
Warren Woods Public Schools

**Financial Report
with Supplemental Information
June 30, 2019**

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Independent Auditor's Report

To the Board of Education
Warren Woods Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren Woods Public Schools (the "School District") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise Warren Woods Public Schools' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Warren Woods Public Schools as of June 30, 2019 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 12 to the financial statements, the fund balance of the Child Care Program Fund and the net position of the governmental activities have been restated as of the beginning of year. Our opinion is not modified with respect to this matter.

To the Board of Education
Warren Woods Public Schools

Required Supplemental Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Warren Woods Public Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2019 on our consideration of Warren Woods Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 Warren Woods Public Schools' internal control over financial reporting and compliance.



August 13, 2019

This section of the annual financial report for Warren Woods Public Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2019. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Warren Woods Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and the 2018 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

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

Schedule of the School District's Pension Contributions

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

Schedule of the School District's OPEB Contributions

Other Supplemental Information

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

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

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, food services, enrichment, student stores, debt retirement, and internal services. Property taxes, unrestricted state aid, and state and federal grants finance most of these activities.

Reporting the School District's Fund Financial Statements

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

Governmental Funds

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

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.

Warren Woods Public Schools

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, 2019 and 2018:

	Governmental Activities	
	2019	2018
	(in millions)	
Assets		
Current and other assets	\$ 28.5	\$ 34.7
Capital assets	46.2	41.7
Total assets	74.7	76.4
Deferred Outflows of Resources	26.8	14.9
Liabilities		
Current liabilities	7.5	7.3
Noncurrent liabilities	44.9	48.4
Net pension liability	71.2	61.2
Net OPEB liability	18.8	20.9
Total liabilities	142.4	137.8
Deferred Inflows of Resources	12.9	7.4
Net Position		
Net investment in capital assets	12.6	12.1
Restricted	0.8	0.2
Unrestricted	(67.2)	(66.2)
Total net position	<u>\$ (53.8)</u>	<u>\$ (53.9)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(53.8) million at June 30, 2019. Net investment in capital assets, totaling \$12.6 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, \$(67.2) million, was unrestricted.

The \$(67.2) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have an impact on the change in unrestricted net position from year to year.

Warren Woods Public Schools

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, 2019 and 2018.

	Governmental Activities	
	2019	2018
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.5	\$ 1.5
Operating grants	11.9	12.8
General revenue:		
Taxes	7.6	6.3
State aid not restricted to specific purposes	24.6	23.9
Other	0.4	0.7
Total revenue	46.0	45.2
Expenses		
Instruction	23.1	22.2
Support services	15.4	15.4
Athletics	0.6	0.6
Food services	1.5	1.5
Child care	1.0	1.0
Debt service	1.6	1.2
Depreciation expense (unallocated)	2.7	2.9
Total expenses	45.9	44.8
Change in Net Position	0.1	0.4
Net Position - Beginning of year (as restated) (Note 12)	(53.9)	(54.3)
Net Position - End of year	<u>\$ (53.8)</u>	<u>\$ (53.9)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$45.9 million. Certain activities were partially funded from those who benefited from the programs (\$1.5 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$7.6 million in taxes, \$24.6 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements). The School District experienced an increase in net position of \$0.1 million.

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$21.2 million, which is a decrease of \$6.5 million from last year. The primary reason for the decrease was the spending down of 2018 Capital Projects Fund on voter-approved projects.

In the General Fund, our principal operating fund, the fund balance increased by approximately \$273,000 to \$9.05 million. The fund balance remained relatively stable compared to the prior year. This amount helps to provide cash flow for needs during the months when aid is not received from the State.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

Special revenue funds include the Special Education Center Program, Food Services, Child Care Program, and Bookstore Activities funds. The combined fund balance of the School District's special revenue funds remained consistent with the prior year at approximately \$803,000.

Combined, the fund balance of our debt service funds increased by approximately \$229,000. The School District added the 2018 Debt Service Fund this year to pay for its obligations related to the 2018 bond issue. Warren Woods Public Schools determines the millage rates annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are restricted since they can only be used to pay debt service obligations.

Combined, the fund balance of our capital project funds decreased \$7.0 million. This decrease is primarily due to continued construction and other projects related to the 2018 bond issue, which are estimated to be about 51 percent complete as of the end of the year.

Budgetary Highlights

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

Over the course of the year, the School District revises its budget to reflect changes between assumptions made during budget development and the actual data as they become available. Updates are made for items, such as student enrollment, staffing levels, unanticipated changes in costs, and grant funding. State law requires that the budget be amended to ensure that expenditures do not exceed the board's authorized budget. The final amendment to the budget was adopted in June 2019. 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 2018-2019 General Fund original budget. Budgeted revenue was increased by approximately \$900,000 due to changes in certain categorical revenue from the State and an unanticipated increase in student enrollment. The School District also saw a significant increase on its investment earnings this year as it continued to diversify its investment portfolio to take advantage of increasing interest rates.

When comparing the final amended budget to actual for revenue, the final actual revenue was approximately \$100,000 under the projected amounts (0.3 percent). The actual revenue was under budget mainly due to state and federal grant awards and certain state and local grant programs not being spent in the time frame anticipated. For all grant funded programs, an equal amount of expense was recognized, thus having no impact on the bottom line. Certain grants are funded on a 15-month cycle, but must be budgeted into the School District's fiscal year for reporting purposes; this cycle routinely creates carryover.

Budgeted expenditures were also decreased by approximately \$782,000 throughout the year to account for the decrease in salaries, as new staff were hired to replace staff who had resigned and retired during the previous summer. Salaries were also adjusted to account for changes negotiated with the School District's teachers bargaining unit and the School District's decision to no longer contract with a third-party provider for substitute services. The benefits' budgets were also decreased during the year to account for a smaller than anticipated increase in the public employer contributions annual cost limit. Purchased professional services were reciprocally reduced throughout the year resulting from the School District's decision to no longer contract with a third party for substitute services.

Final expenditures were approximately \$579,000 under projected amounts (1.7 percent). A portion of the difference, approximately \$97,000, was due to local, state, and federal grant awards that were not spent in the time frame anticipated. In general, the rest of the net underspending is consistently distributed amongst all budgetary functions. There were no significant variances between the final budget and actual amounts. The School District's actual General Fund fund balance increased by approximately \$273,000 to \$9.05 million.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the School District had \$46.2 million and \$41.7 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This total represents a net increase (including additions, disposals, and depreciation) of approximately \$4.4 million from 2018 to 2019.

	<u>2019</u>	<u>2018</u>
Land	\$ 4,000	\$ 4,000
Construction in progress	3,703,896	2,326,708
Buildings and improvements	35,784,696	35,673,595
Furniture and equipment	3,218,253	1,301,955
Buses and other vehicles	456,151	359,839
Land improvements	2,998,620	2,074,962
Total capital assets - Net of accumulated depreciation	<u>\$ 46,165,616</u>	<u>\$ 41,741,059</u>

This year's additions of \$7.2 million were mainly related to the School District's 2018 bond issue, including new playground equipment at all three elementary schools and roofing at Warren Woods Middle School and the Education Center. The School District also used its 2018 bond issue funds to invest in technology and security with district-wide network and wireless infrastructure improvements and surveillance system upgrades. As of June 30, 2019, \$3.7 million of the total \$7.2 million of additions is related to construction in progress on several major capital projects, which will continue into the 2019-2020 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$39.8 million in bonds outstanding versus \$43.0 million in the previous year.

The School District's general obligation bond rating is AA. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. However, the School District does not have any outstanding unqualified general obligation debt that is subject to this limitation.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Warren Woods Public Schools continues to have strong General Fund reserves; the total available fund balance is 24.02 percent of 2019 expenditures, including the Special Education Center Program Fund. Revenue exceeded expenditures by \$273,283 in the 2018-2019 school year. The 2019-2020 year's budget anticipates the use of \$1.94 million from the fund balance. Continued attention will be focused on strong expenditure controls and close monitoring of revenue changes based on state funding and student count to help reduce this deficit spending.

The following factors will affect the School District in the future and were considered in preparing the School District's budget for fiscal year 2020:

The 2019-2020 budget was adopted in June 2019 based on an estimated number of students who will be enrolled from September 2019 through February 2020. Based on early enrollment projections at the end of the 2018-2019 school year, the School District anticipates that the fall student count will be down by approximately 24 FTE students, and that number was used to create the 2019-2020 budget. In an effort to sustain student enrollment and maximize funding from the State, Warren Woods Public Schools continues to provide opportunities to students throughout Macomb County through Schools of Choice. The School District has also budgeted for an anticipated Headlee rollback of its personal commercial and nonhomestead property tax collections since 2016-2017. The cumulative result of the rollbacks is a loss of approximately \$92,500 in 2019-2020.

The School District continues to find ways to deal with a reduced level of funding per student from the foundation allowance level of \$8,489 per student during the 2008-2009 fiscal year to the 2019-2020 budgeted level of \$8,259 per student. Due to the State's own overall economic decline, Michigan school districts have been allocated funding at less than inflationary increases over the past 14 years. This decrease is due to job losses, reductions in consumer spending, and reductions in property values, which, in turn, resulted in lower revenue from income, sales, and property taxes. Consequently, this limits funding available to public schools from its primary revenue source, the State of Michigan. Additionally, the School District has been challenged by increased fixed costs, such as retirement and health care.

The State School Aid Act for 2019-2020 still has not been approved at this point, so the Board of Education and administration had to make many assumptions to set the budget for fiscal year 2019-2020, including an assumed \$120 per pupil increase in the foundation allowance. The pass-through of the MPSERS UAAL funding through the School District also continues to affect the School District's financial statements, and, at the time of the original budget adoption, the rate was assumed to be increasing from 12.21 percent to 12.41 percent, creating additional revenue and expenditures to be reported. A full listing of all of the assumptions used in setting the original 2019-2020 budget can be found on the School District's website. Since funding levels for 2019-2020 remain uncertain, the board will adopt a budget amendment when funding levels are solidified by the State.

In a declining enrollment environment, the School District will continue to face challenges to contain operational costs, with the added complexity of reducing the School District's programs to match the size of the student body and needs. Prudent fiscal responsibility and cost containment remain critical to the School District's ability to effectively operate in this volatile and difficult economic climate. Opportunities to enhance revenue and control costs will be monitored on an ongoing basis. During the past eight years, the School District has made a series of budget adjustments to protect the financial future of its schools. To balance the budget, an estimated \$1.9 million contribution from fund balances will be used as a strategy to further reduce impact to student programs and services.

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 12900 Frazho Road, Warren, MI 48089

Warren Woods Public Schools

Statement of Net Position

June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 4)	\$ 8,800,440
Receivables:	
Accounts receivable	247,835
Due from other governments	6,316,961
Inventories	10,170
Prepaid costs and other assets	61,833
Restricted assets	13,102,516
Capital assets - Net (Note 6)	<u>46,165,616</u>
Total assets	74,705,371
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	994,537
Deferred pension costs (Note 10)	22,572,246
Deferred OPEB costs (Note 10)	<u>3,282,715</u>
Total deferred outflows of resources	26,849,498
Liabilities	
Accounts payable	2,375,344
Due to other governmental units	614,554
Accrued liabilities and other	3,530,936
Unearned revenue (Note 5)	1,048,022
Noncurrent liabilities:	
Due within one year (Note 8)	4,155,886
Due in more than one year (Note 8)	40,712,327
Net pension liability (Note 10)	71,190,104
Net OPEB liability (Note 10)	<u>18,824,608</u>
Total liabilities	142,451,781
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the report date	2,617,183
Deferred pension cost reductions (Note 10)	6,028,204
Deferred OPEB cost reductions (Note 10)	<u>4,231,408</u>
Total deferred inflows of resources	<u>12,876,795</u>
Net Position	
Net investment in capital assets	12,582,615
Restricted:	
Debt service	399,755
Capital projects	431,441
Unrestricted	<u>(67,187,518)</u>
Total net position	<u><u>\$ (53,773,707)</u></u>

Warren Woods Public Schools

Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 23,106,178	\$ 67,209	\$ 6,887,852	\$ (16,151,117)
Support services	15,449,718	-	3,708,843	(11,740,875)
Bookstores	27,383	36,830	-	9,447
Athletics	616,145	58,279	-	(557,866)
Food services	1,502,599	343,582	1,288,092	129,075
Child care	1,044,144	1,028,506	-	(15,638)
Interest	1,643,544	-	-	(1,643,544)
Other debt costs	3,149	-	-	(3,149)
Depreciation expense (unallocated)	2,746,282	-	-	(2,746,282)
Total primary government	\$ 46,139,142	\$ 1,534,406	\$ 11,884,787	(32,719,949)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				2,927,909
Property taxes, levied for debt service				4,642,342
State aid not restricted to specific purposes				24,562,323
Federal grants and contributions not restricted to specific purposes				33,572
Interest and investment earnings				532,956
Penalties, interest, and other taxes				4,904
Loss on sale of capital assets				(45,877)
Other				142,835
Total general revenue				32,800,964
Change in Net Position				81,015
Net Position - Beginning of year (as restated) (Note 12)				(53,854,722)
Net Position - End of year				\$ (53,773,707)

Warren Woods Public Schools

Governmental Funds Balance Sheet

June 30, 2019

	General Fund	2018 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 4)	\$ 7,917,499	\$ -	\$ 882,941	\$ 8,800,440
Receivables	6,316,961	-	240,045	6,557,006
Due from other funds (Note 7)	142,673	-	285,670	428,343
Inventories	-	-	10,170	10,170
Prepaid costs	61,833	-	-	61,833
Restricted assets	-	12,466,071	636,445	13,102,516
Total assets	\$ 14,438,966	\$ 12,466,071	\$ 2,055,271	\$ 28,960,308
Liabilities				
Accounts payable	\$ 326,368	\$ 2,048,976	\$ -	\$ 2,375,344
Due to other governmental units	614,491	-	63	614,554
Due to other funds (Note 7)	248,421	-	172,132	420,553
Accrued liabilities and other	3,294,246	-	-	3,294,246
Unearned revenue (Note 5)	905,463	-	142,559	1,048,022
Total liabilities	5,388,989	2,048,976	314,754	7,752,719
Fund Balances				
Nonspendable:				
Inventories	-	-	10,170	10,170
Prepaid costs	61,833	-	-	61,833
Restricted:				
Debt service	-	-	636,445	636,445
Capital projects (unspent bond proceeds)	-	10,417,095	-	10,417,095
Food service	-	-	776,729	776,729
Committed:				
Compensated absences	305,021	-	-	305,021
Child care	-	-	40	40
Bookstore	-	-	15,484	15,484
Tax tribunal cases	100,000	-	-	100,000
Assigned:				
Capital replacements	-	-	301,649	301,649
Working capital	2,889,436	-	-	2,889,436
Subsequent year budget shortfall	1,944,350	-	-	1,944,350
Unassigned	3,749,337	-	-	3,749,337
Total fund balances	9,049,977	10,417,095	1,740,517	21,207,589
Total liabilities and fund balances	\$ 14,438,966	\$ 12,466,071	\$ 2,055,271	\$ 28,960,308

Warren Woods Public Schools

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

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 21,207,589
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	94,912,137
Accumulated depreciation	<u>(48,746,521)</u>
Net capital assets used in governmental activities	46,165,616
Deferred inflows and outflows related to bond refundings are not reported in the funds	994,537
Bonds payable obligations are not due and payable in the current period and are not reported in the funds	(44,563,192)
Accrued interest is not due and payable in the current period and is not reported in the funds	(236,690)
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	(305,021)
Net pension liability and related deferred inflows and outflows	(54,646,062)
Net OPEB liability and related deferred inflows and outflows	(19,773,301)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(2,617,183)</u>
Net Position of Governmental Activities	<u>\$ (53,773,707)</u>

Warren Woods Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Fund	2018 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 3,300,125	\$ 323,562	\$ 6,161,665	\$ 9,785,352
State sources	28,129,744	-	1,817,748	29,947,492
Federal sources	1,503,204	-	1,321,664	2,824,868
Interdistrict and other sources	904,274	-	2,966,926	3,871,200
Total revenue	<u>33,837,347</u>	<u>323,562</u>	<u>12,268,003</u>	<u>46,428,912</u>
Expenditures				
Current:				
Instruction	19,530,249	-	2,286,981	21,817,230
Support services	12,913,106	12,796	1,823,936	14,749,838
Bookstores	-	-	27,383	27,383
Athletics	598,570	-	-	598,570
Food services	-	-	1,479,433	1,479,433
Child care	49,437	-	959,696	1,009,133
Debt service:				
Principal	-	-	3,150,000	3,150,000
Interest	-	-	2,051,830	2,051,830
Other debt costs	-	-	3,149	3,149
Capital outlay	273,931	7,356,437	418,509	8,048,877
Total expenditures	<u>33,365,293</u>	<u>7,369,233</u>	<u>12,200,917</u>	<u>52,935,443</u>
Excess of Revenue Over (Under) Expenditures	472,054	(7,045,671)	67,086	(6,506,531)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	7,888	7,888
Transfers in	521,783	-	1,117,458	1,639,241
Transfers out	(720,554)	-	(918,687)	(1,639,241)
Total other financing (uses) sources	<u>(198,771)</u>	<u>-</u>	<u>206,659</u>	<u>7,888</u>
Net Change in Fund Balances	273,283	(7,045,671)	273,745	(6,498,643)
Fund Balances - Beginning of year (as restated) (Note 12)	<u>8,776,694</u>	<u>17,462,766</u>	<u>1,466,772</u>	<u>27,706,232</u>
Fund Balances - End of year	<u><u>\$ 9,049,977</u></u>	<u><u>\$ 10,417,095</u></u>	<u><u>\$ 1,740,517</u></u>	<u><u>\$ 21,207,589</u></u>

Warren Woods Public Schools

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

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ (6,498,643)
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	4,424,557
Revenue in support of pension contributions made subsequent to the measurement date	(162,878)
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	3,450,364
Interest expense is recognized in the government-wide statements as it accrues	107,922
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	(1,240,307)
Change in Net Position of Governmental Activities	\$ 81,015

Warren Woods Public Schools

Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2019

	Student Activities
Assets - Cash and investments (Note 4)	\$ 469,586
Liabilities	
Due to student activities	\$ 461,796
Due to other funds (Note 7)	7,790
Total liabilities	\$ 469,586

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Report Presentation

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

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

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

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

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 2018 Capital Projects Fund is used to record the 2018 bond proceeds and expenditures related to voter-approved capital improvements.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. Any operating deficit generated by these activities is the responsibility of the General Fund
- 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, equipment, technology upgrades, and for 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.

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 activity 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.

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.

Note 2 - Significant Accounting Policies (Continued)

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

Cash and Investments

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

Inventories and Prepaid Items

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

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital projects funds required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments

Capital Assets

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Note 2 - Significant Accounting Policies (Continued)

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 charges on refundings and deferred pension and OPEB plan costs.

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

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

Net Position

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

Net Position Flow Assumption

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

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

The fund balance policy prescribes the minimum fund balance as 15 percent of expenditures in the General Fund. This is deemed by the School District to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year. If the total fund balance of the General Fund falls below the goal, it shall be recovered at a rate of at least 1 percent each year.

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered to be delinquent on March 1 of the following year. At this time, penalties and interest are assessed, and the total obligation is added to the county tax rolls. All property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Note 2 - Significant Accounting Policies (Continued)

Grants and Contributions

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

Pension and Other Postemployment Benefit (OPEB) Plans

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

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide 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.

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 Governmental Accounting Standards Board (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 has evaluated the impact this standard will have on the financial statements. As of July 1, 2019, the School District will report the activities and related balances currently reported as fiduciary in a newly created special revenue fund.

Note 2 - Significant Accounting Policies (Continued)

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

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds, except that transfers in and transfers out are reported net, and capital outlay expenditures are reported in other functional expenditure categories. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District amended the General Fund budgeted amounts during the year to reflect changes in funding from state and federal sources.

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

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

The 2018 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital projects fund, 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 not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

Note 4 - Deposits and Investments (Continued)

The School District has designated five financial institutions for the deposits and investments of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a one-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had \$2,815,938 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District's investment in the Michigan Liquid Asset Fund, which totaled \$20,476,413 at June 30, 2019, has an S&P rating of AAAm.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. At June 30, 2019, all of the School District's investments are in the Michigan Liquid Asset Fund and, therefore, are the only investment type subject to concentration of credit risk.

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, 2019

Note 5 - Unavailable/Unearned Revenue

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

At June 30, 2019, the School District had no unavailable revenue and \$1,048,022 of unearned revenue, primarily related to categorical aid payments received prior to meeting all eligibility requirements.

Note 6 - Capital Assets

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

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,000
Construction in progress	2,326,708	(2,326,708)	3,703,896	-	3,703,896
Subtotal	2,330,708	(2,326,708)	3,703,896	-	3,707,896
Capital assets being depreciated:					
Buildings and improvements	69,930,635	1,016,095	1,184,820	(9,532)	72,122,018
Furniture and equipment	10,941,976	1,036,163	1,275,436	(1,893,943)	11,359,632
Buses and other vehicles	1,523,104	-	205,788	(49,500)	1,679,392
Land improvements	4,914,085	274,450	854,664	-	6,043,199
Subtotal	87,309,800	2,326,708	3,520,708	(1,952,975)	91,204,241
Accumulated depreciation:					
Buildings and improvements	34,257,040	-	2,084,500	(4,218)	36,337,322
Furniture and equipment	9,640,021	-	346,850	(1,845,492)	8,141,379
Buses and other vehicles	1,163,265	-	109,476	(49,500)	1,223,241
Land improvements	2,839,123	-	205,456	-	3,044,579
Subtotal	47,899,449	-	2,746,282	(1,899,210)	48,746,521
Net capital assets being depreciated	39,410,351	2,326,708	774,426	(53,765)	42,457,720
Net governmental activities capital assets	\$ 41,741,059	\$ -	\$ 4,478,322	\$ (53,765)	\$ 46,165,616

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

Construction Commitments

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

	Spent to Date	Remaining Commitment
2018 Capital Projects Fund	\$ 10,404,449	\$ 6,180,853

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due From	Fund Due To		
	General Fund	Nonmajor Funds	Total
General Fund	\$ -	\$ 248,421	\$ 248,421
Nonmajor governmental funds	138,319	33,813	172,132
Agency Fund	4,354	3,436	7,790
Total	\$ 142,673	\$ 285,670	\$ 428,343

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor funds	\$ 720,554
Nonmajor funds	General Fund	521,783
	Nonmajor funds	396,904
	Total	\$ 1,639,241

Transfers from the General Fund provided funding for debt service payments on nonvoted bonds and various capital projects. Funds from the Food Services Fund, Child Care Program Fund, and Special Education Center Program Fund were transferred to the General Fund to cover excess costs related to operations of the funds for the purposes for which they were created. Transfers from the Child Care Program Fund to the Building and Site Fund provided funding for various child care capital projects.

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:					
General obligations	\$ 42,980,000	\$ -	\$ (3,150,000)	\$ 39,830,000	\$ 3,670,000
Unamortized bond premiums	5,188,576	-	(455,384)	4,733,192	455,384
Total bonds payable - Other debt	48,168,576	-	(3,605,384)	44,563,192	4,125,384
Compensated absences	291,144	13,877	-	305,021	30,502
Total governmental activities long-term debt	<u>\$ 48,459,720</u>	<u>\$ 13,877</u>	<u>\$ (3,605,384)</u>	<u>\$ 44,868,213</u>	<u>\$ 4,155,886</u>

The School District had deferred outflows of \$994,537 related to deferred charges on bond refundings at June 30, 2019.

Note 8 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. All of the School District's bonds are qualified and thus fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2019 are as follows:

	Remaining Annual Installments	Interest Rate(s) (Percent)	Maturing May 1	Outstanding
\$2,000,000 general obligation limited tax bonds (2012)	\$180,000 - \$185,000	2.25 - 3.60*	2024	\$ 920,000
\$7,515,000 general obligation limited tax bonds (2014)	\$720,000 - \$840,000	2.00 - 3.00	2025	4,745,000
\$19,595,000 general obligation unlimited tax and refunding bonds (2015)	\$1,815,000 - \$2,385,000	3.00 - 5.00	2026	14,570,000
\$2,945,000 general obligation unlimited tax and refunding bonds (2016)	\$480,000 - \$510,000	2.05	2023	1,970,000
\$17,675,000 general obligation unlimited tax bonds (2018)	\$300,000 - \$1,860,000	3.00 - 5.00	2037	<u>17,625,000</u>
Total qualified bonds				<u>\$ 39,830,000</u>

*Partially subsidized

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated from the funds from which the individual employee's salaries are paid.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above general obligation bonds are as follows:

Years Ending June 30	Governmental Activities - Other Debt		
	Principal	Interest*	Total
2020	\$ 3,670,000	\$ 1,775,786	\$ 5,445,786
2021	3,785,000	1,641,796	5,426,796
2022	3,440,000	1,495,852	4,935,852
2023	3,575,000	1,363,506	4,938,506
2024	3,190,000	1,225,250	4,415,250
2025-2029	9,445,000	4,324,200	13,769,200
2030-2034	7,385,000	2,477,750	9,862,750
2035-2037	5,340,000	542,000	5,882,000
Total	<u>\$ 39,830,000</u>	<u>\$ 14,846,140</u>	<u>\$ 54,676,140</u>

*Interest presented net of maximum potential interest subsidy

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Note 10 - Michigan Public School Employees' Retirement System

Plan Description

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

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

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment healthcare 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 healthcare plan.

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

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

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

Note 10 - 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 healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

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

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

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 healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the 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 healthcare 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 range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

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.

Note 10 - 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, 2019 were \$6,362,557, 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 \$2,617,183 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, 2019.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2019 were \$1,707,266, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2019, the School District reported a liability of \$71,190,104, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. 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 both September 30, 2018 and 2017, the School District's proportion was 0.24 percent.

Net OPEB Liability

At June 30, 2019, the School District reported a liability of \$18,824,608, for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. 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 both September 30, 2018 and 2017, the School District's proportion was 0.24 percent.

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

For 2019, the School District recognized pension expense of \$8,704,318, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019, 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	\$ 330,335	\$ (517,326)
Changes in assumptions	16,487,569	-
Net difference between projected and actual earnings on pension plan investments	-	(4,867,593)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	399,855	(643,285)
The School District's contributions to the plan subsequent to the measurement date	5,354,487	-
Total	<u>\$ 22,572,246</u>	<u>\$ (6,028,204)</u>

June 30, 2019

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

The \$2,617,183 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 ended June 30, 2020. 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
2020	\$ 4,426,936
2021	3,331,292
2022	2,455,284
2023	976,043
Total	<u>\$ 11,189,555</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, 2019, the School District recognized OPEB expense of \$931,987.

At June 30, 2019, 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	\$ -	\$ (3,503,743)
Changes in assumptions	1,993,536	-
Net difference between projected and actual earnings on OPEB plan investments	-	(723,475)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	64,382	(4,190)
Employer contributions to the plan subsequent to the measurement date	1,224,797	-
Total	<u>\$ 3,282,715</u>	<u>\$ (4,231,408)</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
2020	\$ (538,548)
2021	(538,548)
2022	(538,548)
2023	(390,893)
2024	(166,953)
Total	<u>\$ (2,173,490)</u>

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

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2018 are based on the results of an actuarial valuation as of September 30, 2017 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	6.00% - 7.05%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.15%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75% for 2019 and 3.50% for 2018
Healthcare cost trend rate - OPEB	7.50% (Year 1 graded to 3.0% year 12)	
Mortality basis	RP2014 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 MP2017 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, 2014 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 7.05 percent as of September 30, 2018, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. 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, 2019

Note 10 - 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 %	5.70 %
Private equity pools	18.00	9.20
International equity pools	16.00	7.20
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	3.90
Absolute return pools	15.50	5.20
Short-term investment pools	2.00	-
Total	100.00 %	

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

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

	1 Percent Decrease (5.00 - 6.05%)	Current Discount Rate (6.00 to 7.05%)	1 Percent Increase (7.00 - 8.05%)
Net pension liability of the School District	\$ 93,467,108	\$ 71,190,104	\$ 52,681,534

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

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

	1 Percent Decrease (6.15%)	Current Discount Rate (7.15%)	1 Percent Increase (8.15%)
Net OPEB liability of the School District	\$ 22,598,559	\$ 18,824,608	\$ 15,650,254

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

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

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 15,483,033	\$ 18,824,608	\$ 22,658,077

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

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, 2019, the School District reported a payable of \$886,381 and \$183,594 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019.

Note 11 - Tax Abatements

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and Brownfield Redevelopment Agreements granted by cities within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2019, the School District's property tax revenue was reduced by approximately \$376,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the school aid formula. The School District received approximately \$254,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from debt service millages. There are no abatements made by the School District.

Note 12 - Prior Period Adjustment

The accompanying financial statements have been restated to correct an error in the Child Care Program Fund, a nonmajor special revenue fund, resulting from an overstatement of local source revenue and accounts receivable in the prior years ended June 30, 2018 and 2017. The effect of the restatement was to reduce beginning net position in the statement of activities and beginning fund balance in the governmental funds balance sheet each by \$711,843 as a result of the accumulation of an overstatement of \$552,858 and \$158,985 in fiscal years 2018 and 2017, respectively.

Previously stated net position in the statement of activities at June 30, 2018 was \$(53,142,879). As a result of the restatement, net position at July 1, 2018 has been restated to \$(53,854,722). Previously stated fund balance in the governmental funds balance sheet at June 30, 2018 was \$28,418,075. As a result of the restatement, fund balance at July 1, 2018 has been restated to \$27,706,232.

Required Supplemental Information

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual
Revenue			
Local sources	\$ 3,054,076	\$ 3,300,519	\$ 3,300,125
State sources	27,474,320	28,183,320	28,129,744
Federal sources	1,610,878	1,547,087	1,503,204
Interdistrict and other sources	908,773	906,845	904,274
Total revenue	33,048,047	33,937,771	33,837,347
Expenditures - Current			
Instruction:			
Basic program	15,880,408	15,781,900	15,672,147
Added needs	4,081,433	3,913,337	3,812,787
Adult and continuing education	334,086	294,538	276,781
Total instruction	20,295,927	19,989,775	19,761,715
Support services:			
Pupil	2,879,595	2,788,160	2,748,870
Instructional staff	1,656,703	1,569,332	1,526,172
General administration	513,914	476,779	454,982
School administration	2,143,212	2,129,094	2,086,832
Business services	659,139	628,133	610,282
Operations and maintenance	3,799,094	3,674,182	3,563,543
Transportation	660,067	624,061	591,396
Central support services	980,051	936,576	908,080
Other support services	420,305	513,483	508,514
Athletics	591,253	614,359	604,907
Total expenditures	34,599,260	33,943,934	33,365,293
Excess of Revenue (Under) Over Expenditures	(1,551,213)	(6,163)	472,054
Other Financing Uses - Transfers out and other - Net	(62,408)	(224,686)	(198,771)
Net Change in Fund Balance	(1,613,621)	(230,849)	273,283
Fund Balance - Beginning of year	8,776,694	8,776,694	8,776,694
Fund Balance - End of year	\$ 7,163,073	\$ 8,545,845	\$ 9,049,977

Warren Woods Public Schools

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

	Last Five Plan Years				
	Plan Years Ended September 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.23681 %	0.23615 %	0.23436 %	0.24120 %	0.24020 %
School District's proportionate share of the net pension liability	\$ 71,190,104	\$ 61,196,766	\$ 58,471,626	\$ 58,919,322	\$ 52,908,682
School District's covered employee payroll	\$ 20,167,109	\$ 19,956,386	\$ 19,589,242	\$ 20,159,703	\$ 20,435,231
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	353.00 %	306.65 %	298.49 %	292.26 %	258.91 %
Plan fiduciary net position as a percentage of total pension liability	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

Warren Woods Public Schools

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

	Last Five Fiscal Years				
	Years Ended June 30				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 6,262,975	\$ 5,920,103	\$ 5,724,529	\$ 5,567,852	\$ 4,414,076
Contributions in relation to the statutorily required contribution	<u>6,262,975</u>	<u>5,920,103</u>	<u>5,724,529</u>	<u>5,567,852</u>	<u>4,414,076</u>
Contribution Excess (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Employee Payroll	\$ 20,715,730	\$ 20,214,242	\$ 20,713,745	\$ 19,807,674	\$ 20,167,108
Contributions as a Percentage of Covered Employee Payroll	30.23 %	29.29 %	27.64 %	28.11 %	21.89 %

Warren Woods Public Schools

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

	Last Two Plan Years	
	Plan Years Ended September 30	
	2018	2017
School District's proportion of the net OPEB liability	0.23682 %	0.23596 %
School District's proportionate share of the net OPEB liability	\$ 18,824,608	\$ 20,895,606
School District's covered employee payroll	\$ 20,167,109	\$ 19,956,386
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	93.34 %	104.71 %
Plan fiduciary net position as a percentage of total OPEB liability	43.10 %	36.53 %

Warren Woods Public Schools

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

	Last Two Fiscal Years	
	Years Ended June 30	
	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 1,620,985	\$ 1,449,484
Contributions in relation to the statutorily required contribution	<u>1,620,985</u>	<u>1,449,484</u>
Contribution Excess (Deficiency)	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Employee Payroll	\$ 20,715,730	\$ 20,214,242
Contributions as a Percentage of Covered Employee Payroll	7.82 %	7.17 %

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:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

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:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.

Other Supplemental Information

Warren Woods Public Schools

	Special Revenue Funds				Debt Service Funds
	Bookstore Activities	Food Services	Child Care Program	Special Education Center Program	2012 Issue
Assets					
Cash and investments	\$ 6,704	\$ 574,588	\$ -	\$ -	\$ -
Receivables - Accounts receivable	-	84,792	155,253	-	-
Due from other funds	8,780	135,782	1,105	140,003	-
Inventories	667	9,503	-	-	-
Restricted assets - Restricted cash and cash equivalents	-	-	-	-	-
Total assets	\$ 16,151	\$ 804,665	\$ 156,358	\$ 140,003	\$ -
Liabilities					
Due to other governmental units	\$ -	\$ 63	\$ -	\$ -	\$ -
Due to other funds	-	17,044	139,205	15,883	-
Unearned revenue	-	1,326	17,113	124,120	-
Total liabilities	-	18,433	156,318	140,003	-
Fund Balances					
Nonspendable - Inventories	667	9,503	-	-	-
Restricted:					
Debt service	-	-	-	-	-
Food service	-	776,729	-	-	-
Committed:					
Child care	-	-	40	-	-
Bookstore	15,484	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	16,151	786,232	40	-	-
Total liabilities and fund balances	\$ 16,151	\$ 804,665	\$ 156,358	\$ 140,003	\$ -

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

Debt Service Funds				Capital Projects Fund		
2014 Refunding	2015 Refunding	2016 Refunding	2018 Issue	Building and Site	Total	
\$ -	\$ -	\$ -	\$ -	\$ 301,649	\$ 882,941	
-	-	-	-	-	240,045	
-	-	-	-	-	285,670	
-	-	-	-	-	10,170	
<u>109,026</u>	<u>294,375</u>	<u>32</u>	<u>233,012</u>	<u>-</u>	<u>636,445</u>	
<u>\$ 109,026</u>	<u>\$ 294,375</u>	<u>\$ 32</u>	<u>\$ 233,012</u>	<u>\$ 301,649</u>	<u>\$ 2,055,271</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63	
-	-	-	-	-	172,132	
-	-	-	-	-	142,559	
-	-	-	-	-	314,754	
-	-	-	-	-	10,170	
109,026	294,375	32	233,012	-	636,445	
-	-	-	-	-	776,729	
-	-	-	-	-	40	
-	-	-	-	-	15,484	
-	-	-	-	301,649	301,649	
<u>109,026</u>	<u>294,375</u>	<u>32</u>	<u>233,012</u>	<u>301,649</u>	<u>1,740,517</u>	
<u>\$ 109,026</u>	<u>\$ 294,375</u>	<u>\$ 32</u>	<u>\$ 233,012</u>	<u>\$ 301,649</u>	<u>\$ 2,055,271</u>	

Warren Woods Public Schools

	Special Revenue Funds				Debt Service Funds
	Bookstore Activities	Food Services	Child Care Program	Special Education Center Program	2012 Issue
Revenue					
Local sources	\$ 36,875	\$ 358,225	\$ 1,028,506	\$ -	\$ 19
State sources	-	105,379	71,512	1,640,857	-
Federal sources	-	1,288,092	-	-	33,572
Interdistrict and other sources	-	50,082	-	2,916,844	-
Total revenue	36,875	1,801,778	1,100,018	4,557,701	33,591
Expenditures					
Current:					
Instruction	-	-	-	2,286,981	-
Support services:					
Pupil	-	-	-	1,525,628	-
Instructional staff	-	-	-	289,942	-
Transportation	-	-	-	8,366	-
Bookstores	27,383	-	-	-	-
Food services	-	1,479,433	-	-	-
Child care	-	-	959,696	-	-
Debt service:					
Principal	-	-	-	-	180,000
Interest	-	-	-	-	35,868
Other debt costs	-	-	-	-	649
Capital outlay	-	28,897	4,180	-	-
Total expenditures	27,383	1,508,330	963,876	4,110,917	216,517
Excess of Revenue Over (Under) Expenditures	9,492	293,448	136,142	446,784	(182,926)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	16,975	-	182,926
Transfers out	-	(75,000)	(396,903)	(446,784)	-
Total other financing (uses) sources	-	(75,000)	(379,928)	(446,784)	182,926
Net Change in Fund Balances	9,492	218,448	(243,786)	-	-
Fund Balances - Beginning of year (as restated)	6,659	567,784	243,826	-	-
Fund Balances - End of year	\$ 16,151	\$ 786,232	\$ 40	\$ -	\$ -

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

Year Ended June 30, 2019

Debt Service Funds				Capital Projects Fund	
2014 Refunding	2015 Refunding	2016 Refunding	2018 Issue	Building and Site	Total
\$ 890,612	\$ 2,504,343	\$ 35	\$ 1,302,304	\$ 40,746	\$ 6,161,665
-	-	-	-	-	1,817,748
-	-	-	-	-	1,321,664
-	-	-	-	-	2,966,926
890,612	2,504,343	35	1,302,304	40,746	12,268,003
-	-	-	-	-	2,286,981
-	-	-	-	-	1,525,628
-	-	-	-	-	289,942
-	-	-	-	-	8,366
-	-	-	-	-	27,383
-	-	-	-	-	1,479,433
-	-	-	-	-	959,696
725,000	1,725,000	470,000	50,000	-	3,150,000
149,650	797,500	50,020	1,018,792	-	2,051,830
500	750	750	500	-	3,149
-	-	-	-	385,432	418,509
875,150	2,523,250	520,770	1,069,292	385,432	12,200,917
15,462	(18,907)	(520,735)	233,012	(344,686)	67,086
-	-	-	-	7,888	7,888
-	-	520,654	-	396,903	1,117,458
-	-	-	-	-	(918,687)
-	-	520,654	-	404,791	206,659
15,462	(18,907)	(81)	233,012	60,105	273,745
93,564	313,282	113	-	241,544	1,466,772
\$ 109,026	\$ 294,375	\$ 32	\$ 233,012	\$ 301,649	\$ 1,740,517

Warren Woods Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2019

Year Ended June 30	2012 Issue (Nonvoted)	2014 Refunding (Voted)	2015 Refunding (Voted)	2016 Refunding (Nonvoted)	2018 Capital Projects (Voted)	Total
	Principal	Principal	Principal	Principal	Principal	
2020	\$ 180,000	\$ 720,000	\$ 1,815,000	\$ 480,000	\$ 475,000	\$ 3,670,000
2021	185,000	750,000	1,890,000	485,000	475,000	3,785,000
2022	185,000	790,000	1,970,000	495,000	-	3,440,000
2023	185,000	810,000	2,070,000	510,000	-	3,575,000
2024	185,000	835,000	2,170,000	-	-	3,190,000
2025	-	840,000	2,270,000	-	-	3,110,000
2026	-	-	2,385,000	-	300,000	2,685,000
2027	-	-	-	-	1,160,000	1,160,000
2028	-	-	-	-	1,215,000	1,215,000
2029	-	-	-	-	1,275,000	1,275,000
2030	-	-	-	-	1,340,000	1,340,000
2031	-	-	-	-	1,405,000	1,405,000
2032	-	-	-	-	1,475,000	1,475,000
2033	-	-	-	-	1,545,000	1,545,000
2034	-	-	-	-	1,620,000	1,620,000
2035	-	-	-	-	1,700,000	1,700,000
2036	-	-	-	-	1,780,000	1,780,000
2037	-	-	-	-	1,860,000	1,860,000
Total remaining payments	\$ 920,000	\$ 4,745,000	\$ 14,570,000	\$ 1,970,000	\$ 17,625,000	\$ 39,830,000
Interest rate	2.25% - 3.60%	2.00% - 3.00%	3.00% - 5.00%	2.05%	3.00% - 5.00%	
Original issue	\$ 2,000,000	\$ 7,515,000	\$ 19,595,000	\$ 2,945,000	\$ 17,675,000	

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

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