
Wayne-Westland Community Schools

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

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Independent Auditor's Report

To the Board of Education
Wayne-Westland Community Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of Wayne-Westland Community Schools (the "School District") as of and for the ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Wayne-Westland Community Schools' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

To the Board of Education
Wayne-Westland Community Schools

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, as of July 1, 2017, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) 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.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the proportionate share of the net pension and OPEB liabilities, and the major fund budgetary comparison schedules 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 Wayne-Westland Community Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2018 on our consideration of Wayne-Westland Community 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 Wayne-Westland Community Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 4, 2018

This section of Wayne-Westland Community 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 Wayne-Westland Community 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, the Federal, State, and Local Grant Programs Fund, and the Special Education Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Funds

Schedule of the School District's Proportionate Share of the Net Pension and Net OPEB Liabilities

Schedule of Pension and OPEB Contributions

Other Supplemental Information

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

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

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

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

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

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

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.

Wayne-Westland Community 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)	
Assets		
Current and other assets	\$ 41.5	\$ 36.2
Capital assets	87.3	89.8
Total assets	128.8	126.0
Deferred Outflows of Resources	45.3	25.1
Liabilities		
Current liabilities	18.8	25.4
Noncurrent liabilities	10.5	9.7
Net pension liability	205.4	199.2
Net OPEB obligation	70.3	-
Total liabilities	305.0	234.3
Deferred Inflows of Resources	25.8	11.7
Net Position		
Net investment in capital assets	79.5	75.4
Restricted	2.1	3.2
Unrestricted	(238.3)	(173.5)
Total net position	<u>\$ (156.7)</u>	<u>\$ (94.9)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was a deficit of \$(156.7) million at June 30, 2018. Net investment in capital assets totaling \$79.5 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 of \$(238.3) million was unrestricted.

The \$(238.3) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

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 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 \$(71.1) million and to include the net OPEB obligation 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.

Wayne-Westland Community 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)	
Revenue		
Program revenue:		
Charges for services	\$ 2.4	\$ 2.0
Operating grants and contributions	63.0	59.0
General revenue:		
Taxes	22.5	27.5
State aid not restricted to specific purposes	65.0	63.1
Other	3.1	2.6
Total revenue	156.0	154.2
Expenses		
Instruction	79.9	74.9
Support services	58.7	55.6
Athletics	1.5	1.4
Milk and hot lunch	5.8	5.7
Community services	0.2	0.1
Interest and other	0.6	0.9
Total expenses	146.7	138.6
Change in Net Position	9.3	15.6
Net Position - Beginning of year, as previously reported	(94.9)	(110.5)
Cumulative Effect of Change in Accounting	(71.1)	-
Net Position - Beginning of year	(166.0)	(110.5)
Net Position - End of year	<u><u>\$ (156.7)</u></u>	<u><u>\$ (94.9)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$146.7 million. Certain activities were partially funded from those who benefited from the programs (\$2.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$63.0 million). We paid for the remaining "public benefit" portion of our governmental activities with \$22.5 million in taxes, \$65.0 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$9.3 million. Key reasons for the change in net position were the increase in operating grants and contributions, an increase charges for services, an increase in state aid revenue, an increase in other miscellaneous revenue, and a decrease in interest expense.

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

The School District's Funds

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

Wayne-Westland Community Schools

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$22.5 million, which is an increase of \$5.3 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased \$6.7 million to \$18.8 million. The change is mainly due to increases in local property tax values impacting the enhancement millage and increases in state aid revenue.

The Special Education Fund tracks the expenditures of our Act 18 Center Program. This fund is supported by state revenue and a local Wayne County special education millage. Total expenditures for the current fiscal year were approximately \$11.8 million.

The Milk and Hot Lunch Fund receives revenue primarily from federal and state aid as well as sales to students. This fund experienced a decrease in fund balance of approximately \$297,000 during the fiscal year ended June 30, 2018.

The Federal, State, and Local Grant Programs Fund is self-supported through various local, state and federal grants. In the current fiscal year, approximately \$16.1 million in grant expenditures were recorded in this fund.

The fund balance of our debt service fund decreased by approximately \$1.2 million. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved, since they can only be used to pay debt service obligations.

The fund balance of our capital project fund increased by approximately \$121,000. The Sinking Fund was established in 2003, when the voters in the School District approved a 1.0 mill 10-year property tax millage to provide major repairs and renovations to existing school buildings. During 2012, this millage of .9922 mills was renewed for an additional 10 years.

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.

There were significant revisions made to the 2017-2018 original budget. Budgeted revenue was increased \$5.7 million due to an unexpected change in certain categorical revenue from the State and an unanticipated increase in foundation allowance payments.

Budgeted expenditures were also increased \$1.8 million to account for the increase in salaries and purchased professional services.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018 and 2017, the School District had \$87.3 million and \$89.8 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$2.5 million, or 2.8 percent, from last year.

Wayne-Westland Community Schools

Management's Discussion and Analysis (Continued)

	2018	2017
Land	\$ 1,248,087	\$ 1,248,087
Construction in progress	-	842,662
Buildings and improvements	170,010,797	168,199,102
Furniture and equipment	5,599,910	5,520,987
Buses and other vehicles	6,877,742	6,363,877
Land improvements	21,298,165	20,593,695
Total capital assets	205,034,701	202,768,410
Less - Accumulated depreciation	117,696,463	112,999,715
Total capital assets - Net of accumulated depreciation	\$ 87,338,238	\$ 89,768,695

This year's additions of \$2.9 million included vehicles, cafeteria equipment, building renovations, site improvements, and buses. Several major capital projects are planned for the 2018-2019 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$6.4 million in bonds outstanding versus \$12.5 million in the previous year - a change of 49.0 percent. Those bonds consisted of the following:

	2018	2017
General obligation bonds	\$ 6,370,000	\$ 12,470,000

Other obligations include accrued compensated absences, bus loans payable, workers' compensation losses, and debt issuance premiums. 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 90.0 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 2019 school year, we anticipate that the fall student count will be close to the estimates used in creating the 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 between \$120-\$240 per pupil. Due to increases in the state required contribution to the retirement system and increases in healthcare costs, the School District estimates that the net increase in per pupil funding to fund other operating costs will be \$120-\$240 per pupil.

The School District has put forth a bond proposal to the voters. The proposal is scheduled to be put to a vote on November 6, 2018. The proposal is for \$158 million and will be used to renovate and upgrade buildings and equipment. The last bond proposal approved by the voters was in 1998. The proposal is designed to help the School District meet needs. If passed, it is expected that the debt millage will increase by 2 mills.

Wayne-Westland Community Schools

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 16,524,315
Receivables:	
Property taxes receivable	1,708,385
Accrued interest receivable	52,927
Other receivables	282,072
Due from other governments	20,029,580
Inventory	130,488
Prepaid expenses and other assets	603,788
Restricted assets (Notes 4 and 5)	2,083,754
Capital assets - Net (Note 7)	87,338,238
Total assets	128,753,547
Deferred Outflows of Resources	
Deferred pension costs (Note 11)	41,482,335
Deferred OPEB costs (Note 11)	3,822,868
Total deferred outflows of resources	45,305,203
Liabilities	
Accounts payable	4,857,043
Due to other governmental units	87
Accrued liabilities and other	11,790,190
Unearned revenue (Note 6)	2,151,212
Noncurrent liabilities:	
Due within one year (Note 9)	7,134,248
Due in more than one year (Note 9)	3,379,427
Net pension liability (Note 11)	205,376,286
Net OPEB obligation (Note 11)	70,288,095
Total liabilities	304,976,588
Deferred Inflows of Resources	
Deferred benefit on bond refunding (Note 9)	316,186
Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	8,160,362
Deferred pension cost reductions (Note 11)	14,922,997
Deferred OPEB cost reductions (Note 11)	2,376,250
Total deferred inflows of resources	25,775,795
Net Position	
Net investment in capital assets	79,558,129
Restricted - Debt service	2,071,557
Unrestricted	(238,323,319)
Total net position	<u><u>\$ (156,693,633)</u></u>

Wayne-Westland Community Schools

Statement of Activities

Year Ended June 30, 2018

	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 79,953,386	\$ 1,580,030	\$ 26,243,685	\$ (52,129,671)
Support services	58,693,649	-	31,810,081	(26,883,568)
Athletics	1,528,339	74,662	-	(1,453,677)
Milk and hot lunch	5,806,423	727,124	4,983,823	(95,476)
Community services	186,748	-	-	(186,748)
Interest	623,500	-	-	(623,500)
Other	300	-	-	(300)
Total primary government	\$ 146,792,345	\$ 2,381,816	\$ 63,037,589	(81,372,940)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				15,457,427
Property taxes, levied for debt service				5,278,770
Property taxes, levied for capital projects				1,808,346
State aid not restricted to specific purposes				65,030,266
Interest and investment earnings				200,100
Other				2,851,046
Total general revenue				90,625,955
Change in Net Position				9,253,015
Net Position - Beginning of year, as previously reported				(94,867,991)
Cumulative Effect of Change in Accounting				(71,078,657)
Net Position - Beginning of year				(165,946,648)
Net Position - End of year				<u>\$(156,693,633)</u>

Wayne-Westland Community Schools

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	Federal, State, and Local Grant Programs Fund	Special Education Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 16,524,315	\$ -	\$ -	\$ -	\$ 16,524,315
Receivables:					
Property taxes receivable	1,470,437	-	-	237,948	1,708,385
Accrued interest receivable	46,813	-	-	6,114	52,927
Other receivables	231,472	-	-	11,563	243,035
Due from other governments	17,171,894	2,632,196	-	225,490	20,029,580
Due from other funds (Note 8)	-	476,871	3,762,284	1,186,365	5,425,520
Inventory	31,770	-	-	98,718	130,488
Prepaid expenses and other assets	309,133	-	-	294,655	603,788
Restricted assets (Notes 4 and 5)	-	-	-	2,083,754	2,083,754
Total assets	\$ 35,785,834	\$ 3,109,067	\$ 3,762,284	\$ 4,144,607	\$ 46,801,792
Liabilities					
Accounts payable	\$ 1,592,741	\$ 61,563	\$ 2,951,397	\$ 251,342	\$ 4,857,043
Due to other governmental units	87	-	-	-	87
Due to other funds (Note 8)	5,386,483	-	-	-	5,386,483
Accrued liabilities and other	9,975,857	889,196	792,725	79,329	11,737,107
Unearned revenue (Note 6)	-	1,994,044	18,162	139,006	2,151,212
Total liabilities	16,955,168	2,944,803	3,762,284	469,677	24,131,932
Deferred Inflows of Resources -					
Unavailable revenue (Note 6)	-	164,264	-	-	164,264
Total liabilities and deferred inflows of resources	16,955,168	3,109,067	3,762,284	469,677	24,296,196
Fund Balances					
Nonspendable:					
Inventory	31,770	-	-	98,718	130,488
Prepays	309,133	-	-	294,655	603,788
Restricted:					
Debt service	-	-	-	2,124,640	2,124,640
Capital projects	-	-	-	373,119	373,119
Food service	-	-	-	783,798	783,798
Unassigned	18,489,763	-	-	-	18,489,763
Total fund balances	18,830,666	-	-	3,674,930	22,505,596
Total liabilities, deferred inflows of resources, and fund balances	\$ 35,785,834	\$ 3,109,067	\$ 3,762,284	\$ 4,144,607	\$ 46,801,792

Wayne-Westland Community Schools

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

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 22,505,596
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	205,034,701
Accumulated depreciation	<u>(117,696,463)</u>
Net capital assets used in governmental activities	87,338,238
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	164,264
Deferred inflows and outflows related to bond refundings are not reported in the funds	(316,186)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(7,837,042)
Accrued interest is not due and payable in the current period and is not reported in the funds	(53,083)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,874,464)
Provision for workers' compensation claims	(802,169)
Net pension liability and related deferred inflows and outflows	(178,816,948)
Net OPEB liability and related deferred inflows and outflows	(68,841,477)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(8,160,362)</u>
Net Position of Governmental Activities	<u><u>\$ (156,693,633)</u></u>

Wayne-Westland Community Schools

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

Year Ended June 30, 2018

	General Fund	Federal, State, and Local Grant Programs Fund	Special Education Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 18,924,468	\$ 95,624	\$ -	\$ 7,865,665	\$ 26,885,757
State sources	86,769,365	4,459,054	4,022,540	411,086	95,662,045
Federal sources	32,995	11,525,842	-	4,792,724	16,351,561
Interdistrict sources	7,716,075	866,025	7,783,736	-	16,365,836
Total revenue	113,442,903	16,946,545	11,806,276	13,069,475	155,265,199
Expenditures					
Current:					
Instruction	60,819,865	9,872,520	5,679,264	-	76,371,649
Support services	43,720,642	6,151,413	6,127,012	-	55,999,067
Athletics	1,529,778	-	-	-	1,529,778
Milk and hot lunch	-	-	-	5,648,558	5,648,558
Community services	85,191	101,762	-	-	186,953
Other:					
Principal (Note 9)	131,397	-	-	6,100,000	6,231,397
Interest	-	-	-	623,500	623,500
Other	-	-	-	300	300
Capital outlay	2,610,452	18,854	-	1,742,955	4,372,261
Total expenditures	108,897,325	16,144,549	11,806,276	14,115,313	150,963,463
Excess of Revenue Over (Under) Expenditures	4,545,578	801,996	-	(1,045,838)	4,301,736
Other Financing Sources (Uses)					
Face value of debt issued (Note 9)	1,043,576	-	-	-	1,043,576
Transfers in (Note 8)	1,119,149	-	-	68,630	1,187,779
Transfers out (Note 8)	-	(801,996)	-	(385,783)	(1,187,779)
Total other financing sources (uses)	2,162,725	(801,996)	-	(317,153)	1,043,576
Net Change in Fund Balances	6,708,303	-	-	(1,362,991)	5,345,312
Fund Balances - Beginning of year	12,122,363	-	-	5,037,921	17,160,284
Fund Balances - End of year	\$ 18,830,666	\$ -	\$ -	\$ 3,674,930	\$ 22,505,596

Wayne-Westland Community 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

Net Change in Fund Balance Reported in Governmental Funds	\$ 5,345,312
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	2,948,894
Depreciation expense	(5,379,351)
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	(570,894)
Revenue in support of pension contributions made subsequent to the measurement date	2,711,818
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	(1,043,576)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium and inflows related to bond refundings are not expenses in the governmental funds	7,272,311
Interest expense is recognized in the government-wide statements as it accrues	50,834
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(2,082,333)
Change in Net Position of Governmental Activities	<u>\$ 9,253,015</u>

Wayne-Westland Community Schools

Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2018

Agency Funds

Assets - Cash and cash equivalents (Note 4)

\$ 1,254,269

Liabilities

Accounts payable

\$ 25,141

Due to student activities

1,190,091

Due to other funds (Note 8)

39,037

Total liabilities

\$ 1,254,269

June 30, 2018

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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) operating grants and contributions. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements.

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

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 government 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.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)**

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

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

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into two broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project 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 Federal, State, and Local Grant Programs Fund (Special Revenue Fund) records all the revenue and expenditures of the local, state, and federal grants. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The Special Education Fund (Special Revenue Fund) is used to record all transactions associated with the special education center programs administered by the School District on behalf of the county. The Special Education Fund is funded primarily by property taxes from interdistrict sources and state aid, which is restricted to expenditures for specified purposes. Any operating deficit generated by these activities is the responsibility of the General Fund.

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

- The Milk and Hot Lunch Fund (Special Revenue Fund) is used to record all transactions of food sales to pupils at all school district buildings. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The Debt Service Fund is used to record tax and interest revenue and transfers in from the General Fund and the payment of interest, principal, and other expenditures on bonded debt. This fund services the 2014 refunding bond payments.
- The Capital Projects Fund is used to record revenue and the disbursement of monies specifically designated for major remodeling and repairs. The Sinking Fund is financed by support of a 0.9922 mill levy each year for 10 years beginning in 2013. The fund operates until the purpose for which it was created is accomplished.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)****Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate the School District's programs. The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. These 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.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Specific Balances and Transactions**Cash and Investments**

Cash and cash equivalents include cash on hand, money market demand deposit accounts, 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 of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The unspent property taxes levied in the Debt Service Fund and Sinking Fund are required to be set aside for future bond principal and interest and approved Sinking Fund projects, respectively. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental 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 \$16,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

June 30, 2018

Note 2 - Significant Accounting Policies (Continued)

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

	Depreciable Life - Years
Buildings (with 20 percent salvage value)	50 years
Building improvements (with 20 percent salvage value)	25 years
Land improvements	20 years
Buses and other vehicles	10 years
Furniture and other equipment	10 years

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as 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 a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District has deferred outflows of resources related to deferred pension and OPEB costs.

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

The School District has deferred inflows of resources related to unavailable revenue, deferred benefits on bond refunding, revenue in support of pension payments made subsequent to the measurement date, and deferred pension and OPEB costs.

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 (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)****Fund Balance Flow Assumptions**

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government'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 government 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 government's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 finance director to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The fund balance policy prescribes the minimum fund balance between 5 percent and 10 percent of the School District's operating expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year. If a fund balance declines below the 5 percent to 10 percent range, it shall be recovered at a rate directed by the Board of Education.

Property Tax Revenue

All accounts and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on July 1 for taxes due August 15 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed, and the total obligation is added to the county tax rolls.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)****Grants and Contributions**

From time to time, the School District receives grants from the federal government, intermediate school district, and the State of Michigan 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) Costs

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

Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated annual sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

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 requires the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPERS plan. 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 a net OPEB liability of \$74,138,368, deferred outflows of financial resources for OPEB contributions of \$5,343,125 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from State Aid in support of OPEB contributions of \$2,283,414 that was received subsequent to the measurement date, as the effects of these changes in accounting principles on the School District's net position as of July 1, 2017.

Upcoming Accounting Pronouncements

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)**

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 were previously 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, Special revenue, debt service, and capital projects funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function, with the exception of certain capital outlay, which is budgeted within the related functions. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted for the General Fund and special revenue funds are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

The General Fund budgetary comparison schedule, the Federal, State, and Local Grant Programs Fund budgetary comparison schedule, and the Special Education Fund budgetary comparison schedule have been presented with required supplemental information, as identified in the table of contents.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances as of June 30, 2018.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances, except for principal payments on bus loans payable in the General Fund, which were in excess of the amounts budgeted.

Capital Projects Fund Compliance

The Sinking Fund Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, authorized prior to March 16, 2017, the School District has complied with the applicable provisions of §1212(1) of the State of Michigan School Code.

June 30, 2018

Note 4 - Deposits and Investments

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

The School District has designated three banks for the deposit of its funds. The School District's investments comply with all required laws and regulations.

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. At year end, the School District had \$3,752,113 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

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

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 structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

At year end, the School District had the following investments and maturities:

Primary Government	Carrying Value	Less Than 1 Year
U.S. government agency securities	\$ 1,244,888	\$ 1,244,888
Commercial paper	10,810,521	10,810,522
Total	<u>\$ 12,055,410</u>	<u>\$ 12,055,410</u>

June 30, 2018

Note 4 - Deposits and Investments (Continued)

At year end, the School District had the following investments:

Investment	Carrying Value	Weighted-average Maturity (Years)
U.S. government agency securities	\$ 1,244,888	1.68
Commercial paper	10,810,521	.28
Mutual funds	3,000,894	N/A
Total	<u>\$ 15,056,303</u>	

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

As of year end, the credit quality ratings of debt securities are as follows:

Investment	Carrying Value	Rating	Rating Organization
U.S. government agency securities	\$ 1,244,888	AA+	S&P
Commercial paper	10,810,521	A2 & A3	S&P
Mutual funds	3,000,894	N/A	N/A
MILAF	750,125	AAAM	S&P
Total	<u>\$ 15,806,428</u>		

Concentration of Credit Risk

The School District places no limit on the amount it 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 had investments in issuers greater than 5 percent of total investments, which included \$1,244,888 in Freddie Mac.

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 policy prohibit investment in foreign currency.

Fair Value Measurements

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

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 or liability.

June 30, 2018

Note 4 - Deposits and Investments (Continued)

The School District has the following recurring fair value measurements as of June 30, 2018:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2018				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Debt securities:				
U.S. government agency securities	\$ -	\$ 1,244,888	\$ -	\$ 1,244,888
Commercial paper	-	10,810,521	-	10,810,521
Mutual funds	-	3,000,894	-	3,000,894
Total assets	\$ -	\$ 15,056,303	\$ -	\$ 15,056,303

The fair value of U.S. government agency securities, mutual funds, and commercial paper 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.

Note 5 - Restricted Assets

At June 30, 2018, restricted assets are composed of the following:

Description	Governmental Activities
Restricted for debt service	\$ 1,896,196
Restricted for sinking fund	187,558
Total	\$ 2,083,754

Note 6 - Unavailable/Unearned Revenue

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

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

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Grant receivables unavailable for use in the current period	\$ 164,264	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	2,151,212

June 30, 2018

Note 7 - Capital Assets

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

	Balance July 1, 2017	Additions and Transfers	Disposals	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,248,087	\$ -	\$ -	\$ 1,248,087
Construction in progress	842,662	(842,662)	-	-
Subtotal	2,090,749	(842,662)	-	1,248,087
Capital assets being depreciated:				
Buildings and improvements	168,199,102	1,811,695	-	170,010,797
Furniture and equipment	5,520,987	78,923	-	5,599,910
Buses and other vehicles	6,363,877	1,196,468	(682,603)	6,877,742
Land improvements	20,593,695	704,470	-	21,298,165
Subtotal	200,677,661	3,791,556	(682,603)	203,786,614
Accumulated depreciation:				
Buildings and improvements	90,644,060	3,879,065	-	94,523,125
Furniture and equipment	4,882,150	162,547	-	5,044,697
Buses and other vehicles	5,204,781	290,442	(682,603)	4,812,620
Land improvements	12,268,724	1,047,297	-	13,316,021
Subtotal	112,999,715	5,379,351	(682,603)	117,696,463
Net capital assets being depreciated	87,677,946	(1,587,795)	-	86,090,151
Net governmental activities capital assets	<u>\$ 89,768,695</u>	<u>\$ (2,430,457)</u>	<u>\$ -</u>	<u>\$ 87,338,238</u>

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

Governmental activities:	
Instruction	\$ 3,442,784
Support services	1,775,186
Community services	161,381
Total governmental activities	<u>\$ 5,379,351</u>

Construction Commitments

The School District has active construction projects at year end. The projects are reported in the Sinking Fund. At year end, the School District has commitments of \$1,013,800 with contractors.

June 30, 2018

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		
	General Fund	Agency Funds	Total
Special Education Fund	\$ 3,762,284	\$ -	\$ 3,762,284
Federal, State, and Local Grant Programs Fund	476,871	-	476,871
Nonmajor funds	1,147,328	39,037	1,186,365
Total	<u>\$ 5,386,483</u>	<u>\$ 39,037</u>	<u>\$ 5,425,520</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.

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Federal, State, and Local Grant Programs Fund	General Fund	\$ 733,366
Nonmajor funds	General Fund	385,783
Federal, State, and Local Grant Programs Fund	Nonmajor funds	68,630
Total		<u>\$ 1,187,779</u>

Funds from the Milk and Hot Lunch Fund and Federal, State, and Local Grant Programs Fund were transferred to the General Fund to cover excess costs related to operations of the funds for the purposes they were created. The transfer from the Federal, State, and Local Grant Programs Fund to the Milk and Hot Lunch Fund represents nonreciprocal activity between funds.

Note 9 - Long-term Debt

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	\$ 12,470,000	\$ -	\$ (6,100,000)	\$ 6,370,000	\$ 6,370,000
Unamortized bond premiums	1,279,589	-	(724,726)	554,863	554,863
Total bonds payable	13,749,589	-	(6,824,726)	6,924,863	6,924,863
Bus loans payable	-	1,043,576	(131,397)	912,179	109,385
Compensated absences	1,984,864	130,859	(241,259)	1,874,464	50,000
Workers' compensation self-insurance	907,655	176,435	(281,921)	802,169	50,000
Total governmental activities long-term debt	<u>\$ 16,642,108</u>	<u>\$ 1,350,870</u>	<u>\$ (7,479,303)</u>	<u>\$ 10,513,675</u>	<u>\$ 7,134,248</u>

The School District had deferred inflows of \$316,186 related to deferred benefit on bond refundings at June 30, 2018.

June 30, 2018

Note 9 - Long-term Debt (Continued)***General Obligation Bonds and Contracts***

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and certain risk liabilities. The General Fund is used to satisfy compensated absences and workers' compensation obligations when due. General obligations outstanding at June 30, 2018 consist of \$6,370,000 of serial bonds due in an annual installment of \$6,370,000 on May 1, 2019, bearing interest at 5 percent.

Debt Service Requirements to Maturity

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

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2019	\$ 6,479,385	\$ 340,512	\$ 6,819,897
2020	112,025	19,373	131,398
2021	114,728	16,669	131,397
2022	117,497	13,901	131,398
2023	458,544	11,065	469,609
Total	<u>\$ 7,282,179</u>	<u>\$ 401,520</u>	<u>\$ 7,683,699</u>

Line of Credit

On September 1, 2016, the School District obtained a line of credit for borrowings up to \$8,000,000 to assist with the cash flow needs of the School District. The line of credit expired on August 31, 2017 and was not renewed.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims and participates in the Metropolitan Association for Improved School Legislation risk pool for claims relating to property loss, torts, and errors and omissions; the School District is partially self-insured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The 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.

June 30, 2018

Note 10 - Risk Management (Continued)

For risk retention situations (other than commercial coverage or risk-sharing pools), 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 as well as those that have not yet been reported. These estimates are recorded in long-term debt. Changes in the estimated liability for the past two fiscal years were as follows:

	Workers' Compensation	
	2018	2017
Estimated liability - Beginning of year	\$ 907,655	\$ 1,142,136
Estimated claims incurred, including changes in estimates	176,435	(35,216)
Claim payments	(281,921)	(199,265)
Estimated liability - End of year	<u>\$ 802,169</u>	<u>\$ 907,655</u>

Note 11 - Michigan Public School Employees' Retirement System***Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (MPERS 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, MPERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

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

June 30, 2018

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

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

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

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

Contributions

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

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPERS 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.

June 30, 2018

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2018 were \$22,080,518, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$8,160,362 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 \$5,075,027, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2018, the School District reported a liability of \$205,376,286, 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 0.792523 percent and 0.798460 percent, respectively.

Net OPEB Liability

At June 30, 2018, the School District reported a liability of \$70,288,095, 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 0.793725 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 \$19,478,462, 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	\$ 1,784,860	\$ (1,007,738)
Changes in assumptions	22,500,604	-
Net difference between projected and actual earnings on pension plan investments	-	(9,818,338)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	183,107	(4,096,921)
The School District's contributions to the plan subsequent to the measurement date	17,013,764	-
Total	<u>\$ 41,482,335</u>	<u>\$ (14,922,997)</u>

June 30, 2018

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

The \$8,160,362 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	\$ 1,932,554
2020	5,672,350
2021	2,538,219
2022	(597,549)
Total	<u>\$ 9,545,574</u>

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

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$4,702,068.

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	\$ -	\$ (748,361)
Net difference between projected and actual earnings on OPEB plan investments	-	(1,627,889)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	2,986	-
Employer contributions to the plan subsequent to the measurement date	3,819,882	-
Total	<u>\$ 3,822,868</u>	<u>\$ (2,376,250)</u>

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

Years Ending	Amount
2019	\$ (573,559)
2020	(573,559)
2021	(573,559)
2022	(573,559)
2023	(79,028)
Thereafter	-
Total	<u>\$ (2,373,264)</u>

June 30, 2018

Note 11 - Michigan Public School Employees' Retirement System (Continued)**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%
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5% 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 from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

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 %	

June 30, 2018

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

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	\$ 267,536,991	\$ 205,376,286	\$ 153,040,932

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	\$ 82,327,674	\$ 70,288,095	\$ 60,070,262

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	\$ 59,524,568	\$ 70,288,095	\$ 82,509,329

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 \$2,598,280 and \$480,959 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

Note 12 - Tax Abatements

For the fiscal year ended June 30, 2018, the School District had no significant tax abatements.

Required Supplemental Information

Wayne-Westland Community Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 18,332,342	\$ 18,361,500	\$ 18,924,468	\$ 562,968
State sources	80,417,362	86,572,037	86,769,365	197,328
Federal sources	126,000	96,572	32,995	(63,577)
Interdistrict sources	8,428,132	8,008,736	7,716,075	(292,661)
Total revenue	107,303,836	113,038,845	113,442,903	404,058
Expenditures				
Current:				
Instruction:				
Basic programs	48,213,563	49,342,704	48,338,535	(1,004,169)
Added needs	13,500,814	12,943,785	12,609,776	(334,009)
Adult/Continuing education	388,178	313,092	217,855	(95,237)
Support services:				
Pupil	5,596,313	7,263,631	7,071,829	(191,802)
Instructional staff	4,311,074	3,877,264	3,377,844	(499,420)
General administration	2,093,264	2,195,062	2,173,132	(21,930)
School administration	6,375,329	6,490,053	6,528,805	38,752
Business	1,064,355	1,236,606	1,277,612	41,006
Operations and maintenance	13,775,817	13,927,425	13,837,697	(89,728)
Pupil transportation services	9,765,205	9,117,927	9,612,750	494,823
Central	2,045,309	2,191,113	2,087,439	(103,674)
Other	8,000	21,750	17,685	(4,065)
Athletics	1,511,188	1,571,256	1,529,778	(41,478)
Community services	82,748	83,656	85,191	1,535
Other - Principal	-	-	131,397	131,397
Total expenditures	108,731,157	110,575,324	108,897,325	(1,677,999)
Excess of Revenue (Under) Over Expenditures	(1,427,321)	2,463,521	4,545,578	2,082,057
Other Financing Sources				
Face value of debt issued	-	-	1,043,576	1,043,576
Transfers in	340,510	340,510	1,119,149	778,639
Total	340,510	340,510	2,162,725	1,822,215
Net Change in Fund Balance	(1,086,811)	2,804,031	6,708,303	3,904,272
Fund Balance - Beginning of year	12,122,363	12,122,363	12,122,363	-
Fund Balance - End of year	<u>\$ 11,035,552</u>	<u>\$ 14,926,394</u>	<u>\$ 18,830,666</u>	<u>\$ 3,904,272</u>

Wayne-Westland Community Schools

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Federal, State, and Local Grant Programs Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ -	\$ -	\$ 95,624	\$ 95,624
State sources	5,796,240	5,935,635	4,459,054	(1,476,581)
Federal sources	11,491,893	11,089,885	11,525,842	435,957
Interdistrict sources	1,298,549	1,111,594	866,025	(245,569)
Total revenue	18,586,682	18,137,114	16,946,545	(1,190,569)
Expenditures - Federal, state, and local grant programs	18,586,682	18,137,114	16,144,549	(1,992,565)
Excess of Revenue Over Expenditures	-	-	801,996	801,996
Other Financing Uses - Transfers out	-	-	(801,996)	(801,996)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Wayne-Westland Community Schools

Required Supplemental Information
Budgetary Comparison Schedule - Major Special Revenue Funds
Special Education Fund

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Under) Over Final Budget</u>
Revenue				
State sources	\$ 3,961,837	\$ 4,086,358	\$ 4,022,540	\$ (63,818)
Interdistrict sources	<u>9,699,670</u>	<u>9,251,726</u>	<u>7,783,736</u>	<u>(1,467,990)</u>
Total revenue	13,661,507	13,338,084	11,806,276	(1,531,808)
Expenditures - Special education center programs	<u>11,985,935</u>	<u>11,700,871</u>	<u>11,806,276</u>	<u>105,405</u>
Excess of Revenue Over Expenditures	1,675,572	1,637,213	-	(1,637,213)
Other Financing Uses - Transfers out	<u>(1,675,572)</u>	<u>(1,637,213)</u>	<u>-</u>	<u>1,637,213</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Wayne-Westland Community Schools

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

	Last Four Fiscal Years			
	Plan Years Ended September 30			
	2017	2016	2015	2014
School District's proportion of the net pension liability	0.79252 %	0.79846 %	0.80569 %	0.82760 %
School District's proportionate share of the net pension liability	\$ 205,376,286	\$ 199,209,317	\$ 196,791,039	\$ 182,286,041
School District's covered employee payroll	\$ 66,346,717	\$ 67,182,765	\$ 67,287,675	\$ 70,574,097
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	309.55 %	296.52 %	292.46 %	258.30 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.20 %

Wayne-Westland Community Schools

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

Last Four Fiscal Years Years Ended June 30

	2018	2017	2016	2015
Statutorily required contribution	\$ 20,157,276	\$ 19,248,704	\$ 18,723,482	\$ 13,595,967
Contributions in relation to the statutorily required contribution	20,157,276	19,248,704	18,723,482	13,595,967
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -
School District's Covered Employee Payroll	\$ 66,468,856	\$ 68,972,120	\$ 66,966,671	\$ 68,291,413
Contributions as a Percentage of Covered Employee Payroll	30.33 %	27.91 %	27.96 %	19.91 %

Wayne-Westland Community Schools

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

Last One Plan Year
Plan Year Ended September 30

	2017
School District's proportion of the net OPEB liability	0.79373 %
School District's proportionate share of the net OPEB liability	\$ 70,288,095
School District's covered employee payroll	\$ 66,346,717
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	105.94 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

Wayne-Westland Community Schools

Required Supplemental Information Schedule of OPEB Contributions

Last One Fiscal Year Year Ended June 30

	2018
Statutorily required contribution	\$ 4,800,863
Contributions in relation to the statutorily required contribution	4,800,863
Contribution Deficiency	\$ -
Covered Employee Payroll	\$ 66,468,856
Contributions as a Percentage of Covered Employee Payroll	7.22 %

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, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00 percent - 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 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 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 supplementary information is defined by GASB 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 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.

Other Supplemental Information

Wayne-Westland Community Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
	Milk and Hot Lunch Fund	2014 Refunding Fund	Sinking Fund	Total
Assets				
Receivables:				
Property taxes receivable	\$ -	\$ 201,923	\$ 36,025	\$ 237,948
Accrued interest receivable	-	6,114	-	6,114
Other receivables	-	11,563	-	11,563
Due from other governments	225,490	-	-	225,490
Due from other funds	995,639	8,844	181,882	1,186,365
Inventory	98,718	-	-	98,718
Prepaid expenses and other assets	294,655	-	-	294,655
Restricted assets	-	1,896,196	187,558	2,083,754
Total assets	<u>\$ 1,614,502</u>	<u>\$ 2,124,640</u>	<u>\$ 405,465</u>	<u>\$ 4,144,607</u>
Liabilities				
Accounts payable	\$ 218,996	\$ -	\$ 32,346	\$ 251,342
Accrued liabilities and other	79,329	-	-	79,329
Unearned revenue	139,006	-	-	139,006
Total liabilities	437,331	-	32,346	469,677
Fund Balances				
Nonspendable:				
Inventory	98,718	-	-	98,718
Prepays	294,655	-	-	294,655
Restricted:				
Debt service	-	2,124,640	-	2,124,640
Capital projects	-	-	373,119	373,119
Food service	783,798	-	-	783,798
Total fund balances	1,177,171	2,124,640	373,119	3,674,930
Total liabilities and fund balances	<u>\$ 1,614,502</u>	<u>\$ 2,124,640</u>	<u>\$ 405,465</u>	<u>\$ 4,144,607</u>

Wayne-Westland Community Schools

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

Year Ended June 30, 2018

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
	Milk and Hot Lunch Fund	2014 Refunding Fund	Sinking Fund	Total
Revenue				
Local sources	\$ 739,834	\$ 5,317,485	\$ 1,808,346	\$ 7,865,665
State sources	191,099	219,987	-	411,086
Federal sources	4,792,724	-	-	4,792,724
Total revenue	5,723,657	5,537,472	1,808,346	13,069,475
Expenditures				
Current - Milk and hot lunch	5,648,558	-	-	5,648,558
Capital outlay	55,194	-	1,687,761	1,742,955
Total expenditures	5,703,752	6,723,800	1,687,761	14,115,313
Excess of Revenue Over (Under) Expenditures	19,905	(1,186,328)	120,585	(1,045,838)
Other Financing Sources (Uses)				
Transfers in	68,630	-	-	68,630
Transfers out	(385,783)	-	-	(385,783)
Total other financing uses	(317,153)	-	-	(317,153)
Net Change in Fund Balances	(297,248)	(1,186,328)	120,585	(1,362,991)
Fund Balances - Beginning of year	1,474,419	3,310,968	252,534	5,037,921
Fund Balances - End of year	<u><u>\$ 1,177,171</u></u>	<u><u>\$ 2,124,640</u></u>	<u><u>\$ 373,119</u></u>	<u><u>\$ 3,674,930</u></u>

Wayne-Westland Community Schools

Other Supplemental Information Schedule of Bonded Indebtedness

		June 30, 2018
		2014 Refunding Fund
		Principal
Year Ending June 30		
	2019	\$ 6,370,000
Principal payments due		May 1
Interest payments due		May 1 and November 1
Interest rate		5.0%
Original issue		\$ 36,000,000