



Comprehensive Annual
Financial Report
June 30, 2020
Farmington
PUBLIC SCHOOLS
Farmington Public School District • Farmington, MI



Comprehensive Annual Financial Report of Farmington Public School District 32500 Shiawassee Farmington, Michigan 48336

**For the Fiscal Year Ended
June 30, 2020**

**Dr. Robert C. Herrera
Superintendent of Schools**

Board of Education

**Pamela S. Green
President**

**Terri A. Weems
Treasurer**

**Terry L. Johnson
Vice President**

**Angie F. Smith
Secretary**

**Jessica B.
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Trustee**

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High achievement by all students,
where learning is our most important work

September 22, 2020

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Superintendent

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Citizens and Board Members:

The Comprehensive Annual Financial Report of Farmington Public School District (the "School District") for the fiscal year ended June 30, 2020 is submitted herewith. This report was prepared by the business department and contains all activities under the control of the Board of Education. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the School District. We believe that the data as presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the School District as measured by the financial activity of its various funds with all disclosures necessary to enable the reader to gain the maximum understanding of the School District's financial affairs.

Reporting Entity and Services

Farmington Public School District is an independent reporting entity established under the laws of the State of Michigan and governed by an elected, seven-member Board of Education and fully meets criteria established by the Governmental Accounting Standards Board (GASB). All funds of the School District are included in this report. The School District does not have component units.

The School District follows GASB Statement No. 34, a governmental reporting model. The financial section reports separately the governmental funds and the fiduciary fund administered by the board. In addition, the financial section includes the School District's government-wide financial statements.

Report Organization

The Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

Introductory Section

This section introduces the reader to Farmington Public School District and to this report. Included are facts about the School District, this transmittal letter, the School District's organizational chart, and the Association of School Business Officials International Certificate of Excellence in Financial Reporting for the year ended June 30, 2019.

Financial Section

The financial section includes the independent auditor's report on the financial statements and schedules, management's discussion and analysis, government-wide financial statements, the fund financial statements, notes to the financial statements, and required and other supplemental information.

The management of the School District is responsible for the financial information and representations contained in the financial statements and other sections of the annual report. In preparing the financial statements, it is necessary that management make informed estimates and judgments based on currently available information of the effects of certain events and transactions.

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The management's discussion and analysis, which includes an analysis of the School District's financial position and results of operations, government-wide financial statements, fund financial statements, and supplemental statements and schedules presented in the financial section of this report, present fairly and with full disclosure the financial position and results of the financial operation at the fund and government-wide levels in conformity with accounting principles generally accepted in the United States of America and demonstrate compliance with finance-related legal and contractual provisions. The management's discussion and analysis provides an overview and analysis of the School District's basic financial statements and should be read in conjunction with the financial statements.

The basis of accounting for each fund is consistent with the activities and objectives of the fund as a fiscal and accounting entity.

The supplemental statements and schedules contain a more detailed analysis of revenue and expenditures that are compared to the 2019-2020 budget for the General Fund, as well as schedules presenting the School District's proportionate share of net pension liability and contribution information related to the MPSERS pension plan. Other supplemental information includes the balance sheet and statement of revenue, expenditures, and changes in fund balances as well as statements and schedules containing a more detailed analysis of revenue and expenditures that are compared to the 2019-2020 budget for nonmajor governmental funds as well as the schedule of bonded indebtedness detailing interest rates and annual maturities, schedule of fiduciary fund activities, schedule of fixed assets by building, and schedule of cash, cash equivalents, and investments.

Statistical Section

Although this section contains substantial financial information, these tables differ from financial statements in that they present some nonaccounting data, compare 10 years of data, and are intended to reflect economic data, financial trends, and the fiscal capabilities of the School District.

About Farmington Public School District

The Community

Farmington Public School District is a suburban school district located in the cities of Farmington and Farmington Hills and the Township of West Bloomfield, all within southern Oakland County, Michigan. The School District encompasses 28 square miles with a population of approximately 91,600. The entire City of Farmington and a majority of the City of Farmington Hills lies within the School District boundaries. A small portion of West Bloomfield Township is within the School District boundaries. The School District's 2010 median housing value for the cities of Farmington and Farmington Hills was \$185,000 and \$238,300, respectively. The median household income from survey data collected by the Cities of Farmington and Farmington Hills, respectively, was estimated at \$64,805 and \$67,803 in 2010, the latest census data available. Due to its proximity to I-696, Northwestern Highway, Grand River, I-96, and I-275, the School District has a significant commercial and industrial tax base to support community services and provide a strong economic climate.

Many nonprofit agencies within the area, including the Farmington Call to Action, Farmington/Farmington Hills Multi-Cultural/Multi-Racial Community Council, Neighborhood House, Farmington Youth Assistance, the Commission on Children, Youth and Families, Community Action Resources Empowerment Services (CARES), and the Farmington Hills/Farmington Community Foundation work closely with the schools and cities to improve the quality of life for Farmington residents. The School District maintains several school/community/business partnerships that enhance educational opportunities for students with the assistance of a Community Partnership Advisory Council.

The School District has always been a leader in instructional excellence. The attention to a strong comprehensive academic curriculum continues to be an attraction for families moving into the community.

The School District has two early childhood centers, one K-8 STEAM school, eight K-5 elementary schools, three 6-8 middle schools, two 9-12 high schools, one 11-12 alternative high school, one special education center, a community school, and several other support facilities.

The School District has developed a comprehensive curriculum in the areas of language arts, mathematics, social studies, science, art, music, physical education and health, and world languages. All classrooms have a wide-area networked computer with internet access and telephone. Curriculum development is guided by the School District's student learning outcomes and the State Board of Education Model Core Curriculum. The District is implementing a frameworks process to guide staff through curriculum research, planning, piloting, implementation, and evaluation.

The School District's educational program is rich in choice and offerings. Currently, students are eligible to apply to attend any school of their choice within each school's capacity limit. The School District operates Head Start, a federally sponsored program, for eligible at-risk early childhood students.

There is a strong core curriculum for every student, enhanced by applied technology programs, advanced placement opportunities, bilingual and special education programs, secondary alternative high school, International Baccalaureate for high school students, musical strings at the secondary level, a full range of physical education and athletic offerings, numerous enrichment programs as well as online learning and alternative options in cooperation with Oakland Schools.

Elementary children have access to literacy and bilingual programs that support students learning art, music, and physical education. In cooperation with the Farmington YMCA, the School District provides Y-Child Care, before and after school childcare at its elementary sites, and an infant care program at one of the city activity centers. Special education services are provided government-wide for infants up to age 26 years. In addition, English as a second language is provided for adult learners. A student assessment and evaluation program provides information about individual, school, and School District achievement.

The official blended enrollment for 2019/2020, including alternative and adult education students, was 9,433 students.

Accomplishments

Farmington Public Schools Strategic Plan Development

At the end of the 2016-17 school year, Farmington Public Schools engaged a committee to begin development of an updated Strategic Plan for the District. This committee reviewed the current state of the District, reviewed the District Vision, Mission and Desired Culture statements and identified four major goal areas for Farmington Public Schools to pursue. The following four goals were presented to the Board of Education and approved in August 2017:

Goal 1 - Curriculum/Instruction

FPS is accountable for providing a community that will develop equitable learning opportunities which empower learners to master core competencies through critical thinking, problem solving, and creativity to be career and/or college ready.

Goal 2 - Culture

FPS must cultivate an inclusive, respectful and safe culture that values continuous learning, collaboration, and personal growth for all stakeholders.

- All voices are heard and actively encouraged.
- Strong relationships among all stakeholders are fostered and nurtured.
- Equity is a foundation to support the needs of every stakeholder.
- Students are immersed in an authentic, deeply engaging, and flexible learning environment.
- All stakeholders are accountable for action toward success, individual and collective.

Goal 3 - Community Relations

Together with our community, FPS will engage in a proactive, transparent exchange of ideas and information which fosters relationships and honors our strengths and diversity, resulting in an exemplary service experience.

Goal 4 - Finance/Facilities

FPS will practice good stewardship by designing and implementing financial and facilities plans that advance the District's priorities.

To support attainment of these goals, strategies, action steps and monitoring methods were developed during the 2017-18 school year. An update on the strategies, action steps and monitoring methods was presented to the Board of Education in the Fall of 2018 with implementation beginning during the 2018-19 school year and continuing through 2021-22.

Student and Staff Recognition

The School District is proud of the many achievements recognized during the 2020 fiscal year. A summarized list of these recognitions is included in the statistical section.

School/Community Relations Services

The District has a robust communications process in place to communicate with both its internal and external communities. Some of the vehicles that the Department uses include:

- UpDate Newsletter which is sent quarterly to more than 40,000 households
- @farmington online newsletter which is sent to staff every other week
- Social media channels - Facebook, Twitter, Instagram, Pinterest
- Blackboard Messaging – emails, texts, phone calls
- Listserv email messages
- Community Meetings, Presentations, and Coffees
- Videos developed by TV-10, the student-run television station
- Mobile App

District and school websites were re-designed several years ago using a Content Management System to help with the ease of updating the sites. The District's website received the Commendable Award from the National School Public Relations Association in 2018-19. Peach Jar has been added to the web site and mobile app to help manage community resource information and fliers.

This Department also hosts community events to help tell the District's story including a Senior Adult Breakfast, Realtor Breakfast, Superintendent's Awards of Excellence Breakfast, and the Turn Around Awards Luncheon.

The District works closely with its parent groups - PTA/PTSAs and the Farmington African American Parent Network (FAAPN) and numerous community groups including the Farmington Family YMCA, the Farmington Area Chamber of Commerce, the Farmington/Farmington Hills Optimist Club, the Farmington/Farmington Hills Education Foundation, and the Farmington Xemplar Club to name just a few.

For the past two Community Surveys, Communications ranked high in overall satisfaction.

Instructional Services

Board reports will include instructional reports to provide updates to the superintendent and the Board of Education. These are designed to provide an overview of instructional initiatives and the achievement of our students.

The School District continues to align the development of the District Improvement Plan (DIP) by ensuring School Improvement Plans (SIP) are completed by the end of May to ensure they inform the DIP as well as professional development for the upcoming school year.

The School District continues its work in meeting state requirements for the Teacher and Administrator Evaluation System. The School District implemented its Teacher Professional Growth and Evaluation model using the final ratings to inform the 2019-2020 staffing process. The teacher model is being refined through professional development and experience with all components.

Technology is infused throughout the organization. It supports operations, curriculum, and instruction, enhances learning, and extends beyond the school faculty and school day. Support includes the NWEA assessment, M-Step testing as well as the addition of Google Apps for Education. The district invested in a Learning Management System (LMS) to support teachers, students and families in the learning process. A Learning Management System provides an online space for students and teachers to work collaboratively and includes parents as partners in their child's education.

The work of key instructional staff with a technology consultant, along with input from teachers across the District, continues to drive bond technology purchases throughout the District. Technology advancements include expanded wireless connectivity throughout the School District, iPad/iPod/Chromebook programs, interactive projectors, document cameras, classroom sound-systems, and interactive whiteboards.

A Multi-Tiered System of Supports (MTSS), formally known as Response to Intervention (RTI), is addressed through initiatives including lab classrooms, professional development, implementation of Reader's and Writer's Workshop, Instructional Support Time (IST), and What I Need Time (WIN). Furthermore, the District provides instructional support with the use of supplementary print and digital resources.

Implementation of Positive Behavior Intervention Support (PBIS) and on-going monitoring of discipline data continues in each school.

Professional Learning Teams (PLTs) are established in all schools and departments. Support for the work of PLTs is provided through professional development for all staff. Teacher teams are meeting on a regular basis to review what students must know and be able to do, analyze and use assessment data to inform instruction and progress, and to identify supports for assisting students to improve learning. Instructional support teams (Business Services, Facilities, etc.) continue to work on effective and efficient practices within their areas of service.

Special education continues to support, align, and integrate special education instructional goals with the general education curriculum and also work to develop a model to facilitate the transition for special education students between levels and programs within the School District.

Special Education also utilizes technology to support curriculum (Unique Learning System) that aligns with Essential Elements for our basic classrooms and Specially Designed Instruction intervention strategies for students struggling in reading and math. iPads are used as communication devices for students with autism and others with communication needs. Chromebooks are used to support students who have difficulty writing their ideas, but are able to express their ideas verbally. Special Education has two PAES labs (Practical Assessment Exploration System) to provide vocational assessments for secondary and post-secondary students and PREP (Preparing Real Experiences for Post-secondary success) program for students who are more independent and attend school on the Oakland Community College campus. Visions Unlimited has a production workshop where students learn to make sellable products and participate in Work Based Learning Experiences.

Facilities Management

The School District continues its work on energy management. The program initiated 15 years ago has saved over \$13.0 million since its inception.

All operational departments and schools continue to practice and investigate sustainable measures, including recycling, energy management, and industrial storm water management for future generations.

In the past, fifteen of the District's schools have received Michigan Green School Awards, seven of which have been recognized as Evergreen, the highest level in the program. Due to the COVID-19 shutdown of schools, many of the schools were not able to complete and submit their applications this past year for the award.

With the successful bond proposal in May 2015, the district interviewed and awarded contracts to the required consultants, including architects and engineers to design and document the work in the bond proposal. Schools included in Phases 1 through 4 of the construction cycle are substantially complete. The last phase of construction began in the Summer of 2020 and will continue into the fall and winter with all bond proceeds being spent by June 30, 2021. As of June 30, 2020, the District has completed approximately \$117.7 million of construction work.

The District successfully passed a \$98 million bond proposal in March 2020. The first series of bonds were issued in June 2020 and the proceeds totaled \$67.8 million, net of any debt issuance costs. The District is currently working on renegotiating contracts with its Architect, Construction Manager and Technology Design Consultant. Work has been taking place on identifying the Phase 1 projects that will begin in the Summer of 2021. An internal Bond Steering Committee, composed of instructional and support administrators has been formed to help drive some of the bond work related to the District's Strategic Plan and vision for instruction.

The District hired Grand Rapids Building Services (GRBS), a third-party company to perform custodial services for a three-year period beginning with the 2020-21 fiscal year. Work has taken place over the summer to transition to the new company as well as comply with sanitizing and cleaning requirements due to COVID-19.

With the closing of all Michigan Schools in March 2020 due to the COVID-19 pandemic, the District has had to revise its cleaning and sanitizing protocols to comply with CDC and local health department requirements. Over the last four months, the Facilities Management Workgroup has been working to address additional measures that need to be put into place to safely reopen schools. Personal Protection Equipment, including temperature scanning kiosks, thermometers, surgical masks, face shields and signage have also been purchased to mitigate the risk of the spread of the virus once schools are deemed safe to open.

The sale of the Maxfield Training Center in Downtown Farmington occurred in June 2020 for a selling price of \$690,000.

Alameda Early Childhood Center has been remodeled and expanded to house all Early Childhood programs. With this expansion, Farmington Community School will be closed in Fall 2020. Use of this building or the property will be evaluated by the District to determine the need to retain or sell the property. With all Early Childhood programs being housed in one building, the building has been renamed Farmington Early Childhood Center to reflect the combination of Alameda and Farmington Community School.

This consolidation of buildings coupled with the sale of the vacant training center reduces the district total square footage from 1,797,497 to 1,541,992 among fourteen (14) K-12 educational facilities and seven (7) support facilities.

Human Resources

There continues to be a clear focus in Human Resources on efforts to attract, retain, and develop the best talent possible in order to help our students reach their maximum potential for growth. These efforts include the recruitment of diverse staff to better represent our student population, as well as a teacher mentoring program, developed by talented Farmington Public Schools' teacher leaders, that support the growth and development of our new teachers throughout the school year.

In the 2019-2020 school year, three high schools merged to two high schools. A transition team and staff allocated to each of the high schools addressed anticipated student needs, student programming and supports, staffing, materials, and processes and structures in order to support a positive outcome for our students, staff and families. The changes have impacted the fiscal health and sustainability for Farmington

Public Schools. It has also provided increased continuity and reduced transitions for staff heading into 2019-2020, which in turn positively supports students and the learning environment.

Numerous student supports have been restored which enhance the literacy growth and social-emotional needs of our students. The supports include direct services to our students, as well as growth opportunities for our teachers in instructional practices.

Negotiations have resulted in extended contracts with all of the District's employee units. These include our bus drivers (Farmington Transportation Association), paraprofessionals and office staff (Educational Support Professionals), teachers and support staff (Farmington Education Association), maintenance and nutrition services staff (Farmington Maintenance and Cafeteria), and school administrators (Farmington Association of School Administrators). The contracts for the Educational Support Professionals, the Farmington Transportation Association, and the Farmington Maintenance and Cafeteria workers expire June 30, 2021. The contract for the Farmington Education Association expires August 22, 2021. The contract for the Farmington Association of School Administrators expires December 31, 2020. In bargaining successor agreements, the District will seek agreements that continue to recognize and value the contributions of all employees, while assuring that Farmington remains well-positioned for long-term, sustainable academic and financial health.

Business Services

Financial reports are prepared in accordance with standards of the Association of School Business Officials International criteria and the School District was recognized for this program.

Transparency information continues to be updated on the School District's website providing public access to how the School District spends its tax dollars.

Farmington Schools provides the management of the nutrition services program in the Redford Union School District through a cooperative agreement.

Nutrition Services prepares and serves over 587,000 lunches and 175,000 breakfasts annually. This past year, the number of lunches and breakfasts served were less due to COVID-19, however, the District continued to serve breakfasts and lunches to the community during the school closure.

Financial Report Awards

The School District has received the Association of School Business International Officials Certificate of Excellence in Financial Reporting since the 1996-1997 fiscal year for its financial reports.

Economic Outlook

As the School District completes its 26th year under Proposal A, approved by Michigan voters in 1994, revenue has not kept pace with inflation. Proposal A substantially shifted funding responsibility from the local level to the state level and from property tax as the major revenue source. The cumulative rate of per-pupil revenue increase has been about 19.0 percent since 1994, and the cumulative rate of inflation at 49.0 percent, illustrating that funding has not kept pace with the rate of inflation. The School District is dependent upon the state legislature for not only the majority of its funds, but also its funding level. In addition, various costs were shifted to local districts, which historically had been paid by the State. These include contributions to the Michigan Public School Employees' Retirement System and FICA.

The normal State budget development process was halted in March 2020 as the State began dealing with the implications of the COVID-19 pandemic. Schools moved to remote learning, meals were served for whole communities, federal financial resources were quickly infused into the economy, and "stay home, stay safe" was the theme as the entire state worked to see a way through the challenges of COVID-19. In May 2020, the regularly scheduled Revenue Estimating Conference addressed two key questions: What was the status of state revenue for the 2020 fiscal year, and what projections can be made looking forward to 2021 and 2022? The conclusions reached at the meeting were dire. It was estimated the 2020 School Aid Fund would end the year with an approximate \$1 billion deficit, roughly translated to a \$685 per pupil shortfall, that would need to be absorbed with the 2020 school year all but over. In addition, the estimates

suggested there would be no improvement until 2022. These conclusions caused many districts to adjust their final 2020 budgets to reflect a potential proration of as much as \$650 to \$700 per pupil.

The original budget for 2020-21 was created using a flat foundation of \$9,755 per pupil, which had been reduced by \$650 per pupil in the 2019-20 budget, amended in June 2020 to reflect the \$1 billion projected deficit in the School Aid Fund. All other revenues were kept flat. In the months that followed the May Revenue Estimating Conference, and well after the 2020 school year had ended, the State concluded it could balance its school aid budget with a \$175 per pupil proration cut, significantly less than the expected \$650 to \$700 per pupil estimate. The proration of \$175 per pupil for the 2019-20 fiscal year occurred in the August State Aid payment. Additionally, \$350 per pupil of Coronavirus Relief Funds were allocated to all Districts to offset the \$175 per pupil reduction. Guidance was released at the end of August 2020 as to how these funds could be expended.

In addition, in August, a special Revenue Estimating Conference was held with the same goals as the May conference. With better data, the conference concluded that it is possible the \$175 per pupil proration would not need to recur in 2021, and the School Aid Fund will end in a better position than anticipated. While those conclusions are hopeful, significant unknowns remain related to an economic rebound and how resources will be allocated to funding priorities within school aid. The data will be used to craft a school funding plan for 2021; once complete, districts will once again need to revisit their 2021 budgets to reflect the budget priorities and funding levels provided by the 2021 amendments to the School Aid Act.

Prior to the pandemic shutdown, the Governor of Michigan had proposed funding increases for K-12 education. The State's budget, which includes the School Aid Fund, must be approved by October 1st, at which time School Districts should have a better idea of funding for 2020-21 and the 2021 budget can be adjusted accordingly. With the current foundation allowance assumption of \$9,755 per pupil for 2020-21, our revenue base is back to approximately our 2001-2002 funding level.

The District settled a contract extension through August 22, 2021 with its teachers, the Farmington Education Association (FEA). No step increases will occur for those on the step schedule nor will any off-schedule payments occur for those employees at the top of the step schedule. Longevity payments will continue to be paid to those eligible. The mid-year contract extension will allow the District and its employee bargaining units additional time to determine the true impacts of the COVID-19 pandemic on revenues available for public school districts.

A contract extension for paraprofessional and secretarial staff, the Educational Support Professionals (ESP), for maintenance and nutrition staff, Farmington Maintenance and Cafeteria (FMC) and for bus drivers. The Farmington Transportation Association (FTA) was settled through June 30, 2021 with no steps or off-schedule payments. A contract extension for the Farmington Association of School Administrators (FASA) was settled through December 31, 2020 with no steps or off-scheduled payments. Longevity payments will continue to be paid to eligible employees as determined or allowed for in each bargaining unit contract. As with the teachers, the mid-year contract extension allows the District and its employee bargaining units additional time to determine the true impacts of the COVID-19 pandemic on revenues available for public school districts.

The State of Michigan, through the Department of Treasury, commissioned an Adequacy of Education Funding in Michigan study with results received in June 2016. Results of the equity analysis showed Michigan's school finance system to be moderately inequitable. Findings also suggested that the State may be falling short in providing additional resources for serving special needs populations. The study provided various recommendations to the State, but ultimately, it suggested that the State should work toward having a single formula allowance amount for all districts supplemented by an equalized local option operating levy that must be approved by a district's voters and that provides an avenue for local discretion on school spending levels. This recommendation sounds very similar to the funding structure for hold harmless districts currently in place. We will need to closely monitor any changes brought forward in the future to assess how they will impact our funding. Oakland Intermediate School District organized a task work group, now known as the School Finance Research Collaborative, to continue the adequacy funding study to provide more detailed recommendations on funding sources needed for today's schools.

The School Finance Research Collaborative is a diverse, broad-based and bipartisan group of business leaders and education experts from all corners of Michigan. The key findings of the study completed are:

- An identified base cost for educating a student with several factors that deserve additional funding for student characteristics including poverty, special education, English Language Learners (ELL) and Career and Technical Education (CTE).
- Identification of costs in related areas in response to school district or charter school characteristics including: transportation of students, geographic isolation, state pension system costs and enrollment size.
- Identification of the base cost of a regular education student at \$9,590 for both traditional public schools and charter schools. That amount excludes transportation, food service and capital costs, and only includes pension costs at 4.6% of wages.
- In addition to the base per-pupil cost, a percentage of the base cost should be provided for special education, English Language Learners, students living in poverty and programs to provide Career and Technical Education, and to account for geographic isolation.
- All school districts and those charter schools in the State Pension system (MPERS) should receive funding in addition to the base for the payment required by law. Currently, the required additional payment is equal to approximately 22.9% of all wages.

The current Governor has been very supportive of the Adequacy of Education Funding in Michigan study. The budget she presented in March 2019 and February 2020 reflected weighted funding models to try to address additional funding needs for ELL, CTE and Special Education students. All budget discussions were put on hold in March 2020 as the COVID-19 pandemic hit the nation and State of Michigan. At the present time, the Legislature is still working to complete a state budget, which includes funding for K-12 education, by October 1st to avoid a government shutdown.

Although the School District has a fund balance at the present time, the future requires that the School District continue to develop a long-term set of strategies to ensure it is able to maintain a balanced budget in the future. The Board of Education requires a targeted fund balance range of 8 percent to 12 percent of expenditures along with cost containment strategies, constant program review, and new programs to remain dynamic and has the commitment of the board and administration.

The School District's hold-harmless millage was overwhelmingly renewed by voters in August 2015, which was anticipated to bring continued levels of local operating revenue through 2025. For 2020-21, the District will levy 18.00 mills on all non-homestead properties due to the successful passage of a headlee override by voters in November 2017. The ballot proposal in the November 2017 election not only restored the millage rate back to 18.0000 mills but authorized an additional one mill to absorb potential future rollbacks. The State assumes the District levies the full 18.00 mills on non-homestead properties as part of the foundation allowance formula and does not make up the loss in revenue should the millage rate be rolled back.

Another challenge the School District faces is declining enrollment. A third-party demographer projects our enrollment annually. Due to slightly less significant declines in enrollment experienced over the last several years, the School District used a decrease of 83 pupils for budget purposes. Although the major factor affecting enrollment continues to be the declining birth rates in Oakland County, the COVID-19 pandemic will also have an impact on enrollment. Many school districts in the Southeastern Michigan region have made the decision to start the school year in a completely virtual mode as they continue to evaluate and determine the necessary safety measures that need to be in place to safely reopen schools for face-to-face instruction. Preliminary counts indicate that the pupil decline will be greater than what was budgeted as some parents have chosen to home school or send their children to schools that have reopened with face-to-face instruction.

Accounting System, Budgetary, and Internal Control

The State of Michigan requires all school districts to comply with Public Act 43 of 1963, *Budget Hearings of Local Governments* and Public Act 2 of 1968, *Uniform Budgeting and Accounting Act*. These acts require all school districts to prepare budgets for their funds, which account for the day-to-day operations of the district; however, fiduciary funds are not required to be budgeted. The budgets are prepared in accordance with generally accepted accounting principles and a specific uniform chart of accounts established by the State. Budgets must be approved no later than June 30 for the fiscal year beginning July 1, and ending June 30 the subsequent year. Prior to adoption, the Board must conduct a public hearing and make the budget available for review as well as provide notice of the hearing in a newspaper of general circulation at least six days prior to the hearing. Formal adoption of the budget is accomplished through a general appropriations resolution approved by the Board which sets forth the amounts to defray the expenditures and meet the liabilities of the District as well as a statement of estimated revenue by object in each fund. Once approved, expenditures cannot exceed the budget by function and object during the fiscal year without Board approval of revisions.

The board maintains a system of budgetary and accounting controls designed to assist management in meeting its responsibility for reporting reliable information. The system is designed to provide reasonable assurance that assets are safeguarded and transactions are recorded and executed with management's authorization. Internal control systems are subject to inherent limitations with regard to the necessity to balance cost against the benefits produced. Management believes that the existing system of budgetary and accounting control provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period. The board utilizes a functional budget that is prepared according to the guidelines and requirements set forth in state law and the *State Financial Reporting Manual*.

During the fiscal year, reports are generated for the budgetary funds, which include the budget, current year-to-date revenue and expenditures, revenue and expenditures over or under, and percentage over or under budget. These reports are provided to administration and each budget administrator has the capability to run their own reports as needed. The reports also detail the monthly transactions and summarize the remaining balances to be spent from the appropriations allocated for goods and services among the programs managed.

The report of the School District's independent certified public accountants, Plante & Moran, PLLC, appears on pages 1-2 of this report. Their audit of the basic financial statements was performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* and, accordingly, included a review of the board's system of budgetary and accounting controls.

Financial Policies

The following financial policies and practices of the School District had a significant impact on the School District's fiscal year 2019-2020 financial statements:

Fund Balance - Financial stability is important to maintain a strong instructional program for the students in the School District. In order to maintain financial stability, the Board of Education stipulates that the School District target an 8 percent to 12 percent fund balance in the General Fund. Maintaining this level of fund balance helps the School District weather sudden reductions in funding, as well as provide adequate cash flow to meet its payroll and other financial obligations.

Long-Term Financial Planning – A budget timeline and budget parameters are developed with the District's Central Office Cabinet. These parameters are then presented to and discussed with the Board's Finance and Facilities Committee and then with the Board of Education at a regular public meeting. Input received at the Board meeting is incorporated. These parameters become the basis for the ensuing year's budget development and guide the forecast for an additional year. The forecast is used internally to make decisions both for the upcoming budget year and the forecasted year which promote fiscal stability, keep the Board's target fund balance percent at the forefront and provide quality educational programs for the students.

Preventative Maintenance Schedule and Plan - Maintaining the School District's facilities is important to provide a safe and healthy learning environment. The School District maintains a long-range preventative maintenance and capital projects schedule in order to keep its buildings in good working order as well as to timely identify replacement of significant components within a building. In 2010, a facilities evaluation was completed by a third-party architect. This facilities evaluation has aided the School District in identifying future capital needs based upon the ages and condition of its physical plant. In May 2015, a \$131.5 million bond proposal was passed by the electorate to address facilities needs and the related financing of these needs. The amount financed also includes dollars to replace a portion of our aging fleet of buses as well as technology upgrades. The bond financing amount was reduced by a factor to adjust for potential school closures due to projected declining enrollment. This infusion of bond money will help to alleviate the pressure within the General Fund to pay for ongoing costs for our aging facilities whose average age exceeds 50 years.

A 10-year Capital Assessment Plan was completed by a consultant in May 2019 and updated in December 2019 with the assistance of the Facilities Management Department. The assessment provided the District with a capital planning template with three major components: critical need/life-safety, deferred maintenance and property enhancements. The Plan identified capital needs of approximately \$85.5 million. Approximately \$20.0 million was identified for technology needs and approximately \$7.5 million identified for buses. The District's Board of Education approved a ballot proposal for a \$98.0 million bond issue which was voted on in March 2020. The bond proposal was approved by voters and the District is currently working on determining the projects that will take place in the Summer of 2021.

Enrollment Projections - Annually, the School District hires a third-party consultant to project student enrollment figures using live birth statistics and grade progression. This assists the School District in facilities and budget planning.

Pension and Other Postemployment Benefits - The School District participates in the Michigan Public Schools Employees' Retirement System (MPERS), which is a state-administered cost-sharing multiple-employer public employee retirement system. The retirement system consists of three plans: a defined benefit plan, a hybrid plan consisting of a defined benefit plan and a defined contribution plan, and a defined contribution plan. As part of the MPERS reform approved by the Michigan Legislature and signed by the governor on September 4, 2012, all employees hired prior to July 1, 2010 were required to make an election from four options. Effective February 1, 2013, and depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of reportable wages. Employees could elect into a defined contribution plan (DC), whereby they are not required to make additional contributions, and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF), depending upon their date of hire and retirement plan election.

Under the MPERS act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverage through MPERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. Effective February 1, 2013, members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The assumed rate of return within the retirement plan has been reduced over the last few years to 6.80 percent, which has the net effect of increasing the value of the retirement obligation for the plan, which in turn increases the required contributions to the plan. Additionally, for staff hired on or after February 1, 2018, the default employee election will be into a defined contribution (DC) plan; however, an employee can elect the hybrid plan within a specified timeframe. Members opting to participate in the defined contribution (DC) plan are provided with a 50 percent employer match (up to 3 percent of salary) on employee contributions. This created a change in the District's cost of the benefit for employees new to

the retirement system in February 2018. It is anticipated that funding will continue to be provided in 2020-21 to all public school districts to help offset the additional costs for these plan changes.

Employer contribution rates are established annually by the Office of Retirement Services based upon actuarial data and estimates of future retirements in the system. A factor affecting the retirement rate computation is the number of active members for which contributions are made into the retirement system. Over the last several years, the trend in Michigan public schools is to privatize non-instructional services such as substitutes, custodians, transportation, maintenance, and food service. It has yet to be determined what effect privatization will have on future employer contribution rates.

Major Initiatives

Strategic Planning – At the end of the 2016-17 school year, the District engaged a committee to begin development of an updated Strategic Plan. The Board of Education approved the four main goals at the August 2017 board meeting. The four main goal areas are Curriculum/Instruction, Culture, Community Relations and Finance/Facilities. To support attainment of these goals, strategies, action steps and monitoring methods were developed during the 2017-18 school year. An update on the strategies, action steps and monitoring methods were presented to the Board of Education in the Fall of 2018 with implementation to begin during the 2018-19 school year and continue through 2021-22.

Professional Learning Teams (PLT's) – The goal is to support staff growth that ensures student achievement. Time is being planned for teams to work together to explore their curriculum maps, share resource materials, and review data to plan instruction. To facilitate the success of PLT's, a focused effort on the development of teacher leadership was developed and will be in use for the upcoming school year. This will include training teacher leaders in facilitation, assessment (formative and summative), and curriculum mapping.

School Improvement Process – Input from PLT's will inform each school's improvement plan and result in a coordinated District Improvement Plan that drives, supports and services, as well as necessary professional development. Successful re-accreditation by AdvancEd in 2015-16 provided feedback to improve our programs and services across the district.

Quality Instruction Initiative – The instructional department has outlined our instructional vision which includes linking the learner profile, quality instruction and instructional observations to increase student achievement and accountability. The intent of the process is to provide staff the necessary tools to move learning forward with the necessary knowledge and skills. This model is articulated in the Teacher Professional Growth and Evaluation model, particularly the Marzano Design questions and related elements.

Curriculum Alignment and Development – The proper alignment of all state approved standards for respective content areas including common assessments at all levels. As a result, our District is working collaboratively with Oakland Intermediate School District to develop curriculum maps, model units of study and assessment tools which better represent the learning outlined with Common Core. Eventually, these resources will be integrated by our PLT teams into their instructional practice. Science and social studies standards have been released and will continue to be worked on during the 2020-21 school year.

K-12 Science Adoption – During 2018-19 a comprehensive science program was investigated for grades K-8 including purchasing the necessary materials/resources that meet the needs of students and incorporate the new instructional shifts laid out in the Michigan Science Standards so that every student will meet grade-level proficiency on state administered performance assessments. The new program encourages student centered learning around various phenomena. The new science program was implemented during the 2019-20 school year for grades K-8. High School Science is currently investigating several programs with a rolling implementation starting in 2021-22.

Talent Development Model - As we continue on the path of growth, we want to focus on organizational processes designed to attract, develop, motivate, and retain skilled and highly engaged staff. We have dedicated staff in our District and our goal is to continue to attract, develop, and keep outstanding staff members in all areas in Farmington. A talent development model was designed with an equity lens focusing first on teachers and administrators and is currently being utilized when hiring new staff.

Capital Planning – On May 5, 2015, a \$131.5 million bond proposal was approved by voters. The proposal was the culmination of work that occurred during the 2013-14 fiscal year by the Capital Planning Advisory Committee. The committee presented its recommendations in the summer of 2014. The work of the Committee stemmed from the prior work of the Facilities Forward study team which created a broad vision to address the critical facilities needs across the district including learning spaces and tools to be able to support our staff in having what they need to achieve great results with their students. In addition, a Building and Site Utilization Committee provided a recommendation on the number of facilities that will be retained by the District. Their work was based upon enrollment trends, as the full amount of needs exceeded over \$140 million for the District to retain all existing buildings, but was reduced to incorporate enrollment trends. As part of the bond work, the District expanded and renovated one of its early childhood centers, Alameda, which will allow for all early childhood programs to operate in one building. The newly renovated and expanded site will open in the Fall of 2020 and will be renamed Farmington Early Childhood Center. Remaining bond dollars should be expended by June 30, 2021.

A 10-year Capital Assessment Plan was completed by a consultant in May 2019 and updated in December 2019 with the assistance of the Facilities Management Department. The assessment provided the District with a capital planning template with three major components: critical need/life-safety, deferred maintenance and property enhancements. The Plan identified needs of approximately \$85.5 million. Approximately \$20.0 million was identified for technology needs and approximately \$7.5 million identified for buses. The District's Board of Education approved a ballot proposal for a \$98.0 million bond issue which was voted on in March 2020. The bond proposal was approved by voters and the District is currently working on determining the projects that will take place in the Summer of 2021.

Independent Audit

The School District's financial statements were audited by Plante & Moran, PLLC, certified public accountants, as of June 30, 2020. Their audit was made in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The financial statements present fairly the financial position of Farmington Public School District at June 30, 2020. Their audit also included the single audit on federal awards, a copy of which can be obtained from the School District's business office.

Excellence in Financial Reporting

The School District is committed to providing its citizens and other users with comprehensive financial reporting. For school districts meeting the requirements of a Comprehensive Annual Financial Report, the Association of School Business Officials International (ASBO) awards a Certificate of Excellence in Financial Reporting. The School District received a Certificate of Excellence in Financial Reporting from the ASBO for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 1997 through June 30, 2019.

In order to be awarded a certificate of excellence, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A certificate of excellence is valid for a period of one year only. We believe our current report conforms to program standards and we are submitting our report to the ASBO to determine its eligibility for this certificate.

Acknowledgments

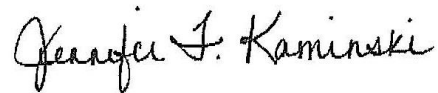
The preparation of this report on a timely basis could not have been accomplished without the effort and dedicated services of the entire staff of the business department. We would like to express our appreciation to all the members of this office who assisted in the timely closing of the School District's financial records and the preparation of this report.

Also, we would like to express our appreciation to other departments and individuals who assisted in the preparation of this report.

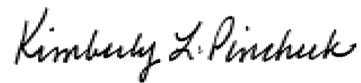
Sincerely,

A handwritten signature in black ink, appearing to read "Robert Herrera". The signature is fluid and cursive, with a large initial "R" and a stylized "H".

Robert Herrera, Ed.D.
Superintendent

A handwritten signature in black ink, appearing to read "Jennifer F. Kaminski". The signature is cursive, with a large initial "J" and a stylized "K".

Jennifer F. Kaminski
Assistant Superintendent for Business Services

A handwritten signature in black ink, appearing to read "Kimberly L. Pincheck". The signature is cursive, with a large initial "K" and a stylized "P".

Kimberly L. Pincheck
Finance Director

Farmington Public School District

District Officials

Administration

Dr. Robert C. Herrera
Superintendent of Schools

Dr. Kelly M. Coffin
Assistant Superintendent,
Innovation and Strategic Initiatives

Katherine M. Smith
Assistant Superintendent,
Talent Development

Jennifer F. Kaminski
Assistant Superintendent,
Business Services

Dr. Bobbie H. Goodrum
Assistant Superintendent, Equity,
Inclusion and Diversity

Dr. Jacqueline D. McDougal
Executive Director, Student Services

Diane Bauman
Director, School & Community Services

Board of Education

Pamela S. Green
President

Terry L. Johnson
Vice President

Terri A. Weems
Treasurer

Angie F. Smith
Secretary

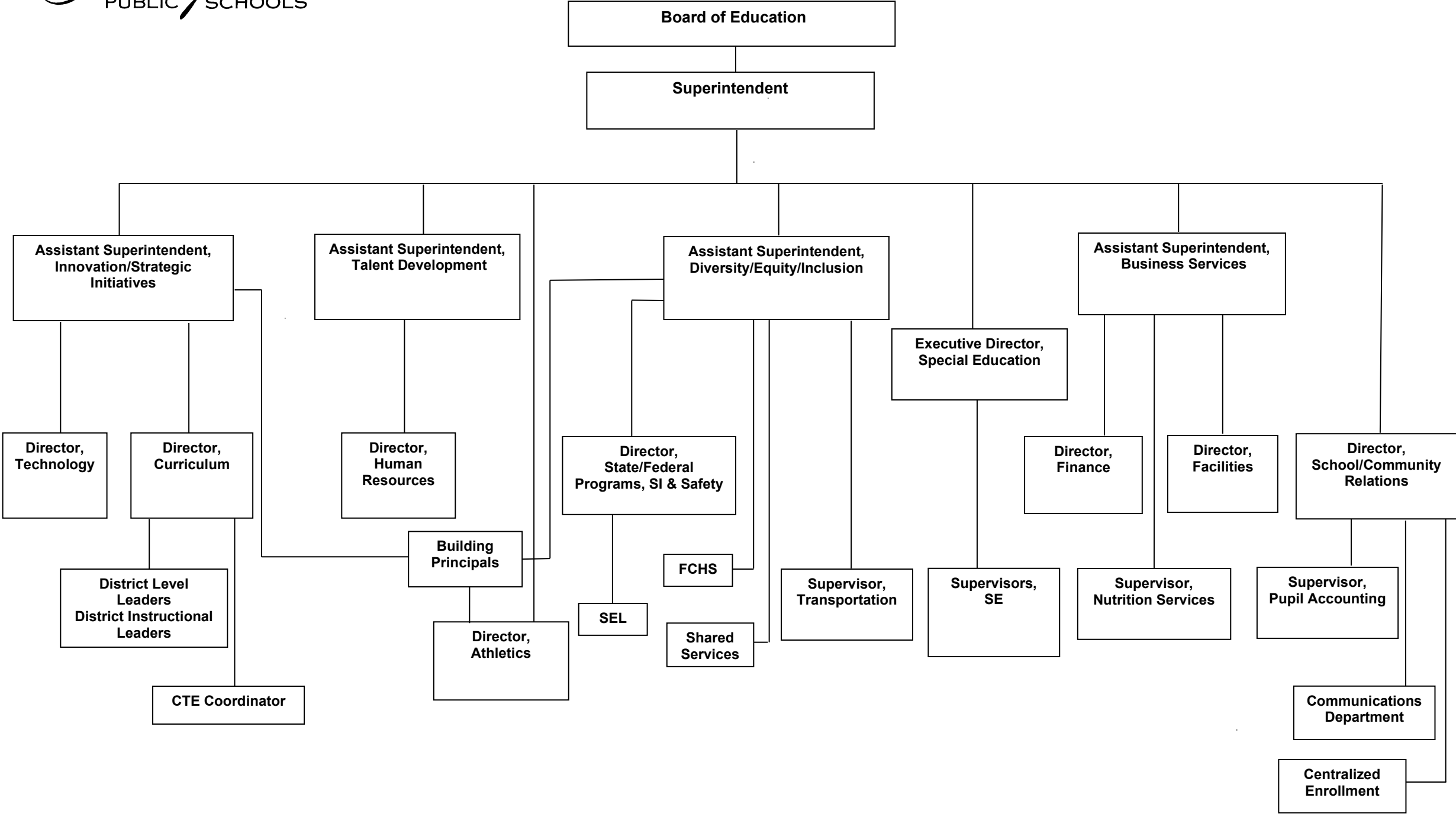
Jessica Cummings
Trustee

Richard D. Mukamal
Trustee

Zach T. Rich
Trustee



SERVICE AREA CHART





ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Farmington Public School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2019.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Claire Hertz'.

Claire Hertz, SFO
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director

Independent Auditor's Report

To the Board of Education
Farmington Public School District

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Public School District (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Farmington Public School District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic 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 Farmington Public School District as of June 30, 2020 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Farmington Public School District

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Farmington Public School District's basic financial statements. The other supplemental information, as identified in the table of contents, and introductory section and statistical section schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2020 on our consideration of Farmington Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Farmington Public School District's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 22, 2020

This section of Farmington Public School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the School District's basic 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 Farmington Public 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 2018 Building and Site Fund, and the 2020 Building and Site Fund - with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Basic Financial Statements

Required Supplemental Information

Budgetary Information for Major Fund

Schedules of Proportionate Share of the Net Pension and OPEB Liabilities

Schedules of Pension and OPEB Contributions

Other Supplemental Information

In addition, the School District has added the introductory section and the statistical section to compile its Comprehensive Annual Financial Report.

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.

Farmington Public School District

Management's Discussion and Analysis (Continued)

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

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and nutrition 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 Nutrition Services Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

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.

Proprietary Funds

Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services provided to other funds. The School District established a proprietary fund, specifically the Internal Service Fund, to finance specific services provided to other funds of the School District on a cost reimbursement basis. The specific services represent health insurance benefits.

Fiduciary Funds

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

Farmington Public School District

Management's Discussion and Analysis (Continued)

The School District as a Whole

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

	Governmental Activities	
	2020	2019
	(in millions)	
Assets		
Current and other assets	\$ 137.5	\$ 80.5
Capital assets	170.6	163.9
Total assets	308.1	244.4
Deferred Outflows of Resources	90.3	89.2
Liabilities		
Current liabilities	24.6	23.4
Noncurrent liabilities	519.5	443.6
Total liabilities	544.1	467.0
Deferred Inflows of Resources	55.6	62.6
Net Position		
Net investment in capital assets	71.2	74.9
Restricted	3.5	2.7
Unrestricted	(276.0)	(273.6)
Total net position	\$ (201.3)	\$ (196.0)

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 \$(201.3) million at June 30, 2020. Net investment in capital assets totaling \$71.2 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(276.0) million) was unrestricted.

The \$(276.0) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements and to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Farmington Public 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, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 3.6	\$ 4.9
Operating grants	41.4	38.9
General revenue:		
Taxes	53.3	51.9
State aid not restricted to specific purposes	55.1	58.0
Other	0.8	(10.8)
Total revenue	154.2	142.9
Expenses		
Instruction	89.7	84.8
Support services	52.9	50.2
Athletics	1.5	1.8
Nutrition services	3.2	3.3
Community services	1.3	1.3
Intergovernmental payments	1.2	0.9
Debt service	5.1	4.6
Depreciation expense (unallocated)	4.6	5.0
Total expenses	159.5	151.9
Change in Net Position	(5.3)	(9.0)
Net Position - Beginning of year	(196.0)	(187.0)
Net Position - End of year	<u><u>\$ (201.3)</u></u>	<u><u>\$ (196.0)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$159.5 million. Certain activities were partially funded from those who benefited from the programs (\$3.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$41.4 million). We paid for the remaining public benefit portion of our governmental activities with \$53.3 million in taxes, \$55.1 million in state foundation allowance, and our other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$5.3 million. Key reasons for the change in net position were the net effect of the investment in capital assets offset with the current year depreciation, loss on disposal of a building, and General Fund operating revenue exceeding expenditures.

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.

Farmington Public School District

Management's Discussion and Analysis (Continued)

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$111.7 million, which is an increase of \$55.3 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased \$3.2 million to \$21.4 million. The change is due mainly to a proration of \$175 per pupil versus the \$650 per pupil built into the final amendment of the 2019-2020 budget, as well as expenditures being less than projected due to reduced spending in purchased services and supplies as a result of the shutdown of schools due to the COVID-19 pandemic. Excluding federal and state grant budget variances, revenue was over projections by \$5.3 million, and expenditures were under projections by \$1.5 million.

Combined, the fund balance of our debt service funds increased \$0.5 million. Millage rates were kept flat as property values increased. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved since they can be used only to pay debt service obligations.

Combined, the fund balance of our capital project funds increased \$50.9 million. This increase is due primarily to proceeds received on the 2020 bond issue, combined with continued construction related to the 2018 bond issue. The 2018 bond construction projects are estimated to be approximately 71.0 percent complete at the end of the year, with the remaining funds expended in full by June 30, 2021. Fund balances increased, as the School District issued \$57.3 million in new voter-approved bonds during the current year. These bonds were issued in accordance with state law and will be used to meet the capital replacement needs of the School District.

The Maintenance/Bus Purchases Capital Projects Fund was created during the 2004-2005 fiscal year to separate large capital and nonoperating expenditures from general operating obligations of the School District. Transfers from the General Fund are made to this fund based upon capital projects needs for future fiscal years. A transfer of \$490,000 was made during the year.

The Technology/Other Projects Fund was previously funded through transfers from the General Fund. These funds were used to purchase technology-related equipment. As pressures continued on General Fund operations, limited dollars, if any, were available to fund technology purchases. Therefore, a portion of the 2018 Building and Site Fund is being used to purchase technology infrastructure and technology-related equipment. A transfer of \$200,000 was made during the year to address future technology needs when bond dollars are fully expended from the 2020 bond issue.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2020. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2019-2020 General Fund original budget. Budgeted revenue was decreased by \$4.9 million due to a decrease in local revenue and a decrease in the foundation allowance payments due to a shortfall in the State School Aid Fund, both as a result of the COVID-19 pandemic, and an increase in federal grant funds based upon current grant awards and carryover funds and an increase in transfers due to the Maxfield Training Center property sale.

Budgeted expenditures were also decreased by \$1.3 million to account for actual staffing in place and current contractual obligations, current grant awards, and the decrease in purchased services and supplies resulting from the effects of COVID-19. The amount of transfers to other funds established in the amended budget was \$690,000 and represents the funds received from the sale of the Maxfield Training Center. It will be used to support future capital and technology needs when bond dollars are no longer available.

The difference between final budgeted revenue and actual revenue was \$2.7 million, or 2.0 percent greater than budgeted. The difference, on a net basis, included higher than anticipated property taxes; a decrease in the expected reduction in per pupil funding, plus additional special education funding for section 52 students; and other state and federal revenue recorded based upon expenditures made, where these grants are budgeted at the full award amount.

The difference between final budgeted expenditures and actual expenditures was approximately \$4.1 million, or 3.0 percent less than budgeted. The reasons for the differences, on a net basis, are as follows:

- Grant expenditures, budgeted upon award amounts, were below projections by approximately \$2,586,000.
- Utility costs were under projections by approximately \$138,000
- Employee wage and wage-related benefit costs exceeded projections by approximately \$236,000.
- Employee fringe benefit costs were below projections by approximately \$193,000.
- Legal expenses were lower than projections by approximately \$75,000.
- Workshops and conferences were below projections by approximately \$126,000.
- Special education transportation costs were below projections by approximately \$58,000.
- Athletic transportation costs were below projections by approximately \$41,000.
- Contracted services for noon supervisors, bus aides, police liaison officers, and bookkeeping services were below projections by approximately \$93,000.
- Teaching supplies were below projections by approximately \$665,000.
- Textbook purchases exceeded projections by approximately \$11,000.
- Departmental budgets, on a net basis, were below projections by approximately \$51,000.
- Contracted services for custodial services were below projections by approximately \$111,000.
- Gas and oil costs were below projections by approximately \$47,000.
- Tax tribunal costs were below projections by approximately \$93,000.
- General funded capital outlay costs exceeded projections by approximately \$31,000.
- Tuition costs paid to other districts were below projections by \$32,000.

Farmington Public School District

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the School District had \$170.6 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This represents a net increase (including additions, disposals, and depreciation) of approximately \$6.7 million from 2019 to 2020.

	Governmental Activities	
	2020	2019
Land	\$ 683,744	\$ 683,746
Construction in progress	6,739,160	17,426,206
Buildings and improvements	232,436,557	211,490,255
Furniture and equipment	20,766,288	18,860,593
Buses and other vehicles	11,491,447	10,942,053
Total capital assets	272,117,196	259,402,853
Less accumulated depreciation	101,503,393	95,514,728
Total capital assets - Net of accumulated depreciation	\$ 170,613,803	\$ 163,888,125

This year's additions of \$15.3 million included buses, play equipment, cafeteria equipment, technology, building renovations, and furniture and equipment.

This year's disposals of \$2.6 million included the disposal of buses and the Maxfield Training Center property.

Debt

At the end of this year, the School District had \$166.1 million in bonds outstanding versus \$115.8 million in the previous year - a change of 43.4 percent. Those bonds consisted of the following:

	2020	2019
2015 general obligation bonds	\$ 59,085,000	\$ 62,720,000
2018 general obligation bonds	49,725,000	53,125,000
2020 general obligation bonds	57,265,000	-
Total	\$ 166,075,000	\$ 115,845,000

The School District's general obligation bond rating continues to be Aa3 and was reviewed and affirmed in May 2020 by Moody's. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District does not currently have any outstanding unqualified general obligation debt.

Other obligations include accrued vacation pay, sick leave, and workers' compensation self-insurance. We present more detailed information about our long-term liabilities in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The normal State budget development process was halted in March 2020 as the State began dealing with the implications of the COVID-19 pandemic. Schools moved to remote learning, meals were served for whole communities, federal financial resources were quickly infused into the economy, and “stay home, stay safe” was the theme as the entire state worked to see a way through the challenges of COVID-19. In May 2020, the regularly scheduled Revenue Estimating Conference addressed two key questions: What was the status of state revenue for the 2020 fiscal year, and what projections can be made looking forward to 2021 and 2022? The conclusions reached at the meeting were dire. It was estimated the 2020 School Aid Fund would end the year with an approximate \$1 billion deficit, roughly translated to a \$685 per pupil shortfall, that would need to be absorbed with the 2020 school year all but over. In addition, the estimates suggested there would be no improvement until 2022. These conclusions caused many districts to adjust their final 2020 budgets to reflect a potential proration of as much as \$650 to \$700 per pupil.

The School District settled a contract extension through August 22, 2021 with its teachers, the Farmington Education Association (FEA). No step increases will occur for those on the step schedule, nor will any off-schedule payments occur for those employees at the top of the step schedule. Longevity payments will continue to be paid to those eligible. The midyear contract extension will allow the School District and its employee bargaining units additional time to determine the true impacts of the COVID-19 pandemic on revenue available for public school districts.

A contract extension for paraprofessional and secretarial staff, the Educational Support Professionals (ESP), maintenance and nutrition staff, the Farmington Maintenance and Cafeteria (FMC), bus drivers, and the Farmington Transportation Association (FTA) was settled through June 30, 2021, with no steps or off-schedule payments. A contract extension for the Farmington Association of School Administrators (FASA) was settled through December 31, 2020, with no steps or off-schedule payments. Longevity payments will continue to be paid to eligible employees as determined or allowed for in each bargaining unit contract. As with the teachers, the midyear contract extension allows the School District and its employee bargaining units additional time to determine the true impacts of the COVID-19 pandemic on revenue available for public school districts.

Our elected officials and administration consider many factors when setting the School District's 2020-2021 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2020-2021 budget was adopted in June 2020 based upon the spring 2020 student count, as the COVID-19 pandemic created much uncertainty on student count for the fall due to a virtual learning environment. Typically, the estimate is based upon the number of students who will enroll in September 2020. Approximately 71 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2020 school year, we anticipate that the fall student count will be short of the estimates used in creating the 2021 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund districts at their current foundation allowance without the need to continue the proration of \$175 per pupil that was imposed on districts in the 2019-20 fiscal year. Due to increases in the state required contribution to the retirement system, flat health care costs, and declining student enrollment, the School District estimates that any net increase in per pupil funding to fund other operating costs will nullify any foundation allowance increase per pupil, unless the funding increase is significant.

The impact of COVID-19 will require the School District to carefully monitor its budget for 2020-2021. Decisions made at the federal and state level related to financial resources will also need to be monitored, as they will have a direct impact on the School District's budget. As information becomes known by the School District, the budget will be reviewed and adjusted as needed to ensure adequate resources are available both now and in the future.

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.

Farmington Public School District

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 31,669,151
Receivables:	
Taxes	62,000
Interest	21,647
Accounts receivable	350,991
Due from other governmental units	13,992,297
Inventory	115,253
Prepaid expenses and other assets:	
Prepaid expenses	1,375,283
Deposits	264,712
Restricted assets (Notes 4 and 5)	89,688,344
Capital assets:	
Assets not subject to depreciation (Note 7)	7,422,904
Assets subject to depreciation - Less accumulated depreciation of \$101,503,393 (Note 7)	163,190,899
Total assets	308,153,481
Deferred Outflows of Resources	
Deferred pension costs (Note 11)	73,380,958
Deferred OPEB costs (Note 11)	16,949,330
Total deferred outflows of resources	90,330,288
Liabilities	
Accounts payable	3,316,646
Accrued payroll and other liabilities	20,541,777
Unearned revenue (Note 6)	734,513
Noncurrent liabilities:	
Due within one year (Note 9)	8,265,877
Due in more than one year:	
Compensated absences and other long-term liabilities (Note 9)	2,517,454
Net pension liability (Note 11)	273,164,256
Net OPEB liability (Note 11)	58,846,764
Bonds - Net of current portion (Note 9)	176,733,994
Total liabilities	544,121,281
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the report date (Note 11)	8,995,459
Deferred pension cost reductions (Note 11)	21,654,987
Deferred OPEB cost reductions (Note 11)	24,988,853
Total deferred inflows of resources	55,639,299
Net Position	
Net investment in capital assets	71,246,936
Restricted:	
Debt service	398,518
Capital projects	1,771,039
Nutrition services	1,348,680
Unrestricted	(276,041,984)
Total net position	<u><u>\$ (201,276,811)</u></u>

See notes to basic financial statements.

Farmington Public School District

Statement of Activities

Year Ended June 30, 2020

	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	\$ 89,682,813	\$ 739,441	\$ 24,436,302	\$ (64,507,070)
Support services	52,891,179	244,407	14,933,940	(37,712,832)
Athletics	1,482,167	469,314	-	(1,012,853)
Nutrition services	3,190,774	1,493,190	2,000,027	302,443
Community services	1,286,765	608,827	-	(677,938)
Intergovernmental payments	1,157,458	-	-	(1,157,458)
Interest on long-term debt and other	4,815,675	-	-	(4,815,675)
Debt issuance cost	326,626	-	-	(326,626)
Depreciation expense (unallocated)	4,635,558	-	-	(4,635,558)
Total primary government	\$ 159,469,015	\$ 3,555,179	\$ 41,370,269	(114,543,567)
General revenue:				
Taxes:				
Property taxes - Levied for general purposes				41,079,004
Property taxes - Levied for debt services				12,222,209
State aid not restricted to specific purposes				55,114,928
Interest and investment earnings				1,067,399
Loss on sale of capital assets (Note 7)				(215,574)
Other				5,405
Total general revenue				109,273,371
Change in Net Position				(5,270,196)
Net Position - Beginning of year				(196,006,615)
Net Position - End of year				<u>\$(201,276,811)</u>

Farmington Public School District

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	2018 Building and Site Fund	2020 Building and Site Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 25,043,132	\$ -	\$ -	\$ 1,474,277	\$ 26,517,409
Receivables:					
Taxes	62,000	-	-	-	62,000
Interest	-	21,647	-	-	21,647
Accounts receivable	298,598	-	-	-	298,598
Due from other governmental units	13,743,624	-	-	248,673	13,992,297
Due from other funds (Note 8)	1,145	-	-	992,461	993,606
Inventory	62,880	-	-	52,373	115,253
Prepaid expenses	1,326,719	-	-	150	1,326,869
Restricted assets (Notes 4 and 5)	-	20,336,308	67,887,860	1,464,176	89,688,344
Total assets	\$ 40,538,098	\$ 20,357,955	\$ 67,887,860	\$ 4,232,110	\$ 133,016,023
Liabilities					
Accounts payable	\$ 656,855	\$ 1,968,637	\$ 78,316	\$ 26,060	\$ 2,729,868
Due to other funds (Note 8)	993,569	-	1,000	-	994,569
Accrued payroll and other liabilities	16,890,161	-	-	16,405	16,906,566
Unearned revenue (Note 6)	606,609	-	-	127,904	734,513
Total liabilities	19,147,194	1,968,637	79,316	170,369	21,365,516
Fund Balances					
Nonspendable:					
Inventory	62,880	-	-	52,373	115,253
Prepaid expenses	1,326,719	-	-	150	1,326,869
Restricted:					
Debt service	-	-	-	1,521,285	1,521,285
Capital projects	-	18,389,318	67,808,544	-	86,197,862
Nutrition services	-	-	-	1,296,157	1,296,157
Committed:					
Capital projects	-	-	-	1,191,776	1,191,776
Contractual obligations - Retirement and sick pay	2,517,454	-	-	-	2,517,454
Contractual obligations - Vacation pay	302,416	-	-	-	302,416
Cash flow deficiency for 2020-2021	8,023,079	-	-	-	8,023,079
Assigned - Budgeted use of fund balance in subsequent year	679,196	-	-	-	679,196
Unassigned	8,479,160	-	-	-	8,479,160
Total fund balances	21,390,904	18,389,318	67,808,544	4,061,741	111,650,507
Total liabilities and fund balances	\$ 40,538,098	\$ 20,357,955	\$ 67,887,860	\$ 4,232,110	\$ 133,016,023

Farmington Public School District

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

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 111,650,507
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	272,117,196
Accumulated depreciation	<u>(101,503,393)</u>
Net capital assets used in governmental activities	170,613,803
Bonds payable obligations are not due and payable in the current period and are not reported in the funds	(183,793,690)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,122,767)
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	(3,185,426)
Provision for health and/or workers' compensation claims not accounted for within the Internal Service Fund	(538,209)
Net pension liability and related deferred inflows and outflows	(221,438,285)
Net OPEB liability and related deferred inflows and outflows	(66,886,287)
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	(8,995,459)
Internal service funds are included as part of governmental activities	<u>2,419,002</u>
Net Position of Governmental Activities	<u><u>\$ (201,276,811)</u></u>

Farmington Public School District

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

Year Ended June 30, 2020

	General Fund	2018 Building and Site Fund	2020 Building and Site Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 44,598,198	\$ 635,532	\$ 14,672	\$ 13,818,344	\$ 59,066,746
State sources	77,589,823	-	-	310,383	77,900,206
Federal sources	4,163,198	-	-	1,852,331	6,015,529
Interdistrict sources	11,291,990	-	-	-	11,291,990
Total revenue	137,643,209	635,532	14,672	15,981,058	154,274,471
Expenditures					
Current:					
Instruction	83,267,562	-	-	-	83,267,562
Support services	47,408,343	-	-	-	47,408,343
Athletics	1,429,971	-	-	-	1,429,971
Nutrition services	-	-	-	3,077,384	3,077,384
Community services	1,199,880	-	-	-	1,199,880
Debt service:					
Principal	-	-	-	7,035,000	7,035,000
Interest on long-term debt and other	-	-	-	4,933,121	4,933,121
Debt issuance cost	-	-	326,626	-	326,626
Capital outlay	122,521	17,573,473	-	258,139	17,954,133
Intergovernmental payments	1,157,458	-	-	-	1,157,458
Total expenditures	134,585,735	17,573,473	326,626	15,303,644	167,789,478
Excess of Revenue Over (Under) Expenditures	3,057,474	(16,937,941)	(311,954)	677,414	(13,515,007)
Other Financing Sources (Uses)					
Face value of debt issued (Note 9)	-	-	57,265,000	-	57,265,000
Proceeds from sale of capital assets	703,006	-	-	-	703,006
Premium on debt issued (Note 9)	-	-	10,855,498	-	10,855,498
Transfers in (Note 8)	155,848	-	-	843,317	999,165
Transfers out (Note 8)	(690,000)	-	-	(309,165)	(999,165)
Total other financing sources	168,854	-	68,120,498	534,152	68,823,504
Net Change in Fund Balances	3,226,328	(16,937,941)	67,808,544	1,211,566	55,308,497
Fund Balances - Beginning of year	18,164,576	35,327,259	-	2,850,175	56,342,010
Fund Balances - End of year	<u>\$ 21,390,904</u>	<u>\$ 18,389,318</u>	<u>\$ 67,808,544</u>	<u>\$ 4,061,741</u>	<u>\$ 111,650,507</u>

Farmington Public School District

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

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 55,308,497
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	15,310,662
Depreciation expense	(7,666,404)
Net book value of assets disposed of	(918,580)
Revenue in support of pension contributions made subsequent to the measurement date	139,922
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(68,120,498)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	7,486,921
Interest expense is recognized in the government-wide statements as it accrues	(334,475)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(7,375,904)
Internal service funds are included as part of governmental activities	899,663
Change in Net Position of Governmental Activities	<u>\$ (5,270,196)</u>

Farmington Public School District

Proprietary Funds Statement of Net Position

June 30, 2020

	Benefit Stabilization Fund
Assets	
Current assets:	
Cash and investments (Notes 4 and 5)	\$ 5,151,742
Receivables	52,393
Prepaid expenses and other assets:	
Prepaid expenses	48,414
Deposits	264,712
Total current assets	5,517,261
Liabilities	
Current liabilities:	
Accounts payable	585,670
Due to other funds (Note 8)	145
Accrued other liabilities (Note 10)	2,512,444
Total current liabilities	3,098,259
Net Position - Unrestricted	\$ 2,419,002

Farmington Public School District

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2020

	Benefit Stabilization Fund
Operating Revenue	
Charges for services	\$ 15,316,240
Other	589,703
Total operating revenue	15,905,943
Operating Expenses - Cost of insurance claims	15,056,641
Operating Income	849,302
Nonoperating Revenue - Interest income	50,361
Change in Net Position	899,663
Net Position - Beginning of year	1,519,339
Net Position - End of year	\$ 2,419,002

Farmington Public School District

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2020

	Benefit Stabilization Fund
Cash Flows from Operating Activities	
Receipts from interfund services	\$ 15,283,232
Claims paid and premiums paid	(15,100,577)
Other receipts	589,703
Net cash and cash equivalents provided by operating activities	772,358
Cash Flows Provided by Investing Activities - Interest	50,361
Net Increase in Cash and Cash Equivalents	822,719
Cash and Cash Equivalents - Beginning of year	4,329,023
Cash and Cash Equivalents - End of year	\$ 5,151,742
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 849,302
Adjustments to reconcile operating income to net cash from operating activities:	
Changes in assets and liabilities:	
Receivables	(52,393)
Deposits	14,534
Prepays	(42,985)
Due to and from other funds	4,851
Accounts payable	47,698
Accrued liabilities	(48,649)
Total adjustments	(76,944)
Net cash and cash equivalents provided by operating activities	\$ 772,358

Farmington Public School District

Fiduciary Fund Statement of Fiduciary Assets and Liabilities

June 30, 2020

	Student Activities
Assets	
Cash and investments	\$ 1,004,963
Receivables	117
Due from other funds (Note 8)	1,108
Total assets	\$ 1,006,188
Liabilities	
Accounts payable	\$ 110,811
Due to student groups	895,377
Total liabilities	\$ 1,006,188

June 30, 2020

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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

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

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

Fund Accounting

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:

- 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.

June 30, 2020

Note 2 - Significant Accounting Policies (Continued)

- The 2018 Building and Site Fund is a capital projects fund used to record bond proceeds and other revenue and disbursement of invoices specifically related to the remodeling of buildings for safety and security improvements; construction additions to, equipping, furnishing, reequipping, refurbishing, and remodeling buildings, including classroom, auditorium, and media center improvements; improving and developing sites, including outdoor athletic facilities, playgrounds, and structures; acquiring school buses; and acquiring and installing technology infrastructure and equipment. The fund operates until the purpose for which it was created is accomplished.
- The 2020 Building and Site Fund is a capital projects fund used to record bond proceeds and other revenue and disbursement of invoices specifically related to the remodeling of buildings for safety and security improvements; construction additions to, equipping, furnishing, reequipping, refurbishing, and remodeling buildings, including classroom, auditorium, and media center improvements; improving and developing sites, including outdoor athletic facilities, playgrounds, and structures; acquiring school buses; and acquiring and installing technology infrastructure and equipment. The fund operates until the purpose for which it was created is accomplished.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the School District).

The School District's Internal Service Fund is used to finance services provided to other funds on a cost-reimbursement basis. The Internal Service Fund maintained by the School District is for medical benefits liabilities, including health, dental and vision, administrative expenses, costs of life insurance, and long-term disability benefits. It is funded through charges to the General Fund in amounts equal to the normal estimated medical benefits expense expected to be incurred subsequent to year end and contributions from employees for their share of medical benefits.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District maintains a student activities agency fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and are held for the students.

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)****Interfund Activity**

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

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

Basis of Accounting

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

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

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

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

Specific Balances and Transactions**Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments with an original maturity of greater than one year are stated at fair value, net acquisition value, or amortized cost depending on the nature of the investment. Pooled investment income from each of the School District's funds is generally allocated to each fund using a weighted average of balance for the principal.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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. Prepaid costs of governmental funds are recorded as expenditures when consumed rather than when purchased.

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)****Restricted Assets**

The unspent bond proceeds and related interest of the 2018 Building and Site Fund and the 2020 Building and Site Fund require amounts to be set aside for construction. In addition, the unspent property taxes levied on the debt service funds are required to be set aside for future bond principal and interest. These amounts have also been classified as restricted assets

Capital Assets

Capital assets are reported in the 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 the 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	20-50
Furniture and equipment	5-10
Buses and other vehicles	5-10

Construction in progress and land are not depreciated. Construction in progress is reclassified to the appropriate category once placed in service. It is then depreciated according to the useful lives listed in the above table

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund-type 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 funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

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

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

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

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)**

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

Net Position

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

Net Position Flow Assumption

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

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 commit fund balance 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.

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)**

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

Amounts that do not fall into any other category above are considered to be unassigned fund balance. This represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

The fund balance target prescribes the minimum fund balance as 8 to 12 percent of expenditures in the General Fund. This is deemed to be the prudent amount to provide working capital to meet cash flow needs and avoid borrowing, serve as a budget stabilization fund, and provide for unanticipated or emergency expenditures.

Property Tax Revenue

Property taxes are levied on July 1 for taxes due on August 31 and on December 1 for the remainder on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted 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 the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)****Compensated Absences (Vacation and Sick Leave)**

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

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to governmental funds to provide employee benefits and services. Operating expenses for these funds include the cost of benefits and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Tax Abatement

The School District evaluated tax abatements and considered the total property tax abatements to be insignificant.

Use of Estimates

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

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the School District's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the School District's financial statements for the year ending June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

June 30, 2020**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. All annual appropriations lapse at fiscal year end. The School District also elected to adopt annual budgets for its debt service funds and capital projects funds. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year except for the budgeted reduction of revenue.

The required supplemental information budgetary comparison schedules are presented on the same basis of accounting used to prepare the budget, which includes certain items having classifications that differ from the statement of revenue, expenditures, and changes in fund balances, including capital outlay expenditures being reported in other expenditure categories.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. Since all encumbrances are budgeted for in 2020-2021, no encumbrances are included in assigned fund balance at June 30, 2020.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

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

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.

The School District has designated one bank for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a 1-day minimum investment period. MAX CLASS 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 applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed.

June 30, 2020**Note 4 - Deposits and Investments (Continued)**

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. 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. At June 30, 2020, the School District did not have any deposit balance.

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 investment 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. The School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in the 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, 2020

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

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy allows only purchases of commercial paper with ratings of A1/PI and AA/Aa. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund - Cash Management Class	\$ 8,519,230	N/A 2a7 like pool	AAAm	S&P
Michigan Liquid Asset Fund - MAX Class	75,775,529	N/A 2a7 like pool	AAAm	S&P
Michigan Liquid Asset Fund - Term Series Sep 2020	10,000,000	12/18/2020	AA+	S&P
Michigan Liquid Asset Fund - Term Series Mar 2021	14,000,000	3/16/2021	AA+	S&P
Federal Home Loan Mortgage Notes	1,264,472	9/29/2020	AA+	S&P
FNMA Benchmark Notes	146,208	12/28/2020	AA+	S&P
Freddie Mac Notes	740,024	2/16/2021	AA+	S&P
Toyota Motor Credit	634,849	7/31/2020	A1+	S&P
JPMorgan Securities LLC	1,049,797	8/3/2020	A1	S&P
Mizuho Bank LTD	598,938	12/23/2020	A1	S&P
Societe Generale	997,938	1/8/2021	A1	S&P
Old Line Funding LLC	2,039,417	3/15/2021	A1+	S&P
Mufg Bank LTD	2,039,384	3/16/2021	A1	S&P
Credit Agricole CIB NY	2,039,826	3/16/2021	A1	S&P
BNP Paribas NY	2,040,198	3/16/2021	A1	S&P
Total	<u>\$ 121,885,810</u>			

Concentration of Credit Risk

The School District uses a pooled fund with Michigan Liquid Asset Fund (MILAF) for all of its cash accounts. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issues will be minimized. A maximum of 30 percent of available funds may be invested in any one issuer. Since MILAF is a pooled fund, it is not considered a single issuer under school district policy. Additionally, MILAF has a more restrictive issuer concentration policy in order to maintain its AAAm rating by Standard & Poor's. MILAF has adopted the guidance in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*, thereby allowing MILAF to continue presenting its financial statements on an amortized cost basis. More than 5 percent of the School District's investments are invested in the following:

Investment	Value	Percentage of Total Investments
Michigan Liquid Asset Fund - MAX Class	\$ 75,775,529	67.51
Commercial paper	11,440,348	10.19
Total	<u>\$ 87,215,877</u>	

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.

June 30, 2020

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the School District has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The fair value of mortgage-backed securities and U.S. Treasury securities at June 30, 2020 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments at market value using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The following table presents information about the School District's assets measured at fair value on a recurring basis at June 30, 2020 and the valuation techniques used by the School District to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2020				
	Quoted Prices in			
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
Investments at fair value - Debt securities:				
U.S. Treasury securities	\$ -	\$ 1,201,709	\$ -	\$ 1,201,709
Mortgage-backed securities	-	2,150,704	-	2,150,704
Total	<u>\$ -</u>	<u>\$ 3,352,413</u>	<u>\$ -</u>	<u>3,352,413</u>
Investments measured at net asset value (NAV) - Michigan Liquid Asset Fund Term Series				<u>24,000,000</u>
Total assets				<u>\$ 27,352,413</u>

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares in the Michigan Liquid Asset Fund Term Series whereby the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment pool as a practical expedient.

As of June 30, 2020, net asset value of the School District's investment in the MILAF Term Series was \$24,000,000. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date set upon initiation of investment. Early redemptions are permitted; however, an early redemption fee would apply.

June 30, 2020
Note 5 - Fair Value Measurements (Continued)

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

Note 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, 2020, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Tuition and other	\$ -	\$ 303,806
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	430,707
Total	\$ -	\$ 734,513

Note 7 - Capital Assets

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

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 683,746	\$ -	\$ -	\$ (2)	\$ 683,744
Construction in progress	17,426,206	(24,168,227)	13,481,181	-	6,739,160
Subtotal	18,109,952	(24,168,227)	13,481,181	(2)	7,422,904
Capital assets being depreciated:					
Buildings and improvements	211,490,255	23,248,699	-	(2,302,397)	232,436,557
Furniture and equipment	18,860,593	919,528	996,902	(10,735)	20,766,288
Buses and vehicles	10,942,053	-	832,579	(283,185)	11,491,447
Subtotal	241,292,901	24,168,227	1,829,481	(2,596,317)	264,694,292
Accumulated depreciation:					
Buildings and improvements	74,421,897	-	6,405,890	(1,383,819)	79,443,968
Furniture and equipment	11,875,496	-	761,583	(10,735)	12,626,344
Buses and vehicles	9,217,335	-	498,931	(283,185)	9,433,081
Subtotal	95,514,728	-	7,666,404	(1,677,739)	101,503,393
Net capital assets being depreciated	145,778,173	24,168,227	(5,836,923)	(918,578)	163,190,899
Net capital assets	\$ 163,888,125	\$ -	\$ 7,644,258	\$ (918,580)	\$ 170,613,803

June 30, 2020

Note 7 - Capital Assets (Continued)

The School District received proceeds of \$703,006 and recognized a loss of \$215,574 on the disposal of fixed assets.

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 2,346,004
Support services	664,281
Community services	20,561
Unallocated	<u>4,635,558</u>
Total governmental activities	<u>\$ 7,666,404</u>

Construction Commitments

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2018 bond issue	\$ 38,047,421	\$ 3,261,220

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>			
	<u>General Fund</u>	<u>2020 Building and Site Fund</u>	<u>Benefit Stabilization Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 1,000	\$ 145	\$ 1,145
Nonmajor funds	992,461	-	-	992,461
Fiduciary fund	1,108	-	-	1,108
Total	<u>\$ 993,569</u>	<u>\$ 1,000</u>	<u>\$ 145</u>	<u>\$ 994,714</u>

The General Fund maintains the majority of the cash and investment accounts. Interfund balances are created upon recording the revenue and expenditures for each applicable fund. All interfund balances are expected to be repaid within one year. The General Fund disburses funds on behalf of the fiduciary fund and is reimbursed accordingly.

Interfund transfers reported in the fund financial statements are composed of the following:

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 690,000
Nonmajor governmental funds	General Fund	155,848
	Nonmajor governmental funds	<u>153,317</u>
	Total nonmajor governmental funds	<u>309,165</u>
	Total	<u>\$ 999,165</u>

June 30, 2020

Note 8 - Interfund Receivables, Payables, and Transfers (Continued)

General Fund transfers out are used by the applicable funds to support and maintain the operations of the funds for the purpose for which they were created. Nutrition services funds are transferred to the General Fund to cover indirect costs related to operations for the Nutrition Services Fund. The 2013 Debt Service Fund fulfilled its debt obligation in the prior year and transferred its remaining assets to the 2015 Debt Service Fund.

Note 9 - Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligation	\$ 115,845,000	\$ 57,265,000	\$ (7,035,000)	\$ 166,075,000	\$ 6,065,000
Unamortized bond premiums	7,315,113	10,855,498	(451,921)	17,718,690	994,696
Total bonds payable	123,160,113	68,120,498	(7,486,921)	183,793,690	7,059,696
Compensated absences	3,094,392	91,034	-	3,185,426	667,972
Workers' compensation	222,489	674,050	(358,330)	538,209	538,209
Total governmental activities long-term debt	<u>\$ 126,476,994</u>	<u>\$ 68,885,582</u>	<u>\$ (7,845,251)</u>	<u>\$ 187,517,325</u>	<u>\$ 8,265,877</u>

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligations have been issued for governmental activities. 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. General obligations outstanding at June 30, 2020 are as follows:

Purpose	Remaining Annual Installments	Interest Rate (Percent)	Maturing May 1	Outstanding
\$81,050,000 qualified serial bonds (2015 issue)	2,765,000 - \$5,145,000	5.00	2035	\$ 59,085,000
\$54,675,000 qualified serial bonds (2018 issue)	\$2,050,000 - \$3,800,000	3.00 - 4.50	2038	49,725,000
\$57,265,000 qualified serial bonds (2020 issue)	\$875,000 - \$8,875,000	4.00 - 5.00	2040	57,265,000
Total governmental activities				<u>\$ 166,075,000</u>

June 30, 2020

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		
	Other Debt		
	Principal	Interest	Total
2021	\$ 6,065,000	\$ 6,756,433	\$ 12,821,433
2022	6,355,000	6,773,444	13,128,444
2023	6,695,000	6,511,094	13,206,094
2024	6,315,000	6,234,094	12,549,094
2025	6,680,000	5,971,594	12,651,594
2026-2030	37,880,000	25,275,969	63,155,969
2031-2035	46,935,000	16,224,625	63,159,625
2036-2040	49,150,000	5,451,875	54,601,875
Total	<u>\$ 166,075,000</u>	<u>\$ 79,199,128</u>	<u>\$ 245,274,128</u>

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 Middle Cities Risk Management Trust risk pool for claims relating to property loss, torts, and errors and omissions. The School District is partially insured for workers' compensation and medical claims.

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. There have been no significant reductions in insurance coverage from the prior year. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Under the School District's workers' compensation plan, the School District's current maximum loss is limited to 100 percent of the normal workers' compensation premiums. Losses in excess of the percent limitation are insured up to an aggregate limit of \$5,000,000. The School District is also insured against losses in excess of \$100,000 to \$500,000 for each occurrence, depending on the year the claim was made.

The School District estimates the liability for workers' compensation 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. These estimates are recorded as long-term debt in the government-wide financial statements, as they are not considered due at June 30. At June 30, 2020, \$538,209 is recorded as long-term debt.

The School District is self-insured for medical claims. The School District estimates the liability for medical claims that have been incurred through the end of the fiscal year, including claims that have been reported, as well as those that have not yet been reported. These estimates are recorded as accrued liabilities in the Internal Service Fund. At June 30, 2020, the estimated liability for these medical claims totals \$2,512,444.

June 30, 2020

Note 10 - Risk Management (Continued)

Changes in the estimated liability for the past two fiscal years were as follows:

	Workers' Compensation		Medical	
	2020	2019	2020	2019
Estimated liability - Beginning of year	\$ 222,489	\$ 490,452	\$ 2,561,093	\$ 2,328,588
Estimated claims incurred, including changes in estimates	674,050	599,907	13,356,731	14,632,004
Claim payments	(358,330)	(867,870)	(13,405,380)	(14,399,499)
Estimated liability - End of year	<u>\$ 538,209</u>	<u>\$ 222,489</u>	<u>\$ 2,512,444</u>	<u>\$ 2,561,093</u>

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> or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

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

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

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

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.

June 30, 2020

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

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

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

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

Contributions

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

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

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

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

The ranges of rates are as follows:

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

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.

June 30, 2020

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$22,036,333, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$8,995,459 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, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$5,734,203, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2020, the School District reported a liability of \$273,164,256 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.82 and 0.84 percent, respectively, representing a change of (1.29) percent.

Net OPEB Liability

At June 30, 2020, the School District reported a liability of \$58,846,764 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.82 and 0.83 percent, respectively, representing a change of (1.11) percent.

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

For 2020, the School District recognized pension expense of \$32,905,914, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,224,409	\$ (1,139,069)
Changes in assumptions	53,485,754	-
Net difference between projected and actual earnings on pension plan investments	-	(8,754,450)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	-	(11,761,468)
The School District's contributions to the plan subsequent to the measurement date	18,670,795	-
Total	<u>\$ 73,380,958</u>	<u>\$ (21,654,987)</u>

June 30, 2020

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

The \$8,995,459 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2021	\$ 10,961,375
2022	10,812,338
2023	7,959,176
2024	3,322,287
Total	<u>\$ 33,055,176</u>

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

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$914,258.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (21,592,542)
Changes in assumptions	12,750,902	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,023,373)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	20,679	(2,372,938)
Employer contributions to the plan subsequent to the measurement date	4,177,749	-
Total	<u>\$ 16,949,330</u>	<u>\$ (24,988,853)</u>

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

Years Ending	Amount
2021	\$ (3,330,503)
2022	(3,330,503)
2023	(2,823,726)
2024	(1,872,764)
2025	(859,776)
Total	<u>\$ (12,217,272)</u>

June 30, 2020

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

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

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

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

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

Discount Rate

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

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

June 30, 2020

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

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

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

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

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

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

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 355,131,008	\$ 273,164,256	\$ 205,210,995

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	\$ 72,184,398	\$ 58,846,764	\$ 47,646,855

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

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

	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the School District	\$ 47,172,027	\$ 58,846,764	\$ 72,182,816

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2020, the School District reported a payable of \$4,248,003 and \$774,656 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

Note 12 - Subsequent Events

Following the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID-19 pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the School District received \$3,417,589 of these restricted CRF funds from the Michigan Department of Education. The CRF funds can be used only for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

Required Supplemental Information

Farmington Public School District

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 44,729,142	\$ 44,309,148	\$ 44,598,198	\$ 289,050
State sources	78,348,672	72,838,982	77,589,823	4,750,841
Federal sources	5,305,696	6,455,329	4,163,198	(2,292,131)
Interdistrict sources	11,404,624	11,314,396	11,291,990	(22,406)
Total revenue	139,788,134	134,917,855	137,643,209	2,725,354
Expenditures				
Current:				
Instruction:				
Basic programs	63,740,674	62,495,099	62,585,461	90,362
Added needs	22,059,281	21,895,689	20,610,091	(1,285,598)
Adult/Continuing education	181,910	176,414	163,317	(13,097)
Total instruction	85,981,865	84,567,202	83,358,869	(1,208,333)
Support services:				
Pupil	14,496,670	14,309,189	14,042,480	(266,709)
Instructional staff	6,811,611	7,583,600	6,123,090	(1,460,510)
General administration	1,509,387	1,469,707	1,411,833	(57,874)
School administration	6,808,953	6,682,990	6,663,270	(19,720)
Business services	1,463,861	1,389,485	1,229,487	(159,998)
Operations and maintenance	8,296,371	8,513,770	8,285,016	(228,754)
Transportation	6,926,504	6,654,983	6,339,194	(315,789)
Central services	3,576,932	3,430,019	3,345,187	(84,832)
Total support services	49,890,289	50,033,743	47,439,557	(2,594,186)
Athletics	1,679,843	1,465,039	1,429,971	(35,068)
Community services	1,433,059	1,347,102	1,199,880	(147,222)
Building improvements	19,627	-	-	-
Intergovernmental payments	938,295	1,225,561	1,157,458	(68,103)
Total expenditures	139,942,978	138,638,647	134,585,735	(4,052,912)
Excess of Revenue (Under) Over Expenditures	(154,844)	(3,720,792)	3,057,474	6,778,266
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	25,000	715,000	703,006	(11,994)
Transfers in	144,511	150,240	155,848	5,608
Transfers out	-	(690,000)	(690,000)	-
Total other financing sources	169,511	175,240	168,854	(6,386)
Net Change in Fund Balance	14,667	(3,545,552)	3,226,328	6,771,880
Fund Balance - Beginning of year	18,164,576	18,164,576	18,164,576	-
Fund Balance - End of year	<u>\$ 18,179,243</u>	<u>\$ 14,619,024</u>	<u>\$ 21,390,904</u>	<u>\$ 6,771,880</u>

Farmington Public School District

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

	Last Six Plan Years					
	Plan Years Ended September 30					
	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability (asset)	0.82486 %	0.83564 %	0.85024 %	0.91075 %	0.96979 %	1.00461 %
School District's proportionate share of the net pension liability	\$ 273,164,256	\$ 251,209,675	\$ 220,333,627	\$ 227,224,167	\$ 236,872,217	\$ 221,281,477
School District's covered payroll	\$ 71,385,804	\$ 70,402,116	\$ 69,554,738	\$ 74,553,881	\$ 80,556,310	\$ 85,259,183
School District's proportionate share of the net pension liability as a percentage of its covered payroll	382.66 %	356.82 %	316.78 %	304.78 %	294.05 %	259.54 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

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

	Last Six Fiscal Years Years Ended June 30					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 21,739,509	\$ 21,669,555	\$ 21,055,508	\$ 19,972,010	\$ 20,859,210	\$ 15,602,264
Contributions in relation to the statutorily required contribution	<u>21,739,509</u>	<u>21,669,555</u>	<u>21,055,508</u>	<u>19,972,010</u>	<u>20,859,210</u>	<u>15,602,264</u>
Contribution Excess	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
School District's Covered Payroll	\$ 69,479,774	\$ 71,456,642	\$ 70,148,520	\$ 69,805,215	\$ 73,117,969	\$ 81,965,999
Contributions as a Percentage of Covered Payroll	31.29 %	30.33 %	30.02 %	28.61 %	28.53 %	19.04 %

Farmington Public School District

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

	Last Three Plan Years		
	Plan Years Ended September 30		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.81985 %	0.82904 %	0.85123 %
School District's proportionate share of the net OPEB liability	\$ 58,846,764	\$ 65,900,323	\$ 75,380,729
School District's covered payroll	\$ 71,385,804	\$ 70,402,116	\$ 69,554,738
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.43 %	93.61 %	108.38 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.53 %

Farmington Public School District

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

	Last Three Fiscal Years		
	Years Ended June 30		
	2020	2019	2018
Statutorily required contribution	\$ 5,547,682	\$ 5,588,588	\$ 5,057,398
Contributions in relation to the statutorily required contribution	5,547,682	5,588,588	5,057,398
Contribution Excess	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 69,479,774	\$ 71,456,642	\$ 70,148,520
Contributions as a Percentage of Covered Payroll	7.98 %	7.82 %	7.21 %

June 30, 2020

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The School District also elected to adopt annual budgets for its debt service funds and capital projects funds.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

The School District did not have significant expenditure budget variances.

Pension Information

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

Benefit Changes

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

Changes in Assumptions

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

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

OPEB Information

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

Benefit Changes

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

Changes in Assumptions

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

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

June 30, 2020

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

Other Supplemental Information

Farmington Public School District

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Fund	Debt Service Funds			Capital Project Funds		Total
	Nutrition Services	2013 Issue	2015 Issue	2018 Issue	Technology/ Other Projects	Maintenance/ Bus Purchases	
Assets							
Cash and investments	\$ 1,222,633	\$ -	\$ -	\$ -	\$ 251,644	\$ -	\$ 1,474,277
Receivables - Due from other governmental units	238,673	-	5,000	5,000	-	-	248,673
Due from other funds	5,220	-	26,729	20,380	-	940,132	992,461
Inventory	52,373	-	-	-	-	-	52,373
Prepaid expenses and other assets	150	-	-	-	-	-	150
Restricted assets	-	-	857,392	606,784	-	-	1,464,176
Total assets	\$ 1,519,049	\$ -	\$ 889,121	\$ 632,164	\$ 251,644	\$ 940,132	\$ 4,232,110
Liabilities							
Accounts payable	\$ 26,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,060
Accrued payroll and other liabilities	16,405	-	-	-	-	-	16,405
Unearned revenue	127,904	-	-	-	-	-	127,904
Total liabilities	170,369	-	-	-	-	-	170,369
Fund Balances							
Nonspendable:							
Inventory	52,373	-	-	-	-	-	52,373
Prepaid expenses	150	-	-	-	-	-	150
Restricted:							
Debt service	-	-	889,121	632,164	-	-	1,521,285
Nutrition services	1,296,157	-	-	-	-	-	1,296,157
Committed - Capital projects	-	-	-	-	251,644	940,132	1,191,776
Total fund balances	1,348,680	-	889,121	632,164	251,644	940,132	4,061,741
Total liabilities and fund balances	\$ 1,519,049	\$ -	\$ 889,121	\$ 632,164	\$ 251,644	\$ 940,132	\$ 4,232,110

Farmington Public School District

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

Year Ended June 30, 2020

	Special Revenue Fund	Debt Service Funds			Capital Project Funds		Total
	Nutrition Services	2013 Issue	2015 Issue	2018 Issue	Technology/ Other Projects	Maintenance/ Bus Purchases	
Revenue							
Local sources	\$ 1,519,368	\$ -	\$ 6,886,980	\$ 5,411,182	\$ 814	\$ -	\$ 13,818,344
State sources	147,696	-	90,698	71,989	-	-	310,383
Federal sources	1,852,331	-	-	-	-	-	1,852,331
Total revenue	3,519,395	-	6,977,678	5,483,171	814	-	15,981,058
Expenditures							
Current - Nutrition services	3,077,384	-	-	-	-	-	3,077,384
Debt service:							
Principal	-	-	3,635,000	3,400,000	-	-	7,035,000
Interest on long-term debt and other	-	-	3,153,075	1,780,046	-	-	4,933,121
Capital outlay	258,139	-	-	-	-	-	258,139
Total expenditures	3,335,523	-	6,788,075	5,180,046	-	-	15,303,644
Excess of Revenue Over Expenditures	183,872	-	189,603	303,125	814	-	677,414
Other Financing Sources (Uses)							
Transfers in	-	-	153,317	-	200,000	490,000	843,317
Transfers out	(155,848)	(153,317)	-	-	-	-	(309,165)
Total other financing (uses) sources	(155,848)	(153,317)	153,317	-	200,000	490,000	534,152
Net Change in Fund Balances	28,024	(153,317)	342,920	303,125	200,814	490,000	1,211,566
Fund Balances - Beginning of year	1,320,656	153,317	546,201	329,039	50,830	450,132	2,850,175
Fund Balances - End of year	<u>\$ 1,348,680</u>	<u>\$ -</u>	<u>\$ 889,121</u>	<u>\$ 632,164</u>	<u>\$ 251,644</u>	<u>\$ 940,132</u>	<u>\$ 4,061,741</u>

Farmington Public School District**Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Funds
Nutrition Services****Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 2,137,596	\$ 1,585,663	\$ 1,519,368	\$ (66,295)
State sources	146,477	142,527	147,696	5,169
Federal sources	1,438,170	1,868,327	1,852,331	(15,996)
Interdistrict sources	68,875	70,852	-	(70,852)
Total revenue	3,791,118	3,667,369	3,519,395	(147,974)
Expenditures - Current - Nutrition services	3,613,364	3,420,817	3,335,523	(85,294)
Excess of Revenue Over Expenditures	177,754	246,552	183,872	(62,680)
Other Financing Uses - Transfers out	(144,511)	(150,240)	(155,848)	(5,608)
Net Change in Fund Balance	33,243	96,312	28,024	(68,288)
Fund Balance - Beginning of year	1,320,656	1,320,656	1,320,656	-
Fund Balance - End of year	<u>\$ 1,353,899</u>	<u>\$ 1,416,968</u>	<u>\$ 1,348,680</u>	<u>\$ (68,288)</u>

Farmington Public School District

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Funds (Continued)
Debt Service

Year Ended June 30, 2020				
	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 12,287,357	\$ 12,287,357	\$ 12,298,162	\$ 10,805
State sources	162,687	162,687	162,687	-
Total revenue	12,450,044	12,450,044	12,460,849	10,805
Expenditures				
Debt service:				
Principal	7,035,000	7,035,000	7,035,000	-
Interest on long-term debt and other	4,997,094	4,997,094	4,933,121	(63,973)
Total expenditures	12,032,094	12,032,094	11,968,121	(63,973)
Net Change in Fund Balance	417,950	417,950	492,728	74,778
Fund Balance - Beginning of year	1,028,557	1,028,557	1,028,557	-
Fund Balance - End of year	<u><u>\$ 1,446,507</u></u>	<u><u>\$ 1,446,507</u></u>	<u><u>\$ 1,521,285</u></u>	<u><u>\$ 74,778</u></u>

Farmington Public School District

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Funds (Continued)
Technology/Other Projects

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Under Final Budget
Revenue - Local sources	\$ 1,000	\$ 1,000	\$ 814	\$ (186)
Expenditures	-	-	-	-
Excess of Revenue Over Expenditures	1,000	1,000	814	(186)
Other Financing Sources - Transfers in	-	200,000	200,000	-
Net Change in Fund Balance	1,000	201,000	200,814	(186)
Fund Balance - Beginning of year	50,830	50,830	50,830	-
Fund Balance - End of year	<u><u>\$ 51,830</u></u>	<u><u>\$ 251,830</u></u>	<u><u>\$ 251,644</u></u>	<u><u>\$ (186)</u></u>

Farmington Public School District

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Funds (Continued)
Maintenance/Bus Purchases

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Other Financing Sources - Transfers in	-	490,000	490,000	-
Net Change in Fund Balance	-	490,000	490,000	-
Fund Balance - Beginning of year	450,132	450,132	450,132	-
Fund Balance - End of year	<u><u>\$ 450,132</u></u>	<u><u>\$ 940,132</u></u>	<u><u>\$ 940,132</u></u>	<u><u>\$ -</u></u>

Farmington Public School District

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2015 Issue Principal	2018 Issue Principal	2020 Issue Principal
2021	\$ 2,765,000	\$ 2,050,000	\$ 1,250,000
2022	2,915,000	2,100,000	1,340,000
2023	3,070,000	2,150,000	1,475,000
2024	3,215,000	2,225,000	875,000
2025	3,380,000	2,300,000	1,000,000
2026	3,550,000	2,350,000	1,050,000
2027	3,725,000	2,425,000	1,100,000
2028	3,905,000	2,500,000	1,150,000
2029	4,090,000	2,600,000	1,200,000
2030	4,285,000	2,675,000	1,275,000
2031	4,480,000	2,775,000	1,350,000
2032	4,675,000	2,900,000	1,400,000
2033	4,845,000	3,050,000	1,500,000
2034	5,040,000	3,200,000	1,550,000
2035	5,145,000	3,375,000	1,650,000
2036	-	3,575,000	6,600,000
2037	-	3,675,000	6,775,000
2038	-	3,800,000	6,975,000
2039	-	-	8,875,000
2040	-	-	8,875,000
Total remaining payments	\$ 59,085,000	\$ 49,725,000	\$ 57,265,000
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% to 4.50%	4.00% to 5.00%
Original issue	\$ 81,050,000	\$ 54,675,000	\$ 57,265,000

Farmington Public School District

Other Supplemental Information Schedule of Changes in Assets and Liabilities Fiduciary Fund

Year Ended June 30, 2020				
	July 1, 2019	Additions	Deductions	June 30, 2020
Assets				
Cash and investments	\$ 985,777	\$ 855,993	\$ (836,807)	\$ 1,004,963
Receivables	-	117	-	117
Due from other funds	-	362,837	(361,729)	1,108
Total assets	<u><u>\$ 985,777</u></u>	<u><u>\$ 1,218,947</u></u>	<u><u>\$ (1,198,536)</u></u>	<u><u>\$ 1,006,188</u></u>
Liabilities				
Accounts payable	\$ 77,832	\$ 110,811	\$ (77,832)	\$ 110,811
Due to student groups	818,144	1,108,136	(1,030,903)	895,377
Due to other funds	89,801	-	(89,801)	-
Total liabilities	<u><u>\$ 985,777</u></u>	<u><u>\$ 1,218,947</u></u>	<u><u>\$ (1,198,536)</u></u>	<u><u>\$ 1,006,188</u></u>

Farmington Public School District

Other Supplemental Information Schedule of Fiduciary Fund Activities

Year Ended June 30, 2020

	Balance			Balance
	June 30, 2019	Receipts	Disbursements	June 30, 2020
Adult Education Program	\$ 94	\$ 3,491	\$ 1,379	\$ 2,206
Alameda Early Childhood	6,221	2,551	3,144	5,628
Beechview Elementary School	11,754	9,537	6,298	14,993
Bilingual Program	14,667	12,930	12,631	14,966
Delta Program	1,098	-	-	1,098
District Science	6,310	-	-	6,310
STEAM (Dunckel) Middle School	10,314	45,067	37,989	17,392
East Middle School	71,481	18,132	21,076	68,537
Farmington Central High School	7,889	3,602	1,622	9,869
Farmington Community School	1,951	3,799	2,631	3,119
Farmington High School	241,370	439,775	365,227	315,918
Forest Elementary School	15,834	21,587	18,224	19,197
Gill Elementary School	10,876	16,297	14,213	12,960
Harrison High School	54,971	5,451	60,422	-
Hillside Elementary School	20,376	49,716	56,124	13,968
Kenbrook Elementary School	8,690	13,388	10,602	11,476
Lanigan Elementary School	14,671	17,047	20,875	10,843
Leadership Team	571	-	-	571
Longacre Elementary School	14,891	25,581	29,858	10,614
Malen Terry Scholarship	5,899	-	-	5,899
Media	7,940	14,326	21,060	1,206
Music Program	13,602	-	-	13,602
North Farmington High School	165,474	265,054	205,910	224,618
Power Middle School	31,198	33,777	41,939	23,036
School/Community Relations	10,855	18,782	19,780	9,857
Special Education	-	2,355	287	2,068
Student Assistance	200	-	-	200
Visions Unlimited	10,760	20,229	12,852	18,137
Vocational Education	4,998	100	50	5,048
Warner Middle School	49,496	54,452	55,046	48,902
Wood Creek Elementary School	3,693	11,110	11,664	3,139
Total	\$ 818,050	\$ 1,108,136	\$ 1,030,903	\$ 895,377

Cash and Investments

Farmington Public School District

Other Supplemental Information Schedule of Cash, Cash Equivalents, and Investments

June 30, 2020

Fund	Types of Investment	Interest Rate (Percent)	Cost
General	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	\$ 561,635
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	424,961
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	1,207,874
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	97,376
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	22,635,452
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	10,664
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	105,171
	Total General Fund		25,043,133
Special Revenue	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	1,222,533
Debt Service	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	1,464,176
Capital Projects	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	251,644
	Cash Management Fund - Michigan School District Liquid Asset Fund Commercial Paper	Variable	58,730,083 9,156,763
	Cash Management Fund - Michigan School District Liquid Asset Fund Federal Agency Bonds/Notes U.S. Treasury Bonds/Notes Commercial Paper	Variable	14,724,780 2,150,703 1,201,709 2,283,585
Trust and Agency	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	1,004,963
Internal Service	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	5,151,742
	Total cash, cash equivalents, and investments		\$ 122,385,814

Note: Balances represent balances from the bank statements at June 30, 2020

Capital Assets and Accumulated Depreciation

Farmington Public School District

	Cost					Total
	Land	Buildings and Building Improvements	Furniture and Equipment	Buses and Other Vehicles	Construction in Progress	
Elementary Schools						
Beechview	\$ 25,250	\$ 7,665,064	\$ 326,302	-	-	8,016,616
Forest	31,980	6,822,783	437,849	-	-	7,292,612
Gill	4,137	7,332,999	637,842	-	-	7,974,978
Hillside	16,301	9,322,654	505,342	-	-	9,844,297
Kenbrook	24,900	9,545,443	419,015	-	-	9,989,358
Lanigan	37,800	7,933,416	530,565	-	-	8,501,781
Longacre	30,300	7,658,680	450,002	-	-	8,138,982
William Grace	-	-	-	-	-	-
Wood Creek	4,391	6,426,298	581,089	-	-	7,011,778
K-8 School						
Farmington STEAM Academy	36,000	17,336,518	859,914	-	-	18,232,432
Middle Schools						
East	57,500	17,511,419	1,139,040	-	-	18,707,959
Power	4,137	13,071,957	1,006,601	-	-	14,082,695
Warner	180,000	16,633,081	845,358	-	-	17,658,439
High Schools						
Farmington	1	45,655,394	4,016,334	-	-	49,671,729
North	117,600	43,429,846	3,332,775	-	95,461	46,975,682
Alameda Early Childhood Center	53,447	1,393,181	30,393	-	5,954,391	7,431,412
Highmeadow Common Campus	49,226	4,789,985	242,150	-	-	5,081,361
Shiawassee Complex	-	4,164,607	4,558,020	-	689,308	9,411,935
Maxfield Training Center	-	-	-	-	-	-
Farmington Community School	6,501	1,668,447	116,126	-	-	1,791,074
Maintenance	4,273	311,009	600,025	-	-	915,307
Visions/Cloverdale	-	3,763,776	114,866	-	-	3,878,642
Alternative Academy	-	-	16,680	-	-	16,680
Vehicles	-	-	-	11,491,447	-	11,491,447
Total	\$ 683,744	\$ 232,436,557	\$20,766,288	\$ 11,491,447	\$ 6,739,160	\$ 272,117,196

Other Supplemental Information

Schedule of Capital Assets and Accumulated Depreciation

June 30, 2019

Buildings and Building Improvements	Furniture and Equipment	Buses and Other Vehicles	Total
1,903,722	142,729	-	2,046,451
1,862,700	171,873	-	2,034,573
2,321,769	311,825	-	2,633,594
4,290,747	205,839	-	4,496,586
2,402,845	164,717	-	2,567,562
2,469,807	259,759	-	2,729,566
2,409,144	162,956	-	2,572,100
-	-	-	-
2,472,233	236,766	-	2,708,999
6,150,660	377,525	-	6,528,185
5,944,544	542,180	-	6,486,724
4,591,178	427,926	-	5,019,104
4,717,858	284,199	-	5,002,057
17,053,126	2,604,393	-	19,657,519
14,533,247	1,769,897	-	16,303,144
660,001	22,244	-	682,245
1,616,621	108,611	-	1,725,232
1,649,059	4,149,580	-	5,798,639
-	-	-	-
873,297	97,721	-	971,018
226,204	495,758	-	721,962
1,295,206	83,363	-	1,378,569
-	6,483	-	6,483
-	-	9,433,081	9,433,081
\$ 79,443,968	\$ 12,626,344	\$ 9,433,081	\$ 101,503,393

Statistical Section

This part of Farmington Public School District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the government's overall financial health. Many of the schedules present data for the past fiscal years that will allow the reader to discern trends that cannot be seen in a single year's financial statements.

Contents

Financial Trend Information

These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.

Revenue Capacity Information

These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.

Farmington Public School District

	As of June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities:				
Net investment in capital assets	\$ 71,908,876	\$ 76,376,114	\$ 78,514,622	\$ 80,942,482
Restricted	2,811,215	2,924,431	3,359,899	3,769,752
Unrestricted	25,492,876	19,064,510	14,026,621	9,003,324
Total net position	\$ 100,212,967	\$ 98,365,055	\$ 95,901,142	\$ 93,715,558

Source: Farmington Public School District audited financial statements

GASB 68 and 71 have been adopted effective July 1, 2014. Net position prior to June 30, 2015 has not been restated in this table.

GASB 75 have been adopted effective July 1, 2017. Net position prior to June 30, 2017 has not been restated in this table.

Financial Trend Information
Net Position by Component
Governmental Activities

Last Ten Fiscal Years

As of June 30,					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 82,595,528	\$ 85,948,397	\$ 88,245,459	\$ 88,960,987	\$ 74,934,436	\$ 71,246,936
2,986,963	1,042,446	1,362,602	2,618,786	2,681,756	3,518,237
(222,340,637)	(218,066,275)	(211,170,358)	(278,624,856)	(273,622,807)	(276,041,984)
<u>\$ (136,758,146)</u>	<u>\$ (131,075,432)</u>	<u>\$ (121,562,297)</u>	<u>\$ (187,045,083)</u>	<u>\$ (196,006,615)</u>	<u>\$ (201,276,811)</u>

Farmington Public School District

	As of June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses				
Governmental activities:				
Instruction	\$ 93,196,238	\$ 93,536,609	\$ 94,544,880	\$ 93,402,687
Support services	58,420,931	56,592,666	56,068,389	54,103,272
Nutrition services	3,820,318	3,607,330	3,676,910	3,648,056
Athletics	2,006,621	2,117,510	2,030,460	1,972,380
Community services	1,234,414	1,277,959	1,453,986	1,351,112
Interest on long-term debt and other	2,358,627	2,178,688	2,584,156	1,682,306
Depreciation (unallocated)	<u>2,870,672</u>	<u>2,993,638</u>	<u>3,041,878</u>	<u>3,054,974</u>
Total governmental activities	163,907,821	162,304,400	163,400,659	159,214,787
Program revenue				
Charges for services:				
Instruction	185,666	179,451	152,904	141,332
Support services	481,660	325,541	398,305	384,303
Food services	2,523,645	2,337,041	2,248,048	2,177,921
Athletics	759,090	727,394	668,356	657,129
Community services	1,034,647	981,483	1,164,022	1,126,506
Operating grants and contributions	<u>36,650,588</u>	<u>35,132,402</u>	<u>32,699,534</u>	<u>32,930,138</u>
Total program revenue	<u>41,635,296</u>	<u>39,683,312</u>	<u>37,331,169</u>	<u>37,417,329</u>
Net (expense) revenue	(122,272,525)	(122,621,088)	(126,069,490)	(121,797,458)
General Revenue				
Property taxes	57,793,086	52,972,802	52,169,541	50,140,673
State aid not restricted to specific purpose	67,066,383	66,742,219	68,638,365	67,506,547
Federal sources - unrestricted	2,741,173	101,444	-	-
Unrestricted state grants and contribution	-	-	-	-
Investment earnings	246,262	171,338	54,150	61,865
Other	<u>862,471</u>	<u>785,373</u>	<u>1,624,004</u>	<u>1,902,789</u>
Total general revenue	128,709,375	120,773,176	122,486,060	119,611,874
Special Item	-	-	1,119,517	-
Change in Net Position	<u>\$ 6,436,850</u>	<u>\$ (1,847,912)</u>	<u>\$ (2,463,913)</u>	<u>\$ (2,185,584)</u>

* Historically, approximately 50 percent of charges for services is for nutrition services and the balance is for community education tuition and facility usage charges.

Source: Farmington Public School District audited financial statements

Financial Trend Information

Changes in Governmental Net Position

Last Ten Fiscal Years

As of June 30,					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 95,922,327	\$ 89,144,470	\$ 83,023,833	\$ 82,284,322	\$ 84,797,861	\$ 89,682,813
55,576,921	50,369,101	47,348,639	46,716,391	50,241,412	52,891,179
3,676,318	3,754,799	3,263,892	3,476,209	3,287,761	1,482,167
1,799,480	1,788,212	1,871,122	1,841,765	1,816,325	3,190,774
1,441,845	1,579,754	1,413,280	1,345,953	1,289,169	1,286,765
2,313,319	3,685,573	3,125,884	3,733,345	5,463,229	6,299,759
3,012,856	2,991,551	2,843,930	4,535,757	4,949,376	4,635,558
<u>163,743,066</u>	<u>153,313,460</u>	<u>142,890,580</u>	<u>143,933,742</u>	<u>151,845,133</u>	<u>159,469,015</u>
155,792	167,783	183,938	676,910	711,205	739,441
386,105	390,693	407,735	313,074	474,899	244,407
2,220,997	2,240,900	2,000,464	2,017,007	2,109,968	1,422,338
651,087	637,501	653,934	625,659	656,161	469,314
1,135,108	1,064,660	1,032,701	897,554	973,242	608,827
<u>33,771,843</u>	<u>32,384,317</u>	<u>38,679,893</u>	<u>40,589,208</u>	<u>38,884,270</u>	<u>41,441,121</u>
<u>38,320,932</u>	<u>36,885,854</u>	<u>42,958,665</u>	<u>45,119,412</u>	<u>43,809,745</u>	<u>44,925,448</u>
(125,422,134)	(116,427,606)	(99,931,915)	(98,814,330)	(108,035,388)	(114,543,567)
47,981,086	51,629,686	50,893,808	50,523,428	51,864,257	53,301,213
68,748,701	68,498,645	58,042,621	58,583,743	57,987,402	55,114,928
-	-	-	-	-	-
-	-	-	-	-	-
7,883	623,038	494,663	642,894	1,643,441	1,067,399
<u>2,156,945</u>	<u>1,358,951</u>	<u>13,958</u>	<u>6,214</u>	<u>(12,421,244)</u>	<u>(210,169)</u>
118,894,615	122,110,320	109,445,050	109,756,279	99,073,856	109,273,371
-	-	-	-	-	-
<u>\$ (6,527,519)</u>	<u>\$ 5,682,714</u>	<u>\$ 9,513,135</u>	<u>\$ 10,941,949</u>	<u>\$ (8,961,532)</u>	<u>\$ (5,270,196)</u>

Farmington Public School District

	As of June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund:				
Nonspendable	\$ 2,201,374	\$ 1,770,361	\$ 1,113,025	\$ 835,743
Committed	3,930,879	3,412,671	4,051,511	6,801,338
Assigned	8,018,924	11,524,781	5,483,769	4,330,988
Unassigned	13,821,912	7,403,671	8,471,478	-
Total general fund	<u>27,973,089</u>	<u>24,111,484</u>	<u>19,119,783</u>	<u>11,968,069</u>
All other governmental funds:				
Nonspendable, reported in:				
Special revenue funds	34,381	33,577	35,196	39,470
Restricted, reported in:				
Special revenue funds	2,718,295	2,729,715	2,830,677	2,943,868
Debt service funds	652,072	161,139	494,026	786,414
Capital projects fund - bonded	-	-	-	-
Committed, reported in:				
Capital project funds	3,753,158	1,348,633	601,477	579,928
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>7,157,906</u>	<u>4,273,064</u>	<u>3,961,376</u>	<u>4,349,680</u>

Source: Farmington Public School District audited financial statements

Financial Trend Information

Fund Balances - Governmental Funds

Last Ten Fiscal Years

As of June 30,					
2015	2016	2017	2018	2019	2020
\$ 661,116	\$ 746,904	\$ 734,773	\$ 1,157,411	\$ 1,412,287	\$ 1,389,599
3,000,517	6,336,300	7,161,263	5,152,597	11,272,098	10,842,949
4,698,095	3,359,655	1,673,715	-	-	679,196
-	2,259,671	5,322,980	9,140,094	5,480,191	8,479,160
<u>8,359,728</u>	<u>12,702,530</u>	<u>14,892,731</u>	<u>15,450,102</u>	<u>18,164,576</u>	<u>21,390,904</u>
34,038	38,302	30,063	48,873	27,882	52,523
2,952,925	1,067,900	1,177,781	1,030,408	1,292,774	1,296,157
227,029	754,951	865,773	1,054,390	1,028,557	1,521,285
76,602,905	68,361,556	32,514,535	56,262,566	35,327,259	86,197,862
146,116	117,434	117,837	118,517	500,962	1,191,776
-	-	-	-	-	-
-	-	-	-	-	-
<u>79,963,013</u>	<u>70,340,143</u>	<u>34,705,989</u>	<u>58,514,754</u>	<u>38,177,434</u>	<u>90,259,603</u>

Farmington Public School District

	As of June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenue				
Local revenue	\$ 65,032,708	\$ 59,203,322	\$ 58,180,291	\$ 56,401,936
State revenue	78,833,538	80,024,841	82,047,166	81,213,142
Federal revenue	10,576,783	6,675,500	5,718,440	5,707,257
Interdistrict revenue	15,676,746	14,565,989	12,923,811	12,682,208
Total revenue	170,119,775	160,469,652	158,869,708	156,004,543
Expenditures				
Current:				
Instruction	90,810,497	90,714,416	91,818,639	92,780,320
Support services	56,670,108	54,791,172	54,251,823	53,564,499
Community services	1,215,179	1,257,702	1,433,219	1,329,693
Nutrition services	3,807,614	3,584,696	3,658,731	3,646,676
Athletics	2,006,621	2,117,510	2,030,460	1,972,380
Debt service:				
Principal	5,645,000	5,830,000	6,025,000	6,350,000
Debt issuance costs	-	-	128,622	-
Interest	2,302,693	2,207,345	1,983,642	1,638,386
Intergovernmental payments	721,407	820,803	662,217	592,863
Capital Outlay	4,714,698	5,904,662	3,431,896	901,333
Total expenditures	167,893,817	167,228,306	165,424,249	162,776,150
Excess of Revenue (Under) Over	2,225,958	(6,758,654)	(6,554,541)	(6,771,607)
Other Financing Sources (Uses)				
Debt issuance	-	-	11,180,000	-
Premium on debt issued	-	-	1,304,740	-
Sale of capital assets	35,046	12,207	1,119,518	8,197
Transfers in	10,380,771	11,419,878	9,591,991	8,220,060
Transfers out	(10,380,771)	(11,419,878)	(9,591,991)	(8,220,060)
Payments to bond escrow agent	-	-	(12,353,106)	-
Total other financing sources (uses)	35,046	12,207	1,251,152	8,197
Net change in fund balances	2,261,004	(6,746,447)	(5,303,389)	(6,763,410)
Fund Balances - Beginning of year	32,869,991	35,130,995	28,384,548	23,081,159
Fund Balances - End of year	\$ 35,130,995	\$ 28,384,548	\$ 23,081,159	\$ 16,317,749
Debt service as a percentage of noncapital expenditures	5.14%	5.27%	5.31%	5.21%

Source: Farmington Public School District audited financial statements

Financial Trend Information

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

As of June 30,					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 54,255,170	\$ 57,914,213	\$ 56,823,935	\$ 56,820,326	\$ 59,272,881	\$ 58,995,894
83,101,032	82,062,850	79,540,215	80,753,569	79,439,607	77,900,206
5,731,381	5,608,374	5,073,500	4,584,875	6,552,413	6,015,529
12,694,664	11,788,943	11,318,752	10,973,273	11,615,912	11,362,842
155,782,247	157,374,380	152,756,402	153,132,043	156,880,813	154,274,471
92,034,829	85,548,608	84,698,693	85,131,450	85,128,370	83,267,562
53,105,932	48,240,724	46,227,964	47,646,320	48,694,856	47,408,343
1,424,828	1,496,704	1,417,606	1,395,012	1,297,459	1,199,880
3,676,318	3,651,062	3,291,564	3,547,386	3,320,045	3,077,384
1,799,480	1,788,212	1,887,855	1,903,395	1,844,753	1,429,971
6,150,000	7,215,000	7,430,000	7,455,000	6,900,000	7,035,000
537,564	-	-	556,576	-	326,626
1,771,184	3,725,090	4,044,991	3,740,820	5,085,422	4,933,121
434,061	678,074	812,115	777,328	922,418	1,157,458
518,875	11,295,327	35,856,729	31,982,988	22,374,148	17,954,133
161,453,071	163,638,801	185,667,517	184,136,275	175,567,471	167,789,478
(5,670,824)	(6,264,421)	(32,911,115)	(31,004,232)	(18,686,658)	(13,515,007)
81,050,000	-	-	54,675,000	-	57,265,000
9,186,782	-	-	562,493	-	10,855,498
502,255	532,260	9,255	42,875	1,063,812	703,006
8,479,893	266,955	173,592	177,675	547,542	999,165
(8,479,893)	(266,955)	(173,592)	(177,675)	(547,542)	(999,165)
(13,063,221)	-	-	-	-	-
77,675,816	532,260	9,255	55,280,368	1,063,812	68,823,504
72,004,992	(5,732,161)	(32,901,860)	24,276,136	(17,622,846)	55,308,497
16,317,749	88,322,741	82,590,580	49,688,720	73,964,856	56,342,010
\$ 88,322,741	\$ 82,590,580	\$ 49,688,720	\$ 73,964,856	\$ 56,342,010	\$ 111,650,507
5.56%	7.77%	8.34%	8.42%	8.54%	9.01%

Farmington Public School District

Taxable Value by Property Type

Tax Year	Real Property			Personal	Commercial
	Residential	Commercial	Industrial	Property*	Personal Property
2010	2,403,008,210	921,785,410	245,508,730	N/A	146,933,020
2011	2,204,586,330	866,304,300	143,820,720	N/A	141,735,540
2012	2,128,956,830	785,323,570	101,290,930	N/A	135,583,780
2013	2,152,620,080	731,842,410	92,365,090	N/A	137,119,430
2014	2,206,252,830	695,602,580	91,896,530	N/A	120,006,060
2015	2,279,432,190	695,770,180	94,275,590	N/A	124,588,940
2016	2,323,967,980	697,227,610	92,660,800	N/A	121,347,540
2017	2,394,338,920	717,326,830	94,328,290	N/A	123,873,610
2018	2,486,688,870	741,540,180	104,608,030	N/A	122,285,560
2019	2,591,755,350	773,336,870	111,015,520	N/A	128,999,420

Note: Under Michigan law, the revenue base is referred to as "Taxable Value". This amount represents Assessed value (50% of true cash value), limited for each property by the lower of 5% or inflation.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

- * During fiscal year 2009, the State of Michigan revised the taxable value structure of the personal property tax base. This change was made to lessen property taxes on businesses within the state.

Source: Oakland County Form L-4028

Revenue Capacity Information

Taxable Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Taxable Value by Property Type

Industrial Personal Property	Utility Personal Property	Total Value	Tax rate (mills) Homestead/Non- Homestead	Estimated Actual Value	Taxable Value as a % of Actual
86,967,220	38,192,480	3,842,395,070	12.0278/20.1000	7,684,790,140	50.00%
78,913,080	43,622,360	3,478,982,330	12.3334/20.1800	6,957,964,660	50.00%
77,025,150	44,594,630	3,272,774,890	13.3810/20.5600	6,545,549,780	50.00%
75,384,170	48,422,550	3,237,753,730	13.0150/20.5600	6,475,507,460	50.00%
76,000,470	49,097,810	3,238,856,280	11.7472/20.2600	6,477,712,560	50.00%
76,455,060	52,464,870	3,322,986,830	12.4418/21.4400	6,645,973,660	50.00%
34,303,610	55,425,380	3,324,932,920	12.1482/21.4400	6,649,865,840	50.00%
29,731,320	60,536,590	3,420,135,560	11.4628/21.3000	6,840,271,120	50.00%
26,284,020	63,545,460	3,544,952,120	11.3026/21.3000	7,089,904,240	50.00%
20,678,430	75,280,180	3,701,065,770	10.8634/21.3000	7,402,131,540	50.00%

Farmington Public School District

Millage rates - direct city taxes						
Operating				Total Direct Taxes		
Tax Year	Fiscal Year Ended June 30	Homestead	Non-homestead	Debt*	Homestead	Non-homestead
2010	2011	9.9278	18.0000	2.1000	12.0276	20.1000
2011	2012	10.1534	18.0000	2.1800	12.3334	20.1800
2012	2013	10.8210	18.0000	2.5600	13.3810	20.5600
2013	2014	10.4550	18.0000	2.5600	13.0150	20.5600
2014	2015	9.4872	18.0000	2.2600	11.7472	20.2600
2015	2016	9.0018	18.0000	3.4400	12.4418	21.4400
2016	2017	8.7082	18.0000	3.4400	12.1482	21.4400
2017	2018	8.1268	18.0000	3.3000	11.4268	21.3000
2018	2019	8.0026	18.0000	3.3000	11.3026	21.3000
2019	2020	7.5434	18.0000	3.3000	10.8634	21.3000

* Debt millage applies to homestead and nonhomestead property.

Sources: Assessment and tax roll certificates and warrants for West Bloomfield Township, City of Farmington Hills, and City of Farmington

Revenue Capacity Information

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

Overlapping taxes

Oakland County	Oakland Community College	Oakland Intermediate School District	State Education	City of Farmington	City of Farmington Hills	Township of West Bloomfield
4.7461	1.5844	3.3690	6.0000	16.0000	12.1972	9.0074
4.7461	1.5844	3.3690	6.0000	16.5856	12.2036	11.9347
4.9461	1.5844	3.3690	6.0000	16.5856	13.9392	12.2537
4.9461	1.5844	3.3690	6.0000	16.5856	13.9392	12.2550
4.0019	1.5844	3.3690	6.0000	16.5856	13.9394	12.2550
4.0900	1.5819	3.3633	6.0000	15.0000	14.3908	12.2112
4.2800	1.5708	3.3980	6.0000	15.0000	14.3200	12.1700
4.4908	1.5555	3.3079	6.0000	15.0000	14.6569	12.0487
4.0400	1.5431	3.2813	6.0000	15.5000	14.5797	11.9618
4.0400	1.5303	3.2539	6.0000	18.4322	17.1905	11.8579

Farmington Public School District

Revenue Capacity Information

Principal Property Taxpayers

Current and Nine Years Ago

	Taxpayer	2019 Taxable Value	% of total	Taxpayer	2010 Taxable Value	% of total	2010 Rank
1	Oakland Management Co.	\$ 67,477,830	1.95%	Oakland Management Co.	\$ 57,720,650	1.50%	1
2	DTE Energy	38,573,090	1.11%	FH Corporate Investors (Kojaian)	50,356,830	1.31%	2
3	FH Corporate Investors (Kojaian)	22,588,800	0.65%	Nissan Corp.	39,446,180	1.03%	3
4	Independence Green Assoc LLC	21,870,800	0.63%	Robert Bosch Corp.	36,201,380	0.94%	4
5	Green Hill Apts.	20,468,510	0.59%	DTE Energy	23,575,330	0.61%	5
6	Nissan Corp.	18,384,510	0.53%	Arboretum Development	21,510,120	0.56%	6
7	Robert Bosch Corp.	15,044,400	0.43%	Ramco/Lion Venture LP	18,539,840	0.48%	7
8	Finsilver Friedman	14,857,450	0.43%	Chrysler Financial Company	17,152,750	0.45%	8
9	Ramco/Lion Venture LP	14,789,880	0.43%	Aimco (Independence Green)	16,459,500	0.43%	9
10	Hartman & Tyner	13,634,890	0.39%	Green Hill Apts.	16,103,890	0.42%	10
	Total	<u>\$ 247,690,160</u>	7.14%		<u>\$ 297,066,470</u>	7.73%	
	Total School District Taxable Value	<u>\$ 3,701,065,770</u>			<u>\$ 3,842,395,070</u>		

Source: Cities of Farmington and Farmington Hills

Farmington Public School District

Revenue Capacity Information Property Tax Levies and Collections

Last Ten Fiscal Years

	Year ended		Current	Percent	Delinquent	Total tax	Percent of
Tax Year	June 30,	Total levy	collections (1)	collected	collections (2)	collections	levy collected
2010	2011	57,759,703	57,643,665	99.80%	24	56,983,596	98.66%
2011	2012	52,916,609	52,764,189	99.71%	1,398	52,868,451	99.91%
2012	2013	52,079,493	51,994,900	99.84%	4,548	52,055,771	99.95%
2013	2014	50,765,606	50,678,031	99.83%	41,439	50,719,470	99.91%
2014	2015	47,485,452	47,382,532	99.78%	-	47,382,532	99.78%
2015	2016	51,359,325	51,260,368	99.81%	-	51,260,368	99.81%
2016	2017	50,919,669	50,893,807	99.95%	-	50,893,807	99.95%
2017	2018	50,581,629	50,523,427	99.88%	-	50,523,427	99.88%
2018	2019	51,757,190	51,671,366	99.83%	-	51,671,366	99.83%
2019	2020	53,113,716	52,982,308	99.75%	-	52,982,308	99.75%

(1) Represents collections through the final distribution of taxes, including delinquent real taxes purchased by the county

(2) Represents all collections after the final distribution date, through the current date

Source: Farmington Public School District audited financial statements

Farmington Public School District

	As of June 30,			
	2011	2012	2013	2014
Governmental Activities:				
General obligation bonds	\$ 47,425,000	\$ 41,595,000	\$ 34,925,000	\$ 28,575,000
Less: pledged debt service funds	-	-	-	-
Net general bonded debt	47,425,000	41,595,000	34,925,000	28,575,000
Installment purchase agreements	-	-	-	-
Capital leases	-	-	-	-
Total debt of school district	47,425,000	41,595,000	34,925,000	28,575,000
Taxable Value	7,684,790,140	6,957,964,660	6,545,549,780	6,475,507,460
Net general bonded obligation debt as a percentage of taxable value	0.62%	0.60%	0.53%	0.44%
Total Population	89,500	89,500	83,700	84,300
Total debt per capita	\$ 530	\$ 465	\$ 417	\$ 339
Per capita personal income	\$ 34,293	\$ 37,187	\$ 37,187	\$ 37,187
Total debt to per capita personal income	1383:1	1119:1	939:1	768:1

Note: If personal income is unavailable, it is acceptable to use Taxable Value

Sources: Farmington Public School District audited financial statements
Population information obtained from Southeastern Michigan Council of Governments

Debt Capacity Information
Ratios of Outstanding Debt
Last Ten Fiscal Years

As of June 30,					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 90,170,000	\$ 82,955,000	\$ 75,525,000	\$ 122,745,000	\$ 115,845,000	\$ 166,075,000
-	-	-	-	-	-
90,170,000	82,955,000	75,525,000	122,745,000	115,845,000	166,075,000
-	-	-	-	-	-
90,170,000	82,955,000	75,525,000	122,745,000	115,845,000	166,075,000
6,477,712,560	6,645,973,660	6,649,865,840	6,840,271,120	7,089,904,240	9,382,768,362
1.39%	1.25%	1.14%	1.79%	1.63%	1.77%
84,300	84,300	84,300	91,600	91,500	91,500
\$ 1,070	\$ 984	\$ 896	\$ 1,340	\$ 1,266	\$ 1,815
\$ 37,187	\$ 37,187	\$ 37,187	\$ 40,089	\$ 40,920	\$ 44,263
2425:1	2231:1	2031:1	3062:1	2831:1	3752:1

Farmington Public School District

Debt Capacity Information Direct and Overlapping Governmental Activities Debt

June 30, 2020

Governmental unit	Debt outstanding	Estimated percent applicable	Estimated share of overlapping debt
City of Farmington	\$ 17,448,100	100.00%	\$ 17,448,100
City of Farmington Hills	67,782,365	92.81%	62,908,813
Township of West Bloomfield	48,330,483	3.45%	1,667,402
Oakland County	317,015,768	6.13%	19,433,067
Oakland Intermediate School District	42,970,000	6.16%	2,646,952
Total overlapping debt			104,104,334
Direct district debt			166,075,000
Total direct and overlapping debt			<u>\$ 270,179,334</u>

Source: Municipal Advisory Council of Michigan, May 2017

The share of overlapping debt is determined by taking the amount of taxable value in each jurisdiction that is within the boundaries of the School District as a percentage of the total taxable value of that jurisdiction. That percentage is then applied to the direct tax-supported debt of the jurisdiction to determine the School District's overlapping share. Only tax-supported debt is included in the overlapping debt.

Farmington Public School District

	As of June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Calculation of debt limit				
State equalized valuation (SEV)	\$ 3,901,601,510	\$ 3,508,724,740	\$ 3,306,721,310	\$ 3,281,856,510
15% of state equalized valuation (SEV)	585,240,227	526,308,711	496,008,197	492,278,477
Calculation of debt subject to limit				
Total debt	47,425,000	41,595,000	34,925,000	28,575,000
Less debt not subject to limit:				
State qualified debt issuance	<u>(47,425,000)</u>	<u>(41,595,000)</u>	<u>(34,925,000)</u>	<u>(28,575,000)</u>
Net debt subject to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>585,240,227</u>	<u>526,308,711</u>	<u>496,008,197</u>	<u>492,278,477</u>
Net debt subject to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

* Public Act No. 451 of Michigan 1976, Sec. 1351A provides debt limits as follows: The bonded indebtedness of a school district shall not exceed 15 percent of all assessed valuation of the district. Bonds not included in the computation of the legal debt margin are:

1. Defeased bonds
2. Any bond qualified under Article IX, Section 16 of the 1963 Michigan Constitution
3. Deficit budget bonds as authorized by Sec. 1356

**Based upon the strength of the School District's credit rating, along with a projected increase in taxable values in the foreseeable future, the School District selected the non-qualified bond option; however, it still met all of the requirements of the qualification process.

Source: School District audited financial statements

Debt Capacity Information Legal Debt Margin

Last Ten Fiscal Years

As of June 30,					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 3,458,703,200	\$ 3,770,509,520	\$ 3,994,121,140	\$ 4,228,770,840	\$ 4,425,044,500	\$ 4,702,442,020
518,805,480	565,576,428	599,118,171	634,315,626	663,756,675	705,366,303
90,170,000	82,955,000	75,525,000	122,745,000	115,845,000	166,075,000
(9,120,000)	(7,055,000)	(4,800,000)	(2,500,000)	-	-
81,050,000	75,900,000	70,725,000	120,245,000	115,845,000	166,075,000
437,755,480	489,676,428	528,393,171	514,070,626	547,911,675	539,291,303
15.62%	13.42%	11.80%	18.96%	17.45%	23.54%

Farmington Public School District

Demographic and Economic Information

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal year	Population	Total Personal Income	Per Capita Personal Income	Unemployment rate
2011	89,500	3,069,224	34,293	9.02%
2012	89,500	3,328,237	37,187	7.53%
2013	83,700	3,112,552	37,187	7.38%
2014	84,300	3,134,864	37,187	6.26%
2015	84,300	3,134,864	37,187	3.73%
2016	84,300	3,134,864	37,187	2.90%
2017	91,600	3,556,828	38,830	4.30%
2018	91,600	3,672,152	40,089	3.80%
2019	91,500	3,668,418	40,092	4.00%
2020	91,500	4,050,064	44,263	8.70%

Sources: U.S. Bureau of the Census, Census 2010
Michigan Department of Labor and Economic Growth
Southeast Michigan Council of Governments

Farmington Public School District

Demographic and Economic Information

Principal Employers

Employer	2020 Employees	Percentage of total	2011 Employees	Percentage of total
1 Beaumont Hospital - Farmington Hills	2,500	2.82%	2,000	4.84%
2 Robert Bosch Corporation	1,400	1.58%	1,600	3.87%
3 Nissan Technical Center North America	1,200	1.35%	500	1.21%
4 Hitachi	1,200	1.35%	230	0.56%
5 Farmington Public Schools	1,100	1.24%	1,700	4.11%
6 TRW Automotive Electronics	650	0.73%	300	0.73%
7 Mercedes-Benz Financial Services	650	0.73%	600	1.45%
8 Concentrix	550	0.00%	700	1.69%
9 Cengage Learning Gale	500	0.56%	850	2.06%
10 Mahle	500	0.56%	160	0.39%
 Total principal employers	 <u>10,250</u>	 10.93%	 <u>8,640</u>	 20.90%
 Total employment	 <u>88,720</u>		 <u>41,336</u>	

Sources: City of Farmington Hills website
Oakland County
Southeast Michigan Council of Governments
Farmington Public School District

Note: Total employment information is obtained from the Bureau of Labor Statistics.

Farmington Public School District

<u>Function/ program:</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government					
Instruction	841	838	856	838	804
Support services	480	486	486	468	445
Community service	4	4	4	4	3
Athletics	2	2	2	2	2
Food service	<u>69</u>	<u>69</u>	<u>69</u>	<u>69</u>	<u>69</u>
 Total	 <u>1,396</u>	 <u>1,399</u>	 <u>1,417</u>	 <u>1,381</u>	 <u>1,323</u>

Source: Farmington Public School District Personnel Department

Operating Information

Full-Time Equivalent School District Employees

Last Ten Fiscal Years

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
701	701	707	726	716
413	350	351	355	361
3	3	3	3	3
2	2	2	2	2
<u>69</u>	<u>63</u>	<u>63</u>	<u>63</u>	<u>63</u>
<u>1,188</u>	<u>1,119</u>	<u>1,126</u>	<u>1,149</u>	<u>1,145</u>

Farmington Public School District

Operating Information Operating Indicators

Last Ten Fiscal Years

Year	Enrollment	Operating expenditures	Cost per pupil	Operating revenue	Revenue per pupil	Total teaching staff	Percentage of students qualifying for free/reduced meals	Average teacher salary
2011	11,567	142,196,852	12,293	138,989,831	12,016	793	22.72%	78,677
2012	11,335	139,722,381	12,327	131,000,311	11,557	800	23.80%	76,621
2013	11,149	140,796,620	12,629	130,457,034	11,701	820	23.08%	75,303
2014	10,776	143,417,384	13,309	129,848,413	12,050	794	23.68%	75,930
2015	10,332	141,740,089	13,719	129,912,019	12,574	762	23.51%	76,625
2016	10,097	137,710,021	13,639	141,274,125	13,992	663	21.80%	75,627
2017	9,719	135,139,630	13,905	137,236,964	14,120	661	23.30%	76,176
2018	9,669	136,966,622	14,166	137,213,443	14,191	675	26.93%	76,087
2019	9,550	138,205,540	14,472	140,071,260	14,667	684	26.84%	76,586
2020	9,433	134,585,729	14,268	137,672,209	14,595	682	26.49%	75,421

Sources: Farmington Public School District audited financial statements
Michigan Department of Education Bulletin 1014

Farmington Public School District

Function/ program	As of June 30,				
	2011	2012	2013	2014	2015
Instructional buildings:					
Elementary:					
Number of buildings	9	9	9	9	9
Square footage	459,488	459,488	459,488	459,488	459,488
Capacity	4,389	4,389	4,389	4,389	4,389
Enrollment*	3,879	3,773	3,643	3,607	3,431
Upper Elementary:					
Number of buildings	2	2	2	2	2
Square footage	209,452	209,452	209,452	209,452	209,452
Capacity	1,830	1,830	1,830	1,830	1,830
Enrollment*	1,655	1,715	1,633	1,523	1,408
K-8 School:					
Number of buildings	-	-	-	-	-
Square footage	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment*	-	-	-	-	-
Middle:					
Number of buildings	2	2	2	2	2
Square footage	232,200	232,200	232,200	232,200	232,200
Capacity	1,848	1,848	1,848	1,848	1,848
Enrollment*	1,752	1,684	1,704	1,691	1,611
High:					
Number of buildings	3	3	3	3	3
Square footage	734,412	734,412	734,412	734,412	734,412
Capacity	3,856	3,856	3,856	3,856	3,856
Enrollment*	4,033	3,944	3,950	3,719	3,639
Other:					
Number of buildings	4	4	4	4	4
Square footage	112,532	112,532	112,532	112,532	112,532
Capacity	605	605	605	605	605
Enrollment*	330	319	300	298	287
Administrative:					
Number of buildings	3	3	3	3	3
Square footage	77,588	77,588	77,588	77,588	77,588
Transportation/Maintenance:					
Number of garages	1	1	1	1	1
Buses	96	96	96	96	96
Athletics:					
Football/Soccer fields	15	15	15	15	15
Running tracks	5	5	5	5	5
Baseball/softball	31	31	31	31	31
Swimming pools	3	3	3	3	3
Playgrounds	17	17	14	14	14

* Enrollment is based upon the fall head count of pupils.
Source: Farmington Public School District

Operating Information Capital Asset Information

Last Ten Fiscal Years

As of June 30,				
<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
9	9	8	8	8
459,488	459,488	423,652	423,652	423,652
4,389	4,389	4,103	4,103	4,103
3,351	3,950	3,471	3,597	3,652
2	-	-	-	-
209,452	-	-	-	-
1,830	-	-	-	-
1,322	-	-	-	-
-	-	1	1	1
-	-	84,720	84,720	84,720
-	-	896	896	896
-	-	598	699	717
2	3	3	3	3
232,200	344,452	348,552	348,552	348,552
1,848	2,782	2,832	2,832	2,832
1,530	2,035	1,903	1,813	1,816
3	3	3	3	2
734,412	734,412	734,412	734,412	489,105
3,856	3,856	3,856	3,856	2,372
3,544	3,364	3,242	3,057	2,860
4	4	5	5	5
112,532	112,532	135,323	135,323	135,323
605	605	941	941	941
248	245	252	244	240
3	3	3	3	3
77,588	77,588	77,588	77,588	77,588
1	1	1	1	1
95	95	95	95	95
15	15	15	15	13
5	5	5	5	5
31	31	31	31	28
3	3	3	3	2
14	14	14	14	14

Points of Pride

The District serves more than 9,000 students in Farmington, Farmington Hills, and a portion of West Bloomfield.



144

One hundred and forty four students earned a diploma in the International Baccalaureate Diploma Programme.

750

Approximately 750 students took advantage of Advanced Placement or Dual Enrollment, advancing their education and potentially saving on college tuition.



94%

In 2019, Farmington Public Schools graduated 793 students; approximately 94% went on to a four-year university, community college, or technical school.



The District is focused on sustainability. Recently, the District sponsored gardens for the Green Teams at Wood Creek and Beechview Elementary Schools.

5th Safest

Farmington was rated the 5th Safest Michigan City and Farmington Hills ranked 21st place in the top 100. *Data collected was from criminal, court and other public records.*



35 years

The District-run television station celebrates more than 35 years of operation. Students learn the technology and participate in running the station.



High school musical groups annually compete and win state and national honors.



Farmington Public Schools boasts one of the largest Career and Technical Education (CTE) departments in Oakland County.



Lanigan and Hillside Elementary Schools, and Farmington STEAM Academy, have been recognized as National PTA Schools of Excellence.

Alameda Early Childhood Center and Farmington Community School are accredited by the National Association of the Education of Young Children.



All PreK-12 schools and the District are fully accredited by AdvancED. AdvancED conducts on-site external reviews of schools and districts.



Longacre Elementary School was the fifth school in Michigan to be awarded the distinction of being named a Leader in Me Lighthouse School.



Points of Pride

Above average

Farmington Public Schools' students consistently score above state and national averages on the Scholastic Assessment Test (SAT) and the Michigan Student Test of Education Progress (MSTEP).

Youth Centers

Since 1996, the City of Farmington Hills, in partnership with the District, has operated After School Youth Centers which have supported more than 14,000 middle school students.

Winners

Students from around the District excel in state and national competitions like HOSA, Destination Imagination, WordMasters, PTA Reflections, Math Pentathlon, and Robotics to name just a few.



3414 HACKBOTS

combined high school team, Hackbots Robotics 3414, has earned the honor to compete in the FIRST Robotics World Competition three times. In 2019, the team placed 15th in the state.



Adult ESL

Farmington Public Schools offers Adult ESL classes that provide additional ESL assistance to students that need it.

Athletics

Farmington Public Schools' students have the opportunity to participate in a wide variety of athletics. Many of the teams have earned divisional, regional, and state championship titles.



STEAM K-8

In 2017, the District launched a K-8 STEAM school focused on Science, Technology, Engineering, Arts, and Math that utilizes project-based learning.

Support

Involved and supportive parents are one of the many strengths of Farmington Public Schools. Parents participate in PTAs/PTSA's, booster groups, the Farmington African American Parent Network (FAAPN), Proud Dads Club, and many other parent and booster groups.

Newcomers

Elementary, Middle, and High School Newcomers Centers provide linguistics and educational supports to meet the needs of newly arrived immigrant students to the District.



Honors

Students regularly earn honors as AP Scholars, All State Academic winners, and National Merit Award winners.



The Farmington/Farmington Hills Education Foundation is a community-based organization that provides financial and volunteer support to Farmington Public Schools. The Education Foundation has raised more than \$52,250 for the 2018-2019 fiscal year. \$347,882 has been granted for 307 awards since the Foundation's first grant cycle in 2012.



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