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# Warren Consolidated Schools

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

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## Independent Auditor's Report

To the Board of Education  
Warren Consolidated Schools

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Warren Consolidated Schools (the "School District") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Warren Consolidated 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 an opinion 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.

### *Opinion*

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

### *Emphasis of Matter*

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

To the Board of Education  
Warren Consolidated Schools

**Required Supplemental Information**

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

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Warren Consolidated 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, as identified in the table of contents, 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, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018 on our consideration of Warren Consolidated 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 Consolidated Schools' internal control over financial reporting and compliance.



October 26, 2018

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

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Warren Consolidated 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, 2016 Building and Site Series A Capital Projects Fund, 2018 Building and Site Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the proprietary fund's statement of net position; statement of revenue, expenses, and changes in net position; and statement of cash flows, and the statement of fiduciary assets and liabilities, present financial information about activities for which the School District provides services to other funds and 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 Information for General Fund

Schedules of Proportionate Share of the Net Pension and OPEB Liabilities

Schedules of Pension and OPEB Contributions

Schedule of Changes in the Net OPEB Liability and Related Ratios

Notes to Required Supplemental Information

#### **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, capital projects, debt retirement, and internal services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

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

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

#### ***Proprietary Funds***

Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds. The School District established a proprietary fund, specifically the Internal Service Fund, to finance specific services provided to other funds of the School District on a cost-reimbursement basis. The School District maintains this fund for accrued compensated absences and risk liabilities.

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

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

## Warren Consolidated 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, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 99.2	\$ 108.7
Capital assets	210.4	182.9
Total assets	309.6	291.6
<b>Deferred Outflows of Resources</b>	64.0	33.9
<b>Liabilities</b>		
Current liabilities	41.6	35.4
Noncurrent liabilities	208.6	201.0
Net pension liability	271.5	259.7
Net OPEB liabilities	103.1	-
Total liabilities	624.8	496.1
<b>Deferred Inflows of Resources</b>	42.1	28.0
<b>Net Position</b>		
Net investment in capital assets	40.5	38.2
Restricted	8.5	5.7
Unrestricted	(342.3)	(242.5)
Total net position	<u>\$ (293.3)</u>	<u>\$ (198.6)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was a deficit of \$293.3 million at June 30, 2018. Net investment in capital assets totaling \$40.5 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, a deficit of \$342.3 million, was unrestricted.

The \$342.3 million deficit in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. A total of approximately \$364 million of this deficit unrestricted net position is the School District's proportionate share of the net pension and OPEB liability related to the Michigan Public Schools Employees' Retirement System. The operating results of the General Fund have an impact on the change in unrestricted net position from year to year.

## Warren Consolidated 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, 2018 and 2017.

	Governmental Activities	
	2018	2017
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 4.2	\$ 4.4
Operating grants	42.8	36.8
General revenue:		
Taxes	54.4	54.1
State aid not restricted to specific purposes	88.5	91.0
Other	2.6	0.3
Total revenue	192.5	186.6
<b>Expenses</b>		
Instruction	99.4	93.8
Support services	58.8	54.9
Athletics	2.1	1.9
Nutrition services	6.7	6.6
Community services	0.5	0.5
Debt service	6.9	7.3
Depreciation expense (unallocated)	10.2	6.9
Total expenses	184.6	171.9
<b>Change in Net Position</b>	7.9	14.7
<b>Net Position</b> - Beginning of year, as previously reported	(198.6)	(213.3)
<b>Cumulative Effect of Change in Accounting</b>	(102.6)	-
<b>Net Position</b> - Beginning of year	(301.2)	(213.3)
<b>Net Position</b> - End of year	\$ (293.3)	\$ (198.6)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$184.6 million. Certain activities were partially funded from those who benefited from the programs (\$4.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$42.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$54.4 million in taxes, \$88.5 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements). Overall, the revenue from funding sources exceeded the cost of activities by \$7.9 million, resulting in a corresponding increase in net position.

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.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 75. This standard required the inclusion of the School District's retiree healthcare other postemployment benefits and the School District's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the School District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$102.6 million and to include the net OPEB obligations and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

## **Warren Consolidated Schools**

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

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#### **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 \$54.0 million, which is a decrease of \$15.6 million from last year. The decrease is primarily driven by activity related to the 2016 Bond Program. Funds are being used within the 2016 Building and Site Series A Capital Projects Fund to support the tremendous improvements occurring throughout the district.

In the General Fund, our principal operating fund, the fund balance decreased \$1.1 million to \$8.4 million. The balance of the General Fund is available to pay for expenditures related to allowable school operating activities.

The fund balance of the 2016 Building and Site Series A Capital Projects Fund decreased by \$35.7 million to \$16.4 million. The decrease is due to expenditures for facility and information technology improvements.

The 2018 Building and Site Capital Projects Fund was established during the year to record the proceeds of bonds sold during the year. Minimal expenditures during the year resulted in an ending fund balance of \$19.9 million. The 2018 Building and Site Capital Projects Fund will be used to continue the district improvements.

Fund balance of our special revenue funds increased from \$1.0 million last year to \$1.3 million this year as a result of the change in fund balance of the Nutrition Service Fund.

Combined, the fund balance of our debt service fund increased \$1.0 million.

The fund balance of the Building and Site Capital Projects Funds decreased \$0.1 million.

#### **Operating Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2018. 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.

Comparing the original budget to the final amendment, budgeted revenue experienced an overall increase due to unexpected funding received from the State of Michigan to support contributions to the pension system. These funds came into the School District and were recognized as revenue. As they are expended for retirement funding, they are recognized as an expenditure, thereby increasing expected expenditures in the final amendment.

Comparing the final budget to the actual results, revenue was less than the budget by \$1.9 million, and expenditures were less than the budget by \$2.7 million. This is largely due to grant funds that were not expended during fiscal year 2018 and can be expended during fiscal year 2019; the associated revenue and expenditure will be recognized when spent during 2018-2019.

#### **Capital Assets and Debt Administration**

##### ***Capital Assets***

As of June 30, 2018, the School District had \$210.4 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$27.5 million, or 15.0 percent, from last year.

## Warren Consolidated Schools

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

	Governmental Activities	
	2018	2017
Land	\$ 3,299,788	\$ 3,399,788
Construction in progress	18,758,871	19,226,555
Buildings	189,506,938	177,871,267
Furniture and equipment	46,974,150	37,987,271
Buses and other vehicles	12,241,987	10,441,418
Land improvements	90,044,176	74,883,442
Total capital assets	360,825,910	323,809,741
Less accumulated depreciation	150,383,849	140,906,525
Total capital assets - Net of accumulated depreciation	\$ 210,442,061	\$ 182,903,216

This year's additions of \$20.7 million included building renovations, site work, buses, and technology upgrades. Similar enhancements are planned for the 2018-2019 fiscal year. We anticipate capital additions will be comparable to this 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 \$184.8 million in general obligation bonds outstanding versus \$176.8 million in the previous year, a change of 4.5 percent.

The School District's general obligation bond rating is BBB+. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$42.6 million is significantly below this statutorily imposed limit.

Other long-term obligations include accrued compensated absences, risk liabilities, postemployment retiree healthcare benefits, and amortizable bond issue premiums and discounts. We present more detailed information about our long-term liabilities in the notes to the financial statements.

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

Our elected officials and administration consider many factors when setting the School District's 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2018-2019 budget was adopted in June 2018 based on an estimate of students who will enroll in September 2018. Approximately 77 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be above the estimates used in creating the original 2018-2019 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The state periodically holds a revenue-estimating conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of \$120 per pupil. At this time, the School District estimates that this increase in per pupil funding will be sufficient to absorb increases in the state-required contribution to the retirement system and increases in healthcare costs.

## **Warren Consolidated Schools**

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

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

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office at 31300 Anita Drive, Warren, MI 48093.

# Warren Consolidated Schools

## Statement of Net Position

June 30, 2018

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 4)	\$ 11,939,473
Receivables:	
Property taxes receivable	2,592,968
Accrued interest receivable	90,670
Other receivables	1,180,674
Due from other governments	23,728,763
Inventories	346,154
Prepaid costs and other assets	1,677,295
Restricted cash and investments (Note 4)	57,613,641
Capital assets - Net (Note 6)	210,442,061
Total assets	309,611,699
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 10)	898,540
Deferred retiree OPEB costs (Note 14)	1,386,946
Deferred pension costs (Note 13)	56,544,369
Deferred OPEB costs (Note 13)	5,201,477
Total deferred outflows of resources	64,031,332
<b>Liabilities</b>	
Accounts payable	11,815,242
Due to other governmental units	681,912
Accrued liabilities and other	22,224,409
Line of credit (Note 9)	6,000,000
Unearned revenue (Note 7)	841,412
Noncurrent liabilities:	
Due within one year (Notes 10 and 11)	12,967,353
Due in more than one year (Notes 10 and 11)	195,570,530
Net pension liability (Note 13)	271,529,474
Net OPEB liabilities (Notes 13 and 14)	103,116,766
Total liabilities	624,747,098
<b>Deferred Inflows of Resources</b>	
Deferred retiree OPEB cost reductions (Note 14)	839,517
Revenue in support of pension contributions made subsequent to the measurement date (Note 13)	10,859,467
Deferred pension cost reductions (Note 13)	27,299,083
Deferred OPEB cost reductions (Note 13)	3,127,543
Total deferred inflows of resources	42,125,610
<b>Net Position</b>	
Net investment in capital assets	40,490,507
Restricted:	
Capital projects	646,669
Debt service	6,556,462
Nutrition services	1,331,957
Unrestricted	(342,255,272)
Total net position	<u><u>\$ (293,229,677)</u></u>

# Warren Consolidated Schools

## Statement of Activities

Year Ended June 30, 2018

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	\$ 99,438,326	\$ 255,585	\$ 24,578,176	\$ (74,604,565)
Support services	58,821,612	1,259,189	11,963,731	(45,598,692)
Athletics	2,078,637	163,143	-	(1,915,494)
Nutrition services	6,631,657	2,136,924	5,326,168	831,435
Community services	532,815	409,186	174,643	51,014
Interest	6,670,780	-	772,110	(5,898,670)
Other debt costs	267,302	-	-	(267,302)
Depreciation expense (unallocated)	10,190,535	-	-	(10,190,535)
<b>Total primary government</b>	<b>\$ 184,631,664</b>	<b>\$ 4,224,027</b>	<b>\$ 42,814,828</b>	<b>(137,592,809)</b>
General revenue:				
Taxes:				
Property taxes, levied for general purposes				37,613,062
Property taxes, levied for debt service				16,834,490
State aid not restricted to specific purposes				88,514,204
Interest and investment earnings				464,070
Gain on sale of capital assets				40,994
Other				2,120,582
<b>Total general revenue</b>				<b>145,587,402</b>
<b>Change in Net Position</b>				<b>7,994,593</b>
<b>Net Position - Beginning of year, as previously reported</b>				<b>(198,606,804)</b>
<b>Cumulative Effect of Change in Accounting (Note 2)</b>				<b>(102,617,466)</b>
<b>Net Position - Beginning of year</b>				<b>(301,224,270)</b>
<b>Net Position - End of year</b>				<b><u><u>\$ (293,229,677)</u></u></b>

# Warren Consolidated Schools

## Governmental Funds Balance Sheet

June 30, 2018

	General Fund	2016 Building and Site Series A Capital Projects Fund	2018 Building and Site Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 4)	\$ 11,607,183	\$ -	\$ -	\$ 330,907	\$ 11,938,090
Receivables:					
Property taxes receivable	2,106,267	-	-	486,701	2,592,968
Accrued interest receivable	-	90,670	-	-	90,670
Other receivables	347,435	-	-	168,643	516,078
Due from other governments	23,402,533	-	-	326,230	23,728,763
Due from other funds (Note 8)	3,771,529	-	-	845,103	4,616,632
Inventories	259,338	-	-	86,816	346,154
Prepaid costs and other assets	1,677,295	-	-	-	1,677,295
Restricted cash and investments (Note 4)	-	28,999,138	19,999,095	8,615,408	57,613,641
<b>Total assets</b>	<b>\$ 43,171,580</b>	<b>\$ 29,089,808</b>	<b>\$ 19,999,095</b>	<b>\$ 10,859,808</b>	<b>\$ 103,120,291</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,246,364	\$ 10,493,811	\$ 71,817	\$ 3,250	\$ 11,815,242
Due to other governmental units	681,912	-	-	-	681,912
Due to other funds (Note 8)	2,883,533	2,212,384	29,400	878,415	6,003,732
Accrued liabilities and other	20,849,247	-	-	-	20,849,247
Line of credit (Note 9)	6,000,000	-	-	-	6,000,000
Unearned revenue (Note 7)	685,547	-	-	155,865	841,412
<b>Total liabilities</b>	<b>32,346,603</b>	<b>12,706,195</b>	<b>101,217</b>	<b>1,037,530</b>	<b>46,191,545</b>
<b>Deferred Inflows of Resources -</b> Unavailable revenue (Note 7)	<b>2,402,400</b>	<b>-</b>	<b>-</b>	<b>486,320</b>	<b>2,888,720</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>34,749,003</b>	<b>12,706,195</b>	<b>101,217</b>	<b>1,523,850</b>	<b>49,080,265</b>
<b>Fund Balances</b>					
Nonspendable:					
Inventories	259,338	-	-	86,816	346,154
Prepaid costs and other assets	1,677,295	-	-	-	1,677,295
Restricted:					
Debt service	-	-	-	7,931,624	7,931,624
Capital projects	-	16,383,613	19,897,878	-	36,281,491
Nutrition service	-	-	-	1,245,141	1,245,141
Committed - Capital projects	-	-	-	72,377	72,377
Assigned - Subsequent year budget shortfall	4,823,000	-	-	-	4,823,000
Unassigned	1,662,944	-	-	-	1,662,944
<b>Total fund balances</b>	<b>8,422,577</b>	<b>16,383,613</b>	<b>19,897,878</b>	<b>9,335,958</b>	<b>54,040,026</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 43,171,580</b>	<b>\$ 29,089,808</b>	<b>\$ 19,999,095</b>	<b>\$ 10,859,808</b>	<b>\$ 103,120,291</b>

## Warren Consolidated Schools

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

June 30, 2018

<b>Fund Balances Reported in Governmental Funds</b>	\$ 54,040,026
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	360,825,910
Accumulated depreciation	<u>(150,383,849)</u>
Net capital assets used in governmental activities	210,442,061
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	2,888,720
Deferred inflows and outflows related to bond refundings are not reported in the funds	898,540
Bonds payable (including premium and discounts) and capital lease obligations are not due and payable in the current period and are not reported in the funds	(206,484,916)
Accrued interest (excluding line of credit) is not due and payable in the current period and is not reported in the funds	(1,375,162)
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:	
Net pension liability and related deferred inflows and outflows	(242,284,188)
Net OPEB liability and related deferred inflows and outflows	(101,042,832)
Net OPEB (district-sponsored) liability and related deferred inflows and outflows	547,429
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	(10,859,467)
Internal service funds are included as part of governmental activities	<u>112</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ (293,229,677)</u></u></b>

# Warren Consolidated Schools

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

**Year Ended June 30, 2018**

	General Fund	2016 Building and Site Series A Capital Projects Fund	2018 Building and Site Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>					
Local sources	\$ 39,353,839	\$ 2,254,361	\$ 1,808	\$ 19,912,006	\$ 61,522,014
State sources	112,593,411	-	-	1,304,895	113,898,306
Federal sources	7,223,423	-	-	5,883,900	13,107,323
Interdistrict sources	4,187,414	-	-	-	4,187,414
Total revenue	163,358,087	2,254,361	1,808	27,100,801	192,715,057
<b>Expenditures</b>					
Current:					
Instruction	102,591,813	-	-	191,555	102,783,368
Support services	59,509,315	-	-	483,275	59,992,590
Athletics	2,140,051	-	-	-	2,140,051
Nutrition services	-	-	-	6,742,719	6,742,719
Community services	163,668	-	-	384,828	548,496
Debt service:					
Principal	100,558	-	-	8,915,000	9,015,558
Interest	42,965	-	-	8,447,219	8,490,184
Other debt costs	-	4,995	101,217	161,090	267,302
Capital outlay	348,057	37,990,222	70,356	9,522	38,418,157
Total expenditures	164,896,427	37,995,217	171,573	25,335,208	228,398,425
<b>Excess of Revenue (Under) Over Expenditures</b>	(1,538,340)	(35,740,856)	(169,765)	1,765,593	(35,683,368)
<b>Other Financing Sources (Uses)</b>					
Face value of debt issued (Note 10)	-	-	18,040,000	8,420,000	26,460,000
Proceeds from sale of capital assets	244,892	-	-	-	244,892
Premium on debt issued (Note 10)	-	-	2,027,643	974,295	3,001,938
Payment to bond refunding escrow agent (Note 10)	-	-	-	(9,652,830)	(9,652,830)
Transfers in (Note 8)	227,943	-	-	-	227,943
Transfers out (Note 8)	-	-	-	(227,943)	(227,943)
Total other financing sources (uses)	472,835	-	20,067,643	(486,478)	20,054,000
<b>Net Change in Fund Balances</b>	(1,065,505)	(35,740,856)	19,897,878	1,279,115	(15,629,368)
<b>Fund Balances - Beginning of year</b>	9,488,082	52,124,469	-	8,056,843	69,669,394
<b>Fund Balances - End of year</b>	<b>\$ 8,422,577</b>	<b>\$ 16,383,613</b>	<b>\$ 19,897,878</b>	<b>\$ 9,335,958</b>	<b>\$ 54,040,026</b>

## Warren Consolidated Schools

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

Year Ended June 30, 2018

<b>Net Change in Fund Balance Reported in Governmental Funds</b>	<b>\$ (15,629,368)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	37,933,278
Depreciation expense	(10,190,535)
Net book value of assets disposed of	(203,898)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(70,633)
Revenue in support of pension contributions made subsequent to the measurement date	(2,988,204)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(29,461,938)
Repayment of bond principal and capital leases are expenditures 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	20,442,147
Interest expense is recognized in the government-wide statements as it accrues	45,645
Some employee costs (pension and OPEB) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	18,723,967
District-sponsored other postemployment benefit liabilities are recorded when earned or actuarially determined, respectively, in the statement of activities. They are not reported in the governmental funds until paid	(10,605,879)
Internal service funds are included as part of governmental activities	<u>11</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 7,994,593</u></u></b>

## Warren Consolidated Schools

### Proprietary Fund Statement of Net Position

June 30, 2018

Internal Service  
Fund

#### Assets

Current assets:

Cash and investments (Note 4)

\$ 1,383

Due from other funds (Note 8)

2,051,696

Total assets

2,053,079

#### Liabilities

Current liabilities:

Accrued compensated absences (Note 10)

812,700

Provision for uninsured losses and liabilities (Notes 10 and 12)

686,670

Total current liabilities

1,499,370

Noncurrent liabilities:

Accrued compensated absences (Note 10)

477,300

Provision for uninsured losses and liabilities (Notes 10 and 12)

76,297

Total noncurrent liabilities

553,597

Total liabilities

2,052,967

**Net Position - Unrestricted**

**\$ 112**

## Warren Consolidated Schools

### Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2018

	<u>Internal Service Fund</u>
<b>Operating Revenue</b> - Charges for services	\$ 1,757,004
<b>Operating Expenses</b> - Cost of benefit claims - Net of reserve adjustments	<u>1,757,004</u>
<b>Operating Income (Loss)</b>	-
<b>Nonoperating Revenue</b> - Interest	<u>11</u>
<b>Change in Net Position</b>	11
<b>Net Position</b> - Beginning of year	<u>101</u>
<b>Net Position</b> - End of year	<u><u>\$ 112</u></u>

## Warren Consolidated Schools

## Proprietary Fund Statement of Cash Flows

Year Ended June 30, 2018

	<u>Internal Service Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from General Fund and Nutrition Service Fund for charges for services	\$ 1,808,737
Benefits and claims paid	<u>(1,809,594)</u>
Net cash used in operating activities	(857)
<b>Cash Flows Provided by Investing Activities</b> - Interest received on investments	<u>11</u>
<b>Net Decrease in Cash and Investments</b>	(846)
<b>Cash and Investments</b> - Beginning of year	<u>2,229</u>
<b>Cash and Investments</b> - End of year	<u><u>\$ 1,383</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>	
Operating income (loss)	\$ -
Adjustments to reconcile operating loss to net cash from operating activities -	
Changes in assets and liabilities:	
Due from other funds	51,733
Accrued compensated absences	(147,000)
Provision for uninsured losses and liabilities	<u>94,410</u>
Net cash used in operating activities	<u><u>\$ (857)</u></u>

## Warren Consolidated Schools

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### Fiduciary Funds Statement of Fiduciary Assets and Liabilities

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June 30, 2018

Agency Funds

**Assets** - Cash (Note 4)

**\$ 1,651,435**

**Liabilities**

Accounts payable

\$ 1,374

Due to student activities

985,465

Due to other funds (Note 8)

664,596

Total liabilities

**\$ 1,651,435**

June 30, 2018

### **Note 1 - Nature of Business**

Warren Consolidated 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 accounting policies of Warren Consolidated Schools (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. 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 and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes 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. Exceptions to this general rule occur when there are charges between the School District's business-type and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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 are reported as separate columns in the fund financial statements.

June 30, 2018

### 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 2016 Building and Site Series A Capital Projects Fund is used to account for and report the restricted bond proceeds from the 2016 bond issue and other financing sources that are restricted to expenditures in connection with renovating, remodeling, equipping, furnishing, and improving School District facilities.
- The 2018 Building and Site Capital Projects Fund is used to account for and report the restricted bond proceeds from the 2018 bond issue and other financing sources that are restricted to expenditures in connection with renovating, remodeling, equipping, furnishing, and improving the School District's facilities.

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. The School District's special revenue funds include the Nutrition Service and Community Service Funds. 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.

#### **Proprietary Funds**

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the School District). The School District does not have any enterprise funds.

The School District's Internal Service Fund provides finance services to other funds on a cost-reimbursement basis and is maintained for accrued compensated absences and risk liabilities. It is funded by user charges from the General and Nutrition Service Funds.

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

**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 held in trust for the students.

**Interfund Activity**

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

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

**Basis of Accounting**

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

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 are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Note 2 - Significant Accounting Policies (Continued)

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 five years. 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.

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

Table with 2 columns: Asset Category and Depreciable Life - Years. Rows include Buildings and improvements (20 - 50 years), Furniture and equipment (5 - 20 years), Site improvements (10 - 20 years), and Buses and other vehicles (8 - 15 years).

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 life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as an "other financing source" and bond discounts as "other financing uses." The General Fund and debt service 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 pension and OPEB plan costs and deferred refunding charges related to bonds.

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 cost reductions.

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

**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.

**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 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.

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

The fund balance policy prescribes the minimum fund balance as 12 percent of expenditures in the General Fund and special revenue funds. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year. If the fund balance decreases below 12 percent, it shall be recovered at a rate of 0.5 percent minimally each year. The Board of Education approved a deviation from this policy for 2017-2018.

**Property Tax Revenue**

Properties located in the cities of Troy and Sterling Heights, Michigan are assessed as of December 31, and the related property taxes are levied and become a lien on July 1 of the following year and are due on September 1. Properties located in the city of Warren, Michigan are assessed as of December 31, and the related property taxes are levied and become a lien on July 1 of the following year for approximately 50 percent of the taxes that are due on August 1 and December 1 for the remainder of the property taxes that are due on January 31. The final collection date for all properties is February 28, at which time they are added to the county tax rolls. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**Grants and Contributions**

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

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

**Other Postemployment Benefit Costs**

The School District offers retiree healthcare benefits to retirees, in addition to its participation in the MPSERS plan discussed above. The School District records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

June 30, 2018

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

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

**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.

**Adoption of New Accounting Pronouncement**

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

In accordance with the statement, the School District has reported net OPEB liabilities of \$107,953,257, deferred outflows of financial resources for OPEB contributions of \$6,930,472 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from State Aid in support of OPEB contributions of \$2,929,043 that was received subsequent to the June 30, 2018 measurement date, as the effects of these changes in accounting principles on the School District's net position as of July 1, 2017. As of June 30, 2017, the School District reported a liability of \$1,334,362 related to the School District's retiree healthcare other postemployment benefits.

**Upcoming Accounting Pronouncements**

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

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

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

***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all capital projects and special revenue funds except that operating transfers and debt proceeds and payments have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." 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.

The statement of revenue, expenditures, and changes in fund balances presents capital outlay separately, as required by generally accepted accounting principles.

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 made significant adjustments to federal and state source revenue, and related expenditures were needed to reflect changes in current funding unknown at the time of the original budget.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

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

The School District did not have significant expenditure budget variances.

**Note 4 - Deposits and Investments**

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

The School District has designated five banks for the deposit of its funds, of which two are currently being used.

The investment policy adopted by the board in accordance with state statutes has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and all other investments as noted by the state statutory authority listed above.

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

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

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

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District's had \$38,306,449 of bank deposits (checking and money market accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Custodial Credit Risk of Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2018, the School District does not have investments with custodial credit risk.

***Interest Rate Risk***

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

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At June 30, 2018, the School District had investments totaling \$22,385,758 in federal agency securities with maturity dates ranging from July 2018 to November 2019. These investments have a credit quality rating of AA+ according to the rating organization S&P. The School District's remaining investments are not subject to credit risk.

***Concentration of Credit Risk***

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2018, the School District has three investments (federal agency securities) that individually exceed 5 percent of total investments. The School District's investment in two FNMA notes and an FHLB note represents 17.7 percent, 11.3 percent, and 11.5 percent of total investments, respectively.

June 30, 2018

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

*Foreign Currency Risk*

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

**Note 5 - Fair Value Measurements**

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

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

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

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

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

The School District has recurring fair value measurements as of June 30, 2018 of \$10,783,109 in U.S. Treasury securities and \$22,385,758 in federal agency securities. The fair value of these securities at June 30, 2018 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

June 30, 2018

**Note 6 - Capital Assets**

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

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 3,399,788	\$ -	\$ -	\$ (100,000)	\$ 3,299,788
Construction in progress	19,226,555	(17,711,583)	17,268,551	(24,652)	18,758,871
Subtotal	22,626,343	(17,711,583)	17,268,551	(124,652)	22,058,659
Capital assets being depreciated:					
Buildings and improvements	177,871,267	2,992,495	8,643,176	-	189,506,938
Furniture and equipment	37,987,271	7,502,909	1,483,970	-	46,974,150
Buses and other vehicles	10,441,418	1,139,115	1,453,911	(792,457)	12,241,987
Land improvements	74,883,442	6,077,064	9,083,670	-	90,044,176
Subtotal	301,183,398	17,711,583	20,664,727	(792,457)	338,767,251
Accumulated depreciation:					
Buildings and improvements	64,733,524	-	2,351,574	-	67,085,098
Furniture and equipment	29,651,092	-	3,371,601	-	33,022,693
Buses and other vehicles	7,898,258	-	785,403	(713,211)	7,970,450
Land improvements	38,623,651	-	3,681,957	-	42,305,608
Subtotal	140,906,525	-	10,190,535	(713,211)	150,383,849
Net capital assets being depreciated	160,276,873	17,711,583	10,474,192	(79,246)	188,383,402
Net capital assets	\$ 182,903,216	\$ -	\$ 27,742,743	\$ (203,898)	\$ 210,442,061

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

Subsequent to June 30, 2018, the School District sold a building, land, and associated property to an unrelated third party for approximately \$2,400,000. The estimated net book value of these assets as of June 30, 2018 totaled approximately \$5,000,000. The loss on the sale will be recognized during the year ended June 30, 2019.

**Construction Commitments**

The School District's cumulative expenditures and remaining commitments with contractors as of June 30, 2018 for the 2016 Building and Site Series A Capital Projects Fund totaled \$55,578,294 and \$16,482,061, respectively. The 2018 Building and Site Capital Projects Fund did not have any commitments as of June 30, 2018.

**Note 7 - 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.

**June 30, 2018**

**Note 7 - Unavailable/Unearned Revenue (Continued)**

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

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Delinquent property taxes	\$ 2,580,112	\$ -
Other receivables unavailable for use in the current period	308,608	-
Other payments received prior to meeting all eligibility requirements	-	216,559
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	624,853
Total	<u>\$ 2,888,720</u>	<u>\$ 841,412</u>

**Note 8 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Fund Due To	Fund Due From					Total
	General Fund	2016 Building and Site Series A Capital Projects Fund	2018 Building and Site Capital Projects Fund	Nonmajor Governmental Funds	Activities (Agency) Fund	
General Fund	\$ -	\$ 2,212,384	\$ 29,400	\$ 877,611	\$ 652,134	\$ 3,771,529
Nonmajor governmental funds	832,641	-	-	-	12,462	845,103
Internal Service Fund	2,050,892	-	-	804	-	2,051,696
Total	<u>\$ 2,883,533</u>	<u>\$ 2,212,384</u>	<u>\$ 29,400</u>	<u>\$ 878,415</u>	<u>\$ 664,596</u>	<u>\$ 6,668,328</u>

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.

The Nutrition Service Fund and Community Service Fund transferred funds totaling \$133,000 and \$7,443, respectively, to the General Fund for current year excess costs related to operations of the funds for the purposes for which they were created. The Building and Site Fund transferred \$87,500 to the General Fund to pay for copier lease costs.

**Note 9 - Line of Credit**

In May 2018, the School District entered into a line of credit agreement with a bank. The line has an \$8,000,000 credit limit and bore interest at 80 percent of the bank's daily LIBOR rate plus interest rate spread of 121 basis points (an effective rate of 2.88 percent at June 30, 2018). At June 30, 2018, the School District had \$6,000,000 of the line of credit outstanding. The line of credit was repaid on August 30, 2018.

June 30, 2018

**Note 10 - Long-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
General obligations	\$ 176,780,000	\$ 26,460,000	\$ (18,410,000)	\$ 184,830,000	\$ 9,535,000
Unamortized bond premiums	20,913,390	3,001,938	(2,273,292)	21,642,036	1,873,012
Unamortized bond discounts	(615,447)	-	288,848	(326,599)	(43,719)
Total bonds payable	197,077,943	29,461,938	(20,394,444)	206,145,437	11,364,293
Capital lease	440,037	-	(100,558)	339,479	103,690
Compensated absences	1,437,000	883,814	(1,030,814)	1,290,000	812,700
Risk liabilities	668,557	873,190	(778,780)	762,967	686,670
Total governmental activities long-term debt	<u>\$ 199,623,537</u>	<u>\$ 31,218,942</u>	<u>\$ (22,304,596)</u>	<u>\$ 208,537,883</u>	<u>\$ 12,967,353</u>

The School District had deferred outflows of \$898,540 related to deferred charges on bond refundings at June 30, 2018.

**General Obligation Bonds**

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Qualified bonds are fully guaranteed by the State of Michigan. General obligations outstanding at June 30, 2018 are as follows:

Purpose	Remaining Annual Installments	Interest Rate(s)	Maturing May 1	Outstanding
\$15,000,000 qualified general obligation bonds (2010)*	\$15,000,000	6.375%	2027	\$ 15,000,000
\$11,050,000 general obligation bonds (2011)	\$1,550,000 - \$3,950,000	3% - 5%	2022	9,100,000
\$14,805,000 qualified general obligation bonds (2012)	\$205,000 - \$1,000,000	3% - 5%	2037	14,180,000
\$11,085,000 general obligation bonds (2012)	\$1,255,000 - \$1,315,000	2% - 3%	2022	5,090,000
\$20,810,000 qualified general obligation bonds (2013)	\$2,375,000 - \$2,500,000	5%	2021	7,325,000
\$29,285,000 qualified general obligation bonds (2016)	\$1,895,000 - \$6,080,000	5%	2035	29,285,000
\$25,755,000 general obligation bonds (2016)	\$260,000 - \$5,695,000	4% - 5%	2025	19,980,000
\$61,335,000 qualified general obligation bonds (2016)	\$160,000 - \$6,000,000	4% - 5%	2036	58,410,000
\$8,420,000 general obligation bonds (2017)	\$1,070,000 - \$2,895,000	4%	2027	8,420,000
\$18,040,000 qualified general obligation bonds (2018)	\$1,300,000 - \$23,770,000	4% - 5%	2038	18,040,000
Total governmental activities				<u>\$ 184,830,000</u>

**Note 10 - Long-term Debt (Continued)**

\* In order to provide repayment at final maturity, a set-aside arrangement is being used. The School District invested \$5,131,168 into a set-aside account as of June 30, 2018. The interest payments made each year by the School District, through maturity, will be subsidized by the federal government (as shown in the debt service requirements table).

**Other Long-term Liabilities**

Other long-term liabilities include postemployment retiree healthcare benefits, compensated absences, capital leases, and certain risk liabilities.

**Debt Service Requirements to Maturity**

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

Years Ending June 30	Governmental Activities			
	Principal	Interest	Maximum Interest Subsidy	Total
2019	\$ 9,535,000	\$ 8,932,455	\$ (773,352)	\$ 17,694,103
2020	8,325,000	8,646,937	(773,352)	16,198,585
2021	8,785,000	8,267,163	(773,352)	16,278,811
2022	8,525,000	7,862,375	(773,352)	15,614,023
2023	8,855,000	7,498,375	(773,352)	15,580,023
2024-2028	61,040,000	29,915,812	(3,202,704)	87,753,108
2029-2033	46,450,000	15,250,000	-	61,700,000
2034-2038	33,315,000	3,540,750	-	36,855,750
Total	\$ 184,830,000	\$ 89,913,867	\$ (7,069,464)	\$ 267,674,403

**Bond Refunding**

During the current year, the School District issued \$8,420,000 in qualified tax-exempt obligation bonds with an average effective interest rate of 2.24 percent. The proceeds of these bonds were used to refund \$9,495,000 of outstanding 2007 Refunding Bonds with an average interest rate of 4.0 percent. The net proceeds of approximately \$9.6 million (after payment of \$161,090 in underwriting fees and insurance) were deposited in an irrevocable trust with an escrow agent and subsequently used to redeem in full the aforementioned bonds. All of the aforementioned refunded bonds were fully redeemed by June 30, 2018. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from the School District's long-term obligations. The refunding reduced total debt service payments by \$1,098,947, which represents an economic gain of \$918,189.

**Note 11 - Capital Leases**

The School District has entered into a lease agreement as lessee for financing the purchase of copiers. The future minimum lease payments and the net present value are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2019	\$ 112,663
2020	112,663
2021	112,663
2022	<u>18,700</u>
Total	356,689
Less amount representing interest	<u>17,210</u>
Present value of net minimum lease payments	<u>339,479</u>
Long-term obligations under capital leases	<u><u>\$ 339,479</u></u>

**Note 12 - 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. During the fiscal year ended June 30, 2018, the School District has purchased commercial insurance for health and dental claims for all employees. The School District participates in the SET-SEG (risk pool) for claims relating to property, casualty, torts, and errors and omissions; the School District is self-insured for workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>Workers' Compensation</u>	
	<u>2018</u>	<u>2017</u>
Estimated liability - Beginning of year	\$ 668,557	\$ 536,691
Estimated claims incurred, including changes in estimates	873,190	655,602
Claim payments - Net of reinsurance refunds	<u>(778,780)</u>	<u>(523,736)</u>
Estimated liability - End of year	<u><u>\$ 762,967</u></u>	<u><u>\$ 668,557</u></u>

**Note 13 - 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.

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 the years in which 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.

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

**Contributions**

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to 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%

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2018 were \$29,450,355, 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 \$10,859,467 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, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147c(2) of the State Aid Act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were \$6,691,447, which include the School District's contributions required for those members with a defined contribution benefit.

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

**Net Pension Liability**

At June 30, 2018, the School District reported a liability of \$271,529,474 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 1.05 percent and 1.04 percent, respectively.

**Net OPEB Liability**

At June 30, 2018, the School District reported a liability of \$92,510,887 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 1.04 percent .

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

For the year ended June 30, 2018, the School District recognized pension expense of \$21,896,131, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,359,776	\$ (1,332,338)
Changes in assumptions	29,748,211	-
Net difference between projected and actual earnings on pension plan investments	-	(12,980,895)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,483,408	(12,985,850)
The School District's contributions to the plan subsequent to the measurement date	22,952,974	-
Total	<u>\$ 56,544,369</u>	<u>\$ (27,299,083)</u>

The \$10,859,467 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2019	\$ (1,301,449)
2020	4,614,769
2021	3,369,019
2022	(390,027)
Total	<u>\$ 6,292,312</u>

June 30, 2018

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

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

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$6,189,295.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (984,969)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,142,574)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	6,561	-
Employer contributions to the plan subsequent to the measurement date	5,194,916	-
Total	<u>\$ 5,201,477</u>	<u>\$ (3,127,543)</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 expense):

Years Ending	Amount
2019	\$ (754,312)
2020	(754,312)
2021	(754,312)
2022	(754,312)
2023	(103,734)
Total	<u>\$ (3,120,982)</u>

***Actuarial Assumptions***

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

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

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

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

**Discount Rate**

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

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

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

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

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

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

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

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the School District	\$ 353,712,591	\$ 271,529,474	\$ 202,336,524

June 30, 2018

**Note 13 - Michigan Public School Employees' Retirement System (Continued)**

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

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

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 108,356,987	\$ 92,510,887	\$ 79,062,510

***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	\$ 78,344,286	\$ 92,510,887	\$ 108,596,075

***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, 2018, the School District reported a payable of \$4,513,503 and \$1,090,679 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

**Note 14 - Other Postemployment Benefit Plan**

***Plan Description***

The School District provides other postemployment benefits (OPEB) for all employees who meet eligibility requirements. This is a single-employer defined benefit plan administered by the School District. The benefits are provided under collective bargaining agreements and are provided by the School District through the General Fund directly to the retiree and beneficiary. The plan does not issue a separate stand-alone financial statement, and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

***Benefits Provided***

All retirees who elect to continue health coverage through MPSERS are reimbursed by the School District for the unpaid portion of their healthcare coverage premiums, as contractually agreed upon, for the life of the retiree. The plan has been closed to new entrants per dates listed below. There are no cost of living benefit adjustments. Additionally, the School District also provides group life insurance for all qualifying retirees, at various levels of coverage, as determined by the contract under which the retiree was employed.

**Note 14 - Other Postemployment Benefit Plan (Continued)**

**Employees Covered by Benefit Terms**

Executive administrative assistants or executive administrators - Eligible for medical benefits if retired on or before June 30, 2010. Eligible for life benefits if hired before July 1, 2004

Members of 1346 or WAA - Eligible for medical benefits if retired on or before December 31, 2010. Eligible for life benefits after 10 years of service

Members of 1815 or WEA - Eligible for medical benefits if retired on or before June 30, 2013. Eligible for life benefits after 10 years of service

The following members were covered by the benefit terms as of June 30, 2018:

Inactive plan members or beneficiaries currently receiving benefits	1,162
Active plan members	1,450
	<hr/>
Total plan members	2,612
	<hr/> <hr/>

**Contributions**

Retiree healthcare costs are paid by the School District on a "pay-as-you-go" basis. The School District has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2018, the School District made payments for postemployment health benefit premiums of \$707,677.

**Net OPEB Liability**

The School District's net OPEB liability of \$10,605,879 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Total Net Liability
<b>Balance at July 1, 2017</b>	\$ 10,374,766
Changes for the year:	
Service cost	9,815
Interest	290,307
Differences between expected and actual experience	(979,436)
Changes in assumptions	1,618,104
Benefit payments	(707,677)
	<hr/>
Net changes	231,113
	<hr/>
<b>Balance at June 30, 2018</b>	<b>\$ 10,605,879</b>
	<hr/> <hr/>

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$(316,317).

**Note 14 - Other Postemployment Benefit Plan (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (839,517)
Changes in assumptions	1,386,946	-
<b>Total</b>	<b>\$ 1,386,946</b>	<b>\$ (839,517)</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2019	\$ 91,238
2020	91,238
2021	91,238
2022	91,238
2023	91,238
Thereafter	91,239
<b>Total</b>	<b>\$ 547,429</b>

**Actuarial Assumptions**

The net OPEB liability in the June 30, 2018 actuarial valuation was determined under the entry age normal (level percent) actuarial cost method using a payroll inflation assumption of 1 percent; a healthcare cost trend rate of 8.5 percent and 7.5 percent for 2018, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent, for members aged 65 or under and members older than 65, respectively; a life insurance cost of \$1.31 per month per \$1,000; using the RP-2014 mortality tables with the MP-2017 improvement scale, retirement age of 59 or retirement eligibility if later; assumption that 80 percent of active members will have a covered spouse at retirement with females three years younger than males; and the assumption that 100 percent of eligible members will elect coverage at retirement. These assumptions were applied to all periods included in the measurement.

**Discount Rate**

The discount rate used to measure the net OPEB liability was 3.0 percent. The discount rate was based on the 20-year Aa Municipal bond rate.

**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 discount rate of 3.0 percent, as well as 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 (2.0%)	Current Discount Rate (3.0%)	1 Percent Increase (4.0%)
Net OPEB liability of the School District	\$ 11,773,911	\$ 10,605,879	\$ 9,620,155

**Note 14 - Other Postemployment Benefit Plan (Continued)**

***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, as well as 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	Current Healthcare Cost	1 Percent Increase
Net OPEB liability of the School District	\$ 9,686,673	\$ 10,605,879	\$ 11,671,064

***Assumption Changes***

Mortality updated to RPH 2014 table with MP 2017 improvement from IRS tables.

Medical trend rates were reset.

**Note 15 - Contingencies**

The School District is a defendant in various lawsuits arising out of the normal course of operations. Probable outcomes are currently unknown, and the current financial exposure to the School District is not readily determinable. The School District will vigorously defend its positions in these lawsuits.

**Note 16 - Tax Abatements**

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and Payment in Lieu of Tax (PILOT) 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; PILOTs compensate local governments for some or all of the real estate tax revenue that is lost due to the waiver of that revenue.

For the fiscal year ended June 30, 2018, the School District's property tax revenue was reduced by \$1,371,000 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 \$1,080,000 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.

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## Required Supplemental Information

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## Warren Consolidated Schools

### Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 40,466,000	\$ 38,901,000	\$ 39,353,839	\$ 452,839
State sources	107,975,000	113,432,000	112,593,411	(838,589)
Federal sources	7,599,000	8,125,000	7,223,423	(901,577)
Interdistrict and other sources	4,116,000	4,250,000	4,187,414	(62,586)
Total revenue	160,156,000	164,708,000	163,358,087	(1,349,913)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic program	80,213,000	81,648,000	81,686,790	38,790
Added needs	21,838,000	21,275,000	20,887,224	(387,776)
Adult/Continuing education	293,000	170,000	128,934	(41,066)
Support services:				
Pupil	14,815,000	16,099,000	15,843,315	(255,685)
Instructional staff	7,777,000	8,147,000	7,026,383	(1,120,617)
General administration	1,085,000	1,103,000	1,205,859	102,859
School administration	10,213,000	10,495,000	10,326,919	(168,081)
Business	2,538,000	2,338,000	2,255,841	(82,159)
Operations and maintenance	14,935,000	14,766,000	14,575,274	(190,726)
Pupil transportation services	4,416,000	4,680,000	4,507,164	(172,836)
Central	4,324,000	4,310,000	3,966,828	(343,172)
Other support services	2,136,000	2,183,000	2,178,705	(4,295)
Community services	344,000	285,000	163,668	(121,332)
Debt service	113,000	113,000	143,523	30,523
Total expenditures	165,040,000	167,612,000	164,896,427	(2,715,573)
<b>Excess of Expenditures Over Revenue</b>	(4,884,000)	(2,904,000)	(1,538,340)	1,365,660
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	17,000	250,000	244,892	(5,108)
Transfers in	377,000	305,000	227,943	(77,057)
Total other financing sources	394,000	555,000	472,835	(82,165)
<b>Net Change in Fund Balance</b>	(4,490,000)	(2,349,000)	(1,065,505)	1,283,495
<b>Fund Balance - Beginning of year</b>	9,488,082	9,488,082	9,488,082	-
<b>Fund Balance - End of year</b>	<u>\$ 4,998,082</u>	<u>\$ 7,139,082</u>	<u>\$ 8,422,577</u>	<u>\$ 1,283,495</u>

## Warren Consolidated Schools

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

#### Last Four Plan Years Plan Years Ended September 30

	2017	2016	2015	2014
School District's proportion of the net pension liability	1.04780 %	1.04109 %	1.07419 %	1.17126 %
School District's proportionate share of the net pension liability	\$ 271,529,474	\$ 259,743,796	\$ 262,371,334	\$ 257,981,079
School District's covered employee payroll	\$ 88,286,823	\$ 86,363,046	\$ 89,147,715	\$ 100,635,589
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	307.55 %	300.76 %	294.31 %	256.35 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.15 %

## Warren Consolidated Schools

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

	<b>Last Four Fiscal Years Years Ended June 30</b>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 27,244,948	\$ 25,002,894	\$ 24,385,476	\$ 20,933,475
Contributions in relation to the statutorily required contribution	<u>27,244,948</u>	<u>25,002,894</u>	<u>24,385,476</u>	<u>20,933,475</u>
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Employee Payroll</b>	\$ 90,572,803	\$ 90,613,103	\$ 86,861,142	\$ 92,499,737
<b>Contributions as a Percentage of Covered Employee Payroll</b>	30.08 %	27.59 %	28.07 %	22.63 %

## Warren Consolidated Schools

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

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

	<u>2017</u>
School District's proportion of the net OPEB liability	1.04467 %
School District's proportionate share of the net OPEB liability	\$ 92,510,887
School District's covered employee payroll	\$ 88,286,823
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	104.78 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

## Warren Consolidated Schools

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

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	<b>Last Fiscal Year</b>
	<b>Year Ended June 30</b>
	<u>2018</u>
Statutorily required contribution	\$ 6,528,646
Contributions in relation to the statutorily required contribution	<u>6,528,646</u>
<b>Contribution Deficiency</b>	<b><u>\$ -</u></b>
<b>School District's Covered Employee Payroll</b>	<b>\$ 90,572,803</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>7.21 %</b>

## Warren Consolidated Schools

### Required Supplemental Information Schedule of Changes in the Net OPEB Liability and Related Ratios

	<b>Last Fiscal Year</b>
	<u>2018</u>
<b>Net OPEB Liability</b>	
Service cost	\$ 9,815
Interest	290,307
Differences between expected and actual experience	(979,436)
Changes in assumptions	1,618,104
Benefit payments	<u>(707,677)</u>
<b>Net Change in Net OPEB Liability</b>	231,113
<b>Net OPEB Liability - Beginning of year</b>	<u>10,374,766</u>
<b>Net OPEB Liability - End of year</b>	<b><u><u>\$ 10,605,879</u></u></b>

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

## Warren Consolidated Schools

### Required Supplemental Information Schedule of OPEB Contributions

**Last Fiscal Year  
Year Ended June 30**

	<u>2018</u>
Actuarially determined contribution	\$ 932,254
Contributions in relation to the actuarially determined contribution	<u>707,677</u>
<b>Contribution Deficiency</b>	<b><u><u>\$ (224,577)</u></u></b>

#### Notes to Schedule of OPEB Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry-age normal

Amortization method Level percent

Payroll inflation 1 percent

Healthcare cost trend rates 8.5 percent and 7.5 percent for 2018, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent, for members aged 65 or under and members older than 65, respectively

Life insurance \$1.31 per month per \$1,000

Retirement age Age 59 or retirement eligibility if later

Mortality RPH-2014 Annuitant and nonannuitant, white collar, sex-distinct mortality tables with mortality improvement projection MP 2017

Utilization 100 percent of eligible employees will elect available coverage at retirement; Actual coverage used for nonactive

Marital assumption 80 percent of active employees will have covered spouse at retirement with females three years younger than males; actual spouse data used for retirees

June 30, 2018

### ***Pension Information***

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

### **Benefit Changes**

There were no changes of benefit terms in 2017.

### **Changes in Assumptions**

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

### **Covered Payroll**

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

### ***OPEB Information***

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

### **Benefit Changes**

There were no changes of benefit terms in 2017.

### **Changes in Assumptions**

There were no changes of benefit assumptions in 2017.

### **Covered Payroll**

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

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## Other Supplemental Information

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# Warren Consolidated Schools

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

**June 30, 2018**

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Nutrition Service Fund	Community Service Fund	Nonmajor Debt Service Fund	Building and Site Fund	
<b>Assets</b>					
Cash and investments	\$ 136,530	\$ -	\$ -	\$ 194,377	\$ 330,907
Receivables:					
Property taxes receivable	-	-	486,701	-	486,701
Other receivables	96,143	-	-	72,500	168,643
Due from other governments	326,230	-	-	-	326,230
Due from other funds	845,103	-	-	-	845,103
Inventories	86,816	-	-	-	86,816
Restricted cash and investments	-	-	8,615,408	-	8,615,408
<b>Total assets</b>	<b>\$ 1,490,822</b>	<b>\$ -</b>	<b>\$ 9,102,109</b>	<b>\$ 266,877</b>	<b>\$ 10,859,808</b>
<b>Liabilities</b>					
Accounts payable	\$ 2,196	\$ -	\$ 1,054	\$ -	\$ 3,250
Due to other funds	804	-	683,111	194,500	878,415
Unearned revenue	155,865	-	-	-	155,865
<b>Total liabilities</b>	158,865	-	684,165	194,500	1,037,530
<b>Deferred Inflows of Resources -</b>					
Unavailable revenue	-	-	486,320	-	486,320
<b>Fund Balances</b>					
Nonspendable - Inventories	86,816	-	-	-	86,816
Restricted:					
Debt service	-	-	7,931,624	-	7,931,624
Nutrition service	1,245,141	-	-	-	1,245,141
Committed - Capital projects	-	-	-	72,377	72,377
<b>Total fund balances</b>	<b>1,331,957</b>	<b>-</b>	<b>7,931,624</b>	<b>72,377</b>	<b>9,335,958</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,490,822</b>	<b>\$ -</b>	<b>\$ 9,102,109</b>	<b>\$ 266,877</b>	<b>\$ 10,859,808</b>

## Warren Consolidated Schools

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

**Year Ended June 30, 2018**

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Nutrition Service Fund	Community Service Fund	Nonmajor Debt Service Fund	Building and Site Fund	
<b>Revenue</b>					
Local sources	\$ 2,158,033	\$ 766,697	\$ 16,986,034	\$ 1,242	\$ 19,912,006
State sources	214,379	-	1,090,516	-	1,304,895
Federal sources	5,111,790	-	772,110	-	5,883,900
Total revenue	7,484,202	766,697	18,848,660	1,242	27,100,801
<b>Expenditures</b>					
Current:					
Instruction	-	191,555	-	-	191,555
Support services	277,755	182,871	22,649	-	483,275
Nutrition services	6,742,719	-	-	-	6,742,719
Community services	-	384,828	-	-	384,828
Debt service:					
Principal	-	-	8,915,000	-	8,915,000
Interest	-	-	8,447,219	-	8,447,219
Other debt costs	-	-	161,090	-	161,090
Capital outlay	9,522	-	-	-	9,522
Total expenditures	7,029,996	759,254	17,545,958	-	25,335,208
<b>Excess of Revenue Over Expenditures</b>	454,206	7,443	1,302,702	1,242	1,765,593
<b>Other Financing Sources (Uses)</b>					
Face value of debt issued	-	-	8,420,000	-	8,420,000
Premium on debt issued	-	-	974,295	-	974,295
Payment to bond refunding escrow agent	-	-	(9,652,830)	-	(9,652,830)
Transfers out	(133,000)	(7,443)	-	(87,500)	(227,943)
Total other financing uses	(133,000)	(7,443)	(258,535)	(87,500)	(486,478)
<b>Net Change in Fund Balances</b>	321,206	-	1,044,167	(86,258)	1,279,115
<b>Fund Balances - Beginning of year</b>	1,010,751	-	6,887,457	158,635	8,056,843
<b>Fund Balances - End of year</b>	<u>\$ 1,331,957</u>	<u>\$ -</u>	<u>\$ 7,931,624</u>	<u>\$ 72,377</u>	<u>\$ 9,335,958</u>

## Warren Consolidated Schools

Years Ending June 30	2010 Unlimited	2011	2012 Unlimited	2012	2013	2016
	Tax Series B	Refunding	Tax Series A	Refunding	Refunding	Refunding
	Principal	Bonds	Principal	Bonds	Bonds	Bonds Series
	Principal	Principal	Principal	Principal	Principal	A
	Principal	Principal	Principal	Principal	Principal	Principal
2019	\$ -	\$ -	\$ 205,000	\$ 1,255,000	\$ 2,500,000	\$ -
2020	-	3,600,000	250,000	1,255,000	2,450,000	-
2021	-	3,950,000	300,000	1,265,000	2,375,000	-
2022	-	1,550,000	525,000	1,315,000	-	-
2023	-	-	575,000	-	-	-
2024	-	-	625,000	-	-	-
2025	-	-	675,000	-	-	1,895,000
2026	-	-	725,000	-	-	6,080,000
2027	15,000,000	-	775,000	-	-	1,940,000
2028	-	-	875,000	-	-	2,050,000
2029	-	-	875,000	-	-	2,155,000
2030	-	-	900,000	-	-	2,265,000
2031	-	-	925,000	-	-	2,375,000
2032	-	-	950,000	-	-	2,485,000
2033	-	-	1,000,000	-	-	2,595,000
2034	-	-	1,000,000	-	-	2,705,000
2035	-	-	1,000,000	-	-	2,740,000
2036	-	-	1,000,000	-	-	-
2037	-	-	1,000,000	-	-	-
2038	-	-	-	-	-	-
Total remaining payments	<b>\$ 15,000,000</b>	<b>\$ 9,100,000</b>	<b>\$ 14,180,000</b>	<b>\$ 5,090,000</b>	<b>\$ 7,325,000</b>	<b>\$ 29,285,000</b>
Principal payments due	May 1					
Interest payments due	May 1 and November 1					
Interest rate	6.375%	3.0% to 5.0%	3.0% to 5.0%	2.0% to 3.0%	5.0%	5.0%
Original issue	<b>\$ 15,000,000</b>	<b>\$ 11,050,000</b>	<b>\$ 14,805,000</b>	<b>\$ 11,085,000</b>	<b>\$ 20,810,000</b>	<b>\$ 29,285,000</b>

Other Supplemental Information  
Schedule of Bonded Indebtedness

June 30, 2018

2016 Refunding Bonds Series B	2016 Building and Site Bonds Series A	2017 Refunding Bonds	2018 Building and Site Bonds	Total
Principal	Principal	Principal	Principal	
\$ 3,575,000	\$ 2,000,000	\$ -	\$ -	\$ 9,535,000
260,000	510,000	-	-	8,325,000
295,000	160,000	-	440,000	8,785,000
630,000	910,000	2,895,000	700,000	8,525,000
5,510,000	935,000	1,135,000	700,000	8,855,000
5,695,000	935,000	1,120,000	875,000	9,250,000
4,015,000	1,160,000	1,100,000	875,000	9,720,000
-	1,335,000	1,100,000	900,000	10,140,000
-	4,035,000	1,070,000	950,000	23,770,000
-	4,235,000	-	1,000,000	8,160,000
-	4,435,000	-	1,025,000	8,490,000
-	4,660,000	-	1,050,000	8,875,000
-	4,910,000	-	1,075,000	9,285,000
-	5,135,000	-	1,100,000	9,670,000
-	5,410,000	-	1,125,000	10,130,000
-	5,685,000	-	1,175,000	10,565,000
-	5,960,000	-	1,200,000	10,900,000
-	6,000,000	-	1,250,000	8,250,000
-	-	-	1,300,000	2,300,000
-	-	-	1,300,000	1,300,000
<b>\$ 19,980,000</b>	<b>\$ 58,410,000</b>	<b>\$ 8,420,000</b>	<b>\$ 18,040,000</b>	<b>\$ 184,830,000</b>
May 1	May 1	May 1	May 1	
May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	
4.0% to 5.0%	4.0% to 5.0%	4.0%	4.0% to 5.0%	
<b>\$ 25,755,000</b>	<b>\$ 61,335,000</b>	<b>\$ 8,420,000</b>	<b>\$ 18,040,000</b>	