<u>\$ 9,504,526</u>	<u>\$ 106,642,653</u>

Novi Community School District

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

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ 18,815,626
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	35,014,917
Depreciation expense	(6,000,403)
Revenue in support of pension contributions made subsequent to the measurement date	(808,406)
Issuing debt and refinancing bonds provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(82,404,437)
Repayment of bond and installment purchase agreement 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	40,935,144
Interest expense is recognized in the government-wide statements as it accrues	(390,200)
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	11,587,990
Change in Net Position of Governmental Activities	<u>\$ 16,750,231</u>

June 30, 2022

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Report Presentation

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

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

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

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

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

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

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 projects funds, and permanent funds. The School District reports the following funds as major governmental funds:

- **General Fund** - The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- **2022 Capital Projects Fund and 2020 Capital Projects Fund** - These funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for school building and site purposes. The funds operate until the purpose for which they were created is accomplished.
- **Debt Service Fund** - This fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

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

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

Interfund Activity

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

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

June 30, 2022

Note 2 - Significant Accounting Policies (Continued)

Basis of Accounting

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

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

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

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. The School District does not have any fiduciary-type funds.

Specific Balances and Transactions

Cash and Investments

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

Inventories and Prepaid Items

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

Restricted Assets

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

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

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

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
Site improvements	15 to 30

Long-term Obligations

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

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

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

Net Position

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

June 30, 2022**Note 2 - Significant Accounting Policies (Continued)****Net Position Flow Assumption**

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

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

June 30, 2022**Note 2 - Significant Accounting Policies (Continued)****Property Tax Revenue**

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

Grants and Contributions

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

Pension and Other Postemployment Benefit (OPEB) Plans

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

Compensated Absences (Sick Leave)

The liability for compensated absences reported in the government-wide financial statements consists of earned but unused sick leave benefits and termination payments. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Early termination benefits consist of early retirement incentive cash payments provided to certain employees over a three-year period.

Use of Estimates

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

Comparative Data

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

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds except that operating transfers have been included in the revenue and expenditures categories, rather than as other financing sources (uses), and capital outlay is budgeted in other expenditure categories. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

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

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the School District incurred expenditures in the General Fund that were in excess of the amounts budgeted. Budget variances over 10 percent existed for the following expenditure category:

	Budget	Actual
Support services - Pupil transportation services	\$ 2,064,948	\$ 2,353,469

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

June 30, 2022**Note 4 - Deposits and Investments (Continued)**

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

There are no limitations or restrictions on participant withdrawals for the investment pools in the Michigan Liquid Asset Fund that are recorded at amortized cost, except there is a 1-day minimum investment period (Cash Management Class), and investments may not be redeemed for at least 14 calendar days, with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the end of the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed (Max Class).

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$23,777,040 had bank deposits of \$22,760,919 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. There were no investment securities that were uninsured and unregistered and held at June 30, 2022.

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 be purchased only with a 270-day maturity. The School District's investment policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

June 30, 2022

Note 4 - Deposits and Investments (Continued)

At year end, the School District had the following investments with interest rate risk:

Investment	Carrying Value	Maturity Date
Primary Government		
U.S. Treasury bonds and notes	\$ 1,754,413	1/31/2023
U.S. Treasury bonds and notes	1,509,056	2/28/2023
U.S. Treasury bonds and notes	1,392,044	3/31/2023
U.S. Treasury bonds and notes	1,241,227	4/30/2023
U.S. Treasury bonds and notes	1,267,703	5/31/2023
U.S. Treasury bonds and notes	3,238,425	6/30/2023
U.S. Treasury bonds and notes	3,385,300	7/31/2023
U.S. Treasury bonds and notes	561,241	8/31/2023
U.S. Treasury bonds and notes	699,125	9/30/2023
U.S. Treasury bonds and notes	509,283	10/31/2023
U.S. Treasury bonds and notes	377,981	12/31/2023
U.S. Treasury bonds and notes	663,509	2/29/2024
Commercial paper	1,898,246	7/18/2022
Total	<u>\$ 18,497,553</u>	

Credit Risk

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

Investment	Carrying Value	Rating	Rating Organization
U.S. Treasury bonds and notes	\$ 16,599,307	AA+	S&P
Commercial paper	1,898,246	A-1	S&P
MILAF Investment Pool - Cash Management Class	1,392,602	AAAm	S&P
MILAF Investment Pool - Max Class	64,894,226	AAAm	S&P
MILAF Investment Pool - Term Series	400,000	AAAf	Fitch
Total	<u>\$ 85,184,381</u>		

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. More than 5 percent of the School District's investments are in U.S. Treasury bonds/notes; these investments represent 19.49 percent of the School District's total 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 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

June 30, 2022

Note 5 - Fair Value Measurements (Continued)

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The School District has the following recurring fair value measurements as of June 30, 2022:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022 Significant Other Observable Inputs (Level 2)
Assets - Debt securities	
U.S. Treasury securities	\$ 16,599,307
Commercial paper	1,898,246
Total debt securities	<u>\$ 18,497,553</u>

The fair value of U.S. Treasury and federal agency securities and commercial paper at June 30, 2022 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Investments in Entities that Calculate Net Asset Value per Share

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

As of June 30, 2022, the net asset value of the School District's investments in the MILAF Term Series was \$400,000. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date upon initiation of the investment. Early redemptions are permitted, but an early redemption fee would apply.

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

June 30, 2022

Note 6 - Unavailable/Unearned Revenue

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

At June 30, 2022, the School District reported the following amounts of unearned revenue:

	Governmental Funds
	Liability - Unearned
Student food sales	\$ 62,729
Summer tuition and fall school charges received prior to services being rendered	412,431
Grant funding received but not yet expended	1,543,657
Total	<u>\$ 2,018,817</u>

Note 7 - Capital Assets

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

Governmental Activities

	Balance July 1, 2021	Transfers	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 9,607,341	\$ -	\$ -	\$ -	\$ 9,607,341
Construction in progress	7,717,399	(13,601,853)	32,881,671	-	26,997,217
Subtotal	17,324,740	(13,601,853)	32,881,671	-	36,604,558
Capital assets being depreciated:					
Buildings and improvements	213,788,054	12,027,767	1,037,092	-	226,852,913
Furniture and equipment	7,800,164	-	671,138	-	8,471,302
Buses and other vehicles	3,651,713	-	425,016	-	4,076,729
Site improvements	21,787,156	1,574,086	-	-	23,361,242
Subtotal	247,027,087	13,601,853	2,133,246	-	262,762,186
Accumulated depreciation:					
Buildings and improvements	71,806,453	-	4,546,099	-	76,352,552
Furniture and equipment	6,267,738	-	343,307	-	6,611,045
Buses and other vehicles	2,730,441	-	351,892	-	3,082,333
Site improvements	13,778,464	-	759,105	-	14,537,569
Subtotal	94,583,096	-	6,000,403	-	100,583,499
Net capital assets being depreciated	152,443,991	13,601,853	(3,867,157)	-	162,178,687
Net governmental activities capital assets	<u>\$ 169,768,731</u>	<u>\$ -</u>	<u>\$ 29,014,514</u>	<u>\$ -</u>	<u>\$ 198,783,245</u>

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

June 30, 2022

Note 7 - Capital Assets (Continued)

Construction Commitments

The School District has active construction projects at year end. The School District's commitments with contractors related to the 2022 Capital Projects Fund and the 2020 Capital Projects Fund were \$44,238,622 in aggregate.

Note 8 - Interfund Receivables, Payables, and Transfers

At June 30, 2022, the General Fund was owed \$4,945 from the Debt Service Fund. The balance owed to the General Fund was from the result of payments made by the General Fund on behalf of the Debt Service Fund for which the General Fund was not reimbursed by June 30, 2022.

Transfers of \$115,375 from the Recreation Fund to the General Fund were made to record the value of forgone rental income from the City of Novi, Michigan.

The Food Service Fund transferred \$33,798 to the General Fund to reimburse the General Fund for its share of indirect costs.

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligation	\$ 124,405,000	\$ 78,935,000	\$ (37,475,000)	\$ 165,865,000	\$ 11,660,000
Unamortized bond premiums	22,525,992	3,469,437	(5,446,040)	20,549,389	1,108,551
Total bonds payable	146,930,992	82,404,437	(42,921,040)	186,414,389	12,768,551
Installment purchase agreement -					
Direct borrowing	4,150,000	-	(553,814)	3,596,186	566,345
Compensated absences	657,482	-	(36,916)	620,566	62,000
Self-insurance	55,597	-	-	55,597	55,597
Early termination obligation	337,500	-	(187,500)	150,000	150,000
Total governmental activities long-term debt	<u>\$ 152,131,571</u>	<u>\$ 82,404,437</u>	<u>\$ (43,699,270)</u>	<u>\$ 190,836,738</u>	<u>\$ 13,602,493</u>

The School District had deferred inflows of \$2,800,561 related to deferred benefits on bond refundings at June 30, 2022.

June 30, 2022

Note 9 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. Other long-term obligations include compensated absences, early termination obligation, and certain risk liabilities. Long-term bond obligations outstanding at June 30, 2022 are as follows:

Obligation	Remaining Annual Installments	Interest Rates	Maturing on May 1	Outstanding
\$51,675,000 2022 General Obligation Bonds	\$5,425,000 to \$650,000	4.00	2047	\$ 51,675,000
\$27,260,000 2022 Refunding Bonds	\$3,070,000 to \$480,000	2.35 - 3.60	2033	27,260,000
\$59,410,000 2020 General Obligation Bonds	\$3,525,000 to \$1,725,000	4.00 - 5.00	2044	57,500,000
\$12,230,000 2017 General Obligation Bonds	\$780,000 to \$525,000	5.00	2037	9,905,000
\$6,515,000 2016 General Obligation Bonds	\$350,000	3.00 - 4.00	2036	4,900,000
\$16,145,000 2016 Qualified, Refunding Bonds	\$1,930,000 to \$1,830,000	2.5 - 5.00	2027	9,475,000
\$44,000,000 2014 General Obligation Bonds	\$2,575,000	5.00	2024	5,150,000
Total governmental activities				<u>\$ 165,865,000</u>

Other Long-term Liabilities

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

On February 26, 2021, the School District entered into an installment purchase agreement with a bank in the amount of \$4,150,000 to acquire a building. The note bears interest at 2.25 percent. Combined principal and interest payments of \$322,046 are due semiannually in March and September, and the note matures on March 1, 2028.

The early termination obligation relates to an early retirement incentive program that calls for lump-sum payments to be made to eligible employees over a period of three years. The obligation will be liquidated primarily from the General Fund.

June 30, 2022
Note 9 - Long-term Debt (Continued)
Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities				
	Direct Borrowing		Other Debt		Total
	Principal	Interest	Principal	Interest	
2023	\$ 566,345	\$ 77,745	\$ 11,660,000	\$ 8,370,600	\$ 20,674,690
2024	579,160	64,932	12,160,000	7,887,228	20,691,320
2025	592,264	51,827	13,150,000	6,059,998	19,854,089
2026	605,665	38,427	8,580,000	5,592,754	14,816,846
2027	619,369	24,722	8,745,000	5,260,716	14,649,807
2028-2032	633,383	10,708	37,605,000	21,449,468	59,698,559
2033-2037	-	-	29,690,000	13,908,510	43,598,510
2038-2042	-	-	25,750,000	7,693,750	33,443,750
2043-2047	-	-	18,525,000	1,944,000	20,469,000
Total	\$ 3,596,186	\$ 268,361	\$ 165,865,000	\$ 78,167,024	\$ 247,896,571

Advance Bond Refunding

During the year, the School District issued \$27,260,000 in general obligation bonds with an average interest rate of 3.26 percent. The proceeds of these bonds, plus an additional \$201,000 of existing cash resources, were used to advance refund \$25,950,000 of the 2014 Building and Site Bond with an average interest rate of 5.00 percent. The net proceeds of these bonds (after payment of \$209,059 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The advance refunding reduced total debt service payments by approximately \$2,445,000, which represents an economic gain of approximately \$1,437,000.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District participates in the Middle Cities Risk Management Trust risk pool for claims relating to property liability and errors and omissions. The School District is fully insured for medical benefits provided to the employees and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

The School District is self-insured for dental and vision claims at June 30, 2022. The School District estimates the liability for dental and vision claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. Changes in the estimated liability for the past two fiscal years are reported in the government-wide financial statements and were as follows:

	2022	2021
Estimated liability - Beginning of year	\$ 55,597	\$ 37,946
Estimated claims incurred, including changes in estimates	-	17,651
Estimated liability - End of year	\$ 55,597	\$ 55,597

June 30, 2022**Note 11 - Michigan Public School Employees' Retirement System*****Plan Description***

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

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

Benefits Provided

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

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 by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

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

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

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

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

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

June 30, 2022

Note 11 - Michigan Public School Employees' Retirement System (Continued)***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 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 participants 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 accounts 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) accounts.

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, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2022 were \$15,798,537, which includes 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 \$6,752,512 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2022.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2022 were \$3,813,991, which includes the School District's contributions required for those members with a defined contribution benefit.

June 30, 2022

Note 11 - Michigan Public School Employees' Retirement System (Continued)***Net Pension Liability***

At June 30, 2022, the School District reported a liability of \$107,141,611 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. 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, 2021 and 2020, the School District's proportion were 0.45 and 0.46 percent, respectively, representing a change of (2.4) percent.

Net OPEB Liability

At June 30, 2022, the School District reported a liability of \$6,861,923 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. 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, 2021 and 2020, the School District's proportion were 0.45 and 0.46 percent, respectively, representing a change of (2.4) percent.

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

For 2022, the School District recognized pension expense of \$11,247,192, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,659,669	\$ (630,937)
Changes in assumptions	6,753,824	-
Net difference between projected and actual earnings on pension plan investments	-	(34,445,684)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	315,702	(2,971,628)
The School District's contributions to the plan subsequent to the measurement date	13,297,733	-
Total	<u>\$ 22,026,928</u>	<u>\$ (38,048,249)</u>

The \$6,752,512 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, 2023. 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
2023	\$ (3,714,973)
2024	(6,801,837)
2025	(9,153,418)
2026	(9,648,826)
Total	<u>\$ (29,319,054)</u>

June 30, 2022

Note 11 - Michigan Public School Employees' Retirement System (Continued)

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

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

For the year ended June 30, 2022, the School District recognized OPEB recovery of \$3,962,353.

At June 30, 2022, 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	\$ -	\$ (19,586,870)
Changes in assumptions	5,736,227	(858,354)
Net difference between projected and actual earnings on OPEB plan investments	-	(5,171,955)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	221,521	(1,020,016)
Employer contributions to the plan subsequent to the measurement date	2,646,018	-
Total	<u>\$ 8,603,766</u>	<u>\$ (26,637,195)</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
2023	\$ (5,298,723)
2024	(4,873,140)
2025	(4,511,496)
2026	(4,252,575)
2027	(1,541,298)
Thereafter	(202,215)
Total	<u>\$ (20,679,447)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2021 are based on the results of an actuarial valuation as of September 30, 2020 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	5.25% - 7.75%	Year 1 graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant
		Mortality tables, scaled 100% (retirees: 82% for
		males and 78% for females) and adjusted for
		mortality improvements using projection scale MP-
		2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

June 30, 2022

Note 11 - 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, 2018 valuation.

Significant assumption changes since the prior measurement date, September 30, 2020, for the OPEB plan include an increase in the health care cost trend rate of 0.75 percentage points for members under 65 and a reduction from 7.0 percent to 5.25 percent for members over 65. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2020.

Significant assumption changes since the measurement date, September 30, 2021, for the pension and OPEB plan include a reduction of both plans' discount rates to 6.0 percent. The change increases the total plan's net pension liability by approximately \$8.1 billion and the total plan's net OPEB liability by approximately \$1.1 billion.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2021 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.00 percent as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.40 %
Private equity pools	16.00	9.10
International equity pools	15.00	7.50
Fixed-income pools	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.40
Absolute return pools	9.00	2.60
Real return/opportunistic pools	12.50	6.10
Short-term investment pools	2.00	(1.30)
Total	100.00 %	

June 30, 2022

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Long-term rates of return are net of administrative expense and inflation of 2.0 percent.

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

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

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 153,183,477	\$ 107,141,611	\$ 68,969,909

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

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

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 12,750,691	\$ 6,861,923	\$ 1,864,462

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	Current Rate	1 Percentage Point Increase
Net OPEB liability of the School District	\$ 1,670,137	\$ 6,861,923	\$ 12,703,306

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, 2022, the School District reported a payable of \$2,284,867 and \$427,142 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

Required Supplemental Information

Novi Community School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 26,441,700	\$ 25,427,450	\$ 24,824,906	\$ (602,544)
State sources	50,188,434	51,891,634	51,671,338	(220,296)
Federal sources	1,471,666	7,936,741	8,189,211	252,470
Incoming transfers and other transactions	3,875,333	4,253,000	4,068,172	(184,828)
Total revenue	81,977,133	89,508,825	88,753,627	(755,198)
Expenditures				
Current:				
Instruction:				
Basic programs	43,666,599	48,592,227	46,866,322	(1,725,905)
Added needs	9,232,920	10,302,634	9,348,869	(953,765)
Adult/Continuing education	318,328	424,121	389,067	(35,054)
Total instruction	53,217,847	59,318,982	56,604,258	(2,714,724)
Support services:				
Pupil	5,580,224	6,673,399	6,549,535	(123,864)
Instructional	5,397,246	5,391,318	5,426,358	35,040
General administration	606,851	682,525	705,581	23,056
School administration	3,952,491	4,167,639	4,277,523	109,884
Business services	943,555	1,010,961	951,279	(59,682)
Operations and maintenance	5,807,153	6,207,867	6,287,333	79,466
Pupil transportation services	1,809,861	2,064,948	2,353,469	288,521
Central	2,361,518	2,387,085	2,495,700	108,615
Total support services	26,458,899	28,585,742	29,046,778	461,036
Athletics and other support services	1,114,905	1,439,629	1,436,335	(3,294)
Community services	1,125,482	1,420,122	1,612,569	192,447
Total expenditures	81,917,133	90,764,475	88,699,940	(2,064,535)
Net Change in Fund Balance	60,000	(1,255,650)	53,687	1,309,337
Fund Balance - Beginning of year	15,691,146	15,691,146	15,691,146	-
Fund Balance - End of year	<u>\$ 15,751,146</u>	<u>\$ 14,435,496</u>	<u>\$ 15,744,833</u>	<u>\$ 1,309,337</u>

Novi Community School District

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

	Last Eight Plan Years							
	Plan Years Ended September 30							
	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.45254 %	0.46381 %	0.46320 %	0.46099 %	0.45972 %	0.46023 %	0.46769 %	0.43629 %
School District's proportionate share of the net pension liability	\$ 107,141,611	\$ 159,324,285	\$ 153,395,001	\$ 138,583,097	\$ 119,132,187	\$ 114,824,425	\$ 114,234,482	\$ 102,041,454
School District's covered payroll	\$ 40,647,786	\$ 40,873,626	\$ 40,611,292	\$ 39,347,566	\$ 38,560,076	\$ 38,540,672	\$ 38,955,408	\$ 37,678,292
School District's proportionate share of the net pension liability as a percentage of its covered payroll	263.59 %	389.80 %	377.72 %	352.20 %	308.95 %	297.93 %	293.24 %	270.82 %
Plan fiduciary net position as a percentage of total pension liability	73.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

Novi Community School District

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

	Last Eight Fiscal Years Years Ended June 30							
	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 15,440,165	\$ 13,550,570	\$ 12,825,056	\$ 12,432,151	\$ 11,676,588	\$ 11,076,646	\$ 10,764,810	\$ 7,781,084
Contributions in relation to the								
statutorily required contribution	15,440,165	13,550,570	12,825,056	12,432,151	11,676,588	11,076,646	10,764,810	7,781,084
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 43,749,214	\$ 39,912,706	\$ 41,347,269	\$ 40,655,331	\$ 38,768,262	\$ 38,643,725	\$ 38,567,537	\$ 37,383,521
Contributions as a Percentage of Covered Payroll	35.29 %	33.95 %	31.02 %	30.58 %	30.12 %	28.66 %	27.91 %	20.81 %

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

	Last Five Plan Years				
	Plan Years Ended September 30				
	2021	2020	2019	2018	2017
School District's proportion of the net OPEB liability	0.44956 %	0.46120 %	0.46474 %	0.46079 %	0.45913 %
School District's proportionate share of the net OPEB liability	\$ 6,861,923	\$ 24,707,945	\$ 33,358,047	\$ 36,628,054	\$ 40,657,770
School District's covered payroll	\$ 40,647,786	\$ 40,873,626	\$ 40,611,292	\$ 39,347,566	\$ 38,560,076
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.88 %	60.45 %	82.14 %	93.09 %	105.44 %
Plan fiduciary net position as a percentage of total OPEB liability	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Novi Community School District

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

	Last Five Fiscal Years				
	Years Ended June 30				
	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 3,565,211	\$ 3,299,783	\$ 3,308,608	\$ 3,193,486	\$ 2,795,424
Contributions in relation to the statutorily required contribution	3,565,211	3,299,783	3,308,608	3,193,486	2,795,424
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 43,749,214	\$ 39,912,706	\$ 41,347,269	\$ 40,655,331	\$ 38,768,262
Contributions as a Percentage of Covered Payroll	8.15 %	8.27 %	8.00 %	7.86 %	7.21 %

Pension Information

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

Benefit Changes

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

Changes in Assumptions

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

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

OPEB Information

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

Benefit Changes

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

Changes in Assumptions

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

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to the actual per person health benefit cost being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost 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 a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

	Special Revenue Funds			Capital Projects Funds				
	Food Service Fund	Recreation Fund	Student Activities Fund	Total Special Revenue Funds	Sinking Fund	2017 Capital Projects Fund	Total Capital Projects Funds	Total
Assets								
Cash and investments	\$ -	\$ -	\$ 1,371,238	\$ 1,371,238	\$ -	\$ -	\$ -	\$ 1,371,238
Receivables	134,021	-	-	134,021	-	-	-	134,021
Inventory	53,251	-	-	53,251	-	-	-	53,251
Prepaid expenses and other assets	175,000	-	-	175,000	-	-	-	175,000
Restricted assets	1,650,662	2,711,714	-	4,362,376	3,641,240	241,291	3,882,531	8,244,907
Total assets	\$ 2,012,934	\$ 2,711,714	\$ 1,371,238	\$ 6,095,886	\$ 3,641,240	\$ 241,291	\$ 3,882,531	\$ 9,978,417
Liabilities								
Accounts payable	\$ 185,733	\$ 152,846	\$ 24,909	\$ 363,488	\$ 28,792	\$ 18,425	\$ 47,217	\$ 410,705
Due to other governmental units	457	-	-	457	-	-	-	457
Unearned revenue	62,729	-	-	62,729	-	-	-	62,729
Total liabilities	248,919	152,846	24,909	426,674	28,792	18,425	47,217	473,891
Fund Balances								
Nonspendable:								
Inventory	53,251	-	-	53,251	-	-	-	53,251
Prepays	175,000	-	-	175,000	-	-	-	175,000
Restricted:								
Capital projects	-	-	-	-	3,612,448	222,866	3,835,314	3,835,314
Food service	1,535,764	-	-	1,535,764	-	-	-	1,535,764
Recreation	-	2,558,868	-	2,558,868	-	-	-	2,558,868
Committed - Student activities	-	-	1,346,329	1,346,329	-	-	-	1,346,329
Total fund balances	1,764,015	2,558,868	1,346,329	5,669,212	3,612,448	222,866	3,835,314	9,504,526
Total liabilities and fund balances	\$ 2,012,934	\$ 2,711,714	\$ 1,371,238	\$ 6,095,886	\$ 3,641,240	\$ 241,291	\$ 3,882,531	\$ 9,978,417

Novi Community School District

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

Year Ended June 30, 2022

	Special Revenue Funds			Capital Projects Funds		
	Food Service Fund	Recreation Fund	Student Activities Fund	Total Special Revenue Funds	Sinking Fund	2017 Capital Projects Fund
Revenue						
Local sources	\$ 484,006	\$ 2,449,557	\$ 1,839,970	\$ 4,773,533	\$ 1,251,265	\$ 894
State sources	146,794	-	-	146,794	-	-
Federal sources	3,245,512	-	-	3,245,512	-	-
Total revenue	3,876,312	2,449,557	1,839,970	8,165,839	1,251,265	894
Expenditures						
Current:						
Support services	614	1,031,755	1,743,979	2,776,348	196,786	196,786
Food services	2,691,310	-	-	2,691,310	-	-
Community services	-	547,531	1,393	548,924	-	-
Debt service:						
Principal	-	-	-	-	553,814	553,814
Interest	-	-	-	-	91,575	91,575
Capital outlay	-	-	-	-	6,585	823,528
Total expenditures	2,691,924	1,579,286	1,745,372	6,016,582	848,760	1,665,703
Excess of Revenue Over (Under) Expenditures	1,184,388	870,271	94,598	2,149,257	402,505	(816,049)
Other Financing Uses - Transfers out	(33,798)	(115,375)	-	(149,173)	-	-
Net Change in Fund Balances	1,150,590	754,896	94,598	2,000,084	402,505	(816,049)
Fund Balances - Beginning of year	613,425	1,803,972	1,251,731	3,669,128	3,209,943	1,038,915
Fund Balances - End of year	\$ 1,764,015	\$ 2,558,868	\$ 1,346,329	\$ 5,669,212	\$ 3,612,448	\$ 222,866
						\$ 3,835,314
						\$ 9,504,526

Novi Community School District

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2022

Years Ending June 30	2014 School Building and Site Bonds		2016 School Building and Site Bonds		2016 Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 2,575,000	\$ 1,555,000	\$ 350,000	\$ 189,000	\$ 1,830,000	\$ 425,500
2024	2,575,000	1,426,250	350,000	175,000	1,880,000	334,000
2025	-	-	350,000	161,000	1,930,000	240,000
2026	-	-	350,000	147,000	1,915,000	191,750
2027	-	-	350,000	136,500	1,920,000	96,000
2028	-	-	350,000	126,000	-	-
2029	-	-	350,000	112,000	-	-
2030	-	-	350,000	98,000	-	-
2031	-	-	350,000	84,000	-	-
2032	-	-	350,000	70,000	-	-
2033	-	-	350,000	56,000	-	-
2034	-	-	350,000	42,000	-	-
2035	-	-	350,000	28,000	-	-
2036	-	-	350,000	14,000	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
2047	-	-	-	-	-	-
Total remaining payments	<u>\$ 5,150,000</u>	<u>\$ 2,981,250</u>	<u>\$ 4,900,000</u>	<u>\$ 1,438,500</u>	<u>\$ 9,475,000</u>	<u>\$ 1,287,250</u>
Principal payments due	May 1		May 1		May 1	
Interest payments due	May 1 and November 1		May 1 and November 1		May 1 and November 1	
Interest rate	5.00%		3.00% - 4.00%		2.50% - 5.00%	
Original issue	<u>\$ 44,000,000</u>		<u>\$ 6,515,000</u>		<u>\$ 16,145,000</u>	

Novi Community School District

Other Supplemental Information Schedule of Bonded Indebtedness (Continued)

June 30, 2022

2017 School Building and Site Bonds, Series III		2020 School Building and Site Bonds, Series I		2022 School Building and Site Bonds, Series II	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 525,000	\$ 495,250	\$ 1,725,000	\$ 2,801,250	\$ 4,175,000	\$ 2,049,775
550,000	469,000	1,750,000	2,732,250	4,575,000	1,900,000
550,000	441,500	1,825,000	2,662,250	5,425,000	1,717,000
575,000	414,000	2,075,000	2,589,250	650,000	1,500,000
600,000	385,250	2,150,000	2,506,250	725,000	1,474,000
625,000	355,250	2,200,000	2,398,750	1,250,000	1,445,000
650,000	324,000	2,250,000	2,288,750	1,300,000	1,395,000
650,000	291,500	2,300,000	2,176,250	1,350,000	1,343,000
675,000	259,000	2,350,000	2,061,250	1,350,000	1,289,000
700,000	225,250	2,400,000	1,943,750	1,375,000	1,235,000
725,000	190,250	2,500,000	1,823,750	1,475,000	1,180,000
750,000	154,000	2,600,000	1,698,750	1,600,000	1,121,000
775,000	116,500	2,700,000	1,568,750	1,650,000	1,057,000
775,000	77,750	2,800,000	1,433,750	1,700,000	991,000
780,000	39,000	2,900,000	1,293,750	1,775,000	923,000
-	-	3,000,000	1,148,750	1,850,000	852,000
-	-	3,100,000	998,750	1,900,000	778,000
-	-	3,200,000	843,750	1,950,000	702,000
-	-	3,300,000	683,750	2,000,000	624,000
-	-	3,400,000	518,750	2,050,000	544,000
-	-	3,450,000	348,750	2,125,000	462,000
-	-	3,525,000	176,250	2,225,000	377,000
-	-	-	-	2,350,000	288,000
-	-	-	-	2,400,000	194,000
-	-	-	-	2,450,000	98,000
\$ 9,905,000	\$ 4,237,500	\$ 57,500,000	\$ 36,697,500	\$ 51,675,000	\$ 25,538,775
May 1		May 1		May 1	
May 1 and November 1		May 1 and November 1		May 1 and November 1	
5.00%		4.00% - 5.00%		4.00%	
\$ 12,230,000		\$ 59,410,000		\$ 51,675,000	

Novi Community School District

Other Supplemental Information Schedule of Bonded Indebtedness (Continued)

June 30, 2022

2022 Refunding Bonds		Total
Principal	Interest	
\$ 480,000	\$ 854,825	\$ 20,030,600
480,000	850,728	20,047,228
3,070,000	838,248	19,209,998
3,015,000	750,754	14,172,754
3,000,000	662,716	14,005,716
2,960,000	571,816	12,281,816
2,920,000	480,056	12,069,806
2,885,000	386,616	11,830,366
2,850,000	292,852	11,561,102
2,815,000	197,378	11,311,378
2,785,000	100,260	11,185,260
-	-	8,315,750
-	-	8,245,250
-	-	8,141,500
-	-	7,710,750
-	-	6,850,750
-	-	6,776,750
-	-	6,695,750
-	-	6,607,750
-	-	6,512,750
-	-	6,385,750
-	-	6,303,250
-	-	2,638,000
-	-	2,594,000
-	-	2,548,000
\$ 27,260,000	\$ 5,986,249	\$ 244,032,024
May 1		
May 1 and November 1		
2.35% - 3.60%		
\$ 27,260,000		\$ 240,470,000