



Comprehensive Annual *Financial Report*

June 30, 2019

Farmington
PUBLIC SCHOOLS

Farmington Public School District • Farmington, MI



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

**For the Fiscal Year Ended
June 30, 2019**

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

Board of Education

**Pamela S. Green
President**

**Zach T. Rich
Treasurer**

**Terry L. Johnson
Vice President**

**Angie F. Smith
Secretary**

**Jessica B. Cummings
Trustee**

**Richard D. Mukamal
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**Terri A. Weems
Trustee**

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

Robert C. Herrera
Superintendent

September 30, 2019

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President

Terry L. Johnson
Vice President

Angie F. Smith
Secretary

Zack T. Rich
Treasurer

Jessica B. Cummings
Trustee

Richard D. Mukamal
Trustee

Terri A. Weems
Trustee

Citizens and Board Members:

The Comprehensive Annual Financial Report of Farmington Public School District (the "School District") for the fiscal year ended June 30, 2019 is submitted herewith. This report was prepared by the business department and contains all activities under the control of the Board of Education. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the School District. We believe that the data as presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the School District as measured by the financial activity of its various funds with all disclosures necessary to enable the reader to gain the maximum understanding of the School District's financial affairs.

Reporting Entity and Services

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

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

Report Organization

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

Introductory Section

This section introduces the reader to Farmington Public School District and to this report. Included are facts about the School District, this transmittal letter, the School District's organizational chart, and the Association of School Business Officials International Certificate of Excellence in Financial Reporting for the year ended June 30, 2018.

Financial Section

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

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

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

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

The supplemental statements and schedules contain a more detailed analysis of revenue and expenditures that are compared to the 2018-2019 budget for the General Fund, as well as schedules presenting the School District's proportionate share of net pension liability and contribution information related to the MPSERS pension plan. Other supplemental information includes the balance sheet and statement of revenue, expenditures, and changes in fund balances as well as statements and schedules containing a more detailed analysis of revenue and expenditures that are compared to the 2018-2019 budget for nonmajor governmental funds as well as the schedule of bonded indebtedness detailing interest rates and annual maturities, schedule of fiduciary fund activities, schedule of fixed assets by building, and schedule of cash, cash equivalents, and investments.

Statistical Section

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

About Farmington Public School District

The Community

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

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

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

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

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

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

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

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

The official blended enrollment for 2018/2019, including alternative and adult education students, was 9,550 students.

Accomplishments

Farmington Public Schools Strategic Plan Development

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

Goal 1 - Curriculum/Instruction

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

Goal 2 - Culture

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

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

Goal 3 - Community Relations

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

Goal 4 - Finance/Facilities

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

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

Student and Staff Recognition

The School District is proud of the many achievements recognized during the 2018 fiscal year. A summarized list of these recognitions is included in the statistical section.

School/Community Relations Services

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

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

District and school websites were re-designed two years ago using a Content Management System to help with the ease of updating the sites. This year, the District's website received the highest Award of Excellence from the National School Public Relations Association. In 2018-19 school year, a new feature called Peach Jar was added to the web site and mobile app to help manage community resource information and fliers.

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

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

Every five years, the District issues a formal customer service satisfaction survey. This survey will be issued again during the 2019-2020 school year. Results are used to guide the areas that need attention for improvement. For the past two surveys, Communications ranked high in overall satisfaction.

Instructional Services

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

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

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

Special Education also utilizes technology to support curriculum (Unique Learning System) that aligns with Essential Elements for our basic classrooms and Specially Designed Instruction intervention strategies for students struggling in reading and math. Ipads are used as communication devices for students with autism and others with communication needs. Chromebooks are used to support students who have difficulty with spelling, but are able to express their ideas verbally. Special Education has two PAES labs (Practical Assessment Exploration System) to provide vocational assessments for secondary and post-secondary students.

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

Technology is infused throughout the organization. It supports operations, curriculum, and instruction, enhances learning, and extends beyond the school faculty and school day. Support includes the NWEA assessment, M-Step testing as well as the addition of Google Apps for Education.

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

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

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

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

Facilities

The School District continues its work on energy management. The program initiated 14 years ago has saved over \$12.5 million since its inception.

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

Fifteen of the District's schools have received Michigan Green School Awards, seven of which have been recognized as Evergreen, the highest level in the program.

With the successful bond proposal in May 2015, the district interviewed and awarded contracts to the required consultants, including architects and engineers to design and document the work in the bond proposal. Schools included in Phase 1, Phase 2 and Phase 3 of the construction cycle are substantially

complete. Construction on Phase 4 schools began in June 2019 and will continue into the fall and summer of 2020. As of June 30, 2019, the District has completed approximately \$100.0 million of construction work.

Work continues with a four-person citizen's oversight committee to monitor progress on bond work.

The District hired DM Burr, a third-party company to perform custodial services beginning with the 2016-17 fiscal year. It is estimated that the District has saved approximately \$1.4 million per year for the three-year contract.

The facilities department worked with a Building and Site Utilization Committee (BSUC) to determine the use of District facilities and the "best space" to be utilized by students and adults. A recommendation to the Board regarding facilities to be closed and/or repurposed was presented in November 2015. The Board voted to close a middle school and repurpose it as a K-8 S.T.E.A.M. school, which opened in September 2017. A high school was closed in June 2019 at the conclusion of the school year.

The facilities department continues work with a property consultant on the sale of vacant parcels. A purchase agreement was signed for the sale of the Maxfield Training Center in Downtown Farmington for a selling price of \$750,000 with the sale anticipated to be completed in fiscal year 2020.

The District will be remodeling its Central Office, Transportation and Maxfield Education buildings beginning in the summer of 2020. Alameda Early Childhood Center is being remodeled and expanded to house all Early Childhood programs. With this expansion, Farmington Community School will be closed. Use of this building or the property will be evaluated by the District to determine the need to retain or sell the property.

Human Resources

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

In the past several years, there were challenges in grade reconfigurations, reductions in personnel, and a middle school and high school closure. Currently there is a High School Transition team working to proactively support a successful merge of three high schools to two high schools in the 2019-2020 school year. This team is addressing anticipated student needs, student programming and supports, staffing, materials, and even processes and structures in order to ensure a positive outcome for our students, staff and families. All of these changes have positively impacted the fiscal health and sustainability for Farmington Public Schools. It has also provided increased continuity and reduced transitions for staff heading into 2019-2020, which in turn positively supports students and the learning environment.

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

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

Business Services

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

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

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

Nutrition Services prepares and serves over 587,000 lunches and 175,000 breakfasts annually.

Financial Report Awards

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

Economic Outlook

As the School District completes its 25th year under Proposal A, approved by Michigan voters in 1994, revenue has not kept pace with inflation. Proposal A substantially shifted funding responsibility from the local level to the state level and from property tax as the major revenue source. The cumulative rate of per-pupil revenue increase has been about 18.2 percent since 1994, and the cumulative rate of inflation at 48.0 percent, illustrating that funding has not kept pace with the rate of inflation. The School District is dependent upon the state legislature for not only the majority of its funds, but also its funding level. In addition, various costs were shifted to local districts, which historically had been paid by the State. These include contributions to the Michigan Public School Employees' Retirement System and FICA.

The original budget for 2019-20 was created using an estimate of \$80 per pupil increase as the State budget had not yet been approved. The Governor of Michigan proposed a State School Aid Budget in March 2019. Her budget provided for significant funding increases for K-12 education. Her focus is on increasing per pupil funding for Economically Disadvantaged pupils, Career and Technical Education, Special Education and the basic per pupil foundation allowance. Her proposal would mean significant funding increases for Farmington and all Districts in the State. Funding to help offset the increased costs of the retirement plan are expected to continue. The District has assumed that it will continue to be eligible for Bilingual Funds to support English Learners, At Risk (31A) funding to support those students deemed to be at risk academically and Early Literacy Funding to help support students in obtaining proficiency in reading by the 3rd grade. While all of these funding sources will help to support our instructional programming, our revenue base is still back to approximately our 2005-2006 funding level.

The District settled a one-year contract extension through June 30, 2020 with its teachers, the Farmington Education Association (FEA), which includes full step increases for those on the step schedule at the beginning of the 2019-2020 school year and a \$500 off-schedule payment for all employees at the top of the step schedule.

A contract extension for paraprofessional and secretarial staff, the Educational Support Professionals (ESP), was settled through June 30, 2020 with a full step given to those on the step schedule at the beginning of the 2019-2020 school year and a 1% of base contract off-schedule payment for employees at the top of the scale.

A contract extension was settled with its maintenance and nutrition staff, Farmington Maintenance and Cafeteria (FMC), through June 30, 2020. The settlement included a full step for those on the step schedule, the add back of one holiday for maintenance staff and additional vacation days for newly hired maintenance staff. Nutrition employees will receive a full step for those on the step schedule or an off-schedule payment equivalent to two days' pay for employees at the top of the schedule.

A contract extension was settled with the Farmington Association of School Administrators (FASA) group through June 30, 2020 and provides for a full step at the beginning of the year to those on the step

schedule, an off schedule payment of \$500 for those at the top of the schedule and an increase in funds allocated to each member for professional development by \$350.

The District settled a two-year contract through June 30, 2020 with the Farmington Transportation Association (FTA), comprised of bus drivers and mechanics, which included the reduction of employee health insurance contributions from 30% to 26% of the illustrative rate in the first year. The second year of the contract includes continuation of an attendance incentive, full steps for those on the step schedule, an off-schedule payment equal to two days' pay for those at the top of the step schedule, increase in the field trip hourly rate, reduction of employee health insurance contributions from 26% to 24% and a bonus payment of \$100 (after meeting certain qualifications) for referring a new driver or mechanic.

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

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

- An identified base cost for educating a student with several factors that deserve additional funding for student characteristics including poverty, special education, English Language Learners (ELL) and Career and Technical Education (CTE).
- Identification of costs in related areas in response to school district or charter school characteristics including: transportation of students, geographic isolation, state pension system costs and enrollment size.
- Identification of the base cost of a regular education student at \$9,590 for both traditional public schools and charter schools. That amount excludes transportation, food service and capital costs, and only includes pension costs at 4.6% of wages.
- In addition to the base per-pupil cost, a percentage of the base cost should be provided for special education, English Language Learners, students living in poverty and programs to provide Career and Technical Education, and to account for geographic isolation.
- All school districts and those charter schools in the State Pension system (MPERS) should receive funding in addition to the base for the payment required by law. Currently, the required additional payment is equal to approximately 21.1% of all wages.

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

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

The School District's hold-harmless millage was overwhelmingly renewed by voters in August 2015, which was anticipated to bring continued levels of local operating revenue through 2025. For 2018-19, the District will levy 18.00 mills on all non-homestead properties due to the successful passage of a headlee override by voters in November 2017. The ballot proposal in the November 2017 election not only restored the millage rate back to 18.0000 mills but authorized an additional one mill to absorb potential future rollbacks. The State assumes the District levies the full 18.00 mills on non-homestead properties as part of the foundation allowance formula and does not make up the loss in revenue should the millage rate be rolled back.

Another challenge the School District faces is declining enrollment. A third-party demographer projects our enrollment annually. Due to slightly less significant declines in enrollment experienced over the last several years, the School District used a decrease of 117 pupils for budget purposes. The major factor affecting enrollment continues to be the declining birthrates in Oakland County. Preliminary counts indicate that the pupil decline will be similar to what was budgeted.

Accounting System, Budgetary, and Internal Control

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

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

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

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

Financial Policies

The following financial policies and practices of the School District had a significant impact on the School District's fiscal year 2018-2019 financial statements:

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

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

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

A 10-year Capital Assessment Plan was completed by a consultant in May 2019 with the assistance of the Facilities Management Department. The assessment provided the District with a capital planning template with three major components: critical need/life-safety, deferred maintenance and property enhancements. The Plan identified needs of approximately \$85.5 million. The District will need to determine how to fund these capital needs. Possible options include a sinking fund millage, another bond issue or allocation of resources from the District's General Fund.

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

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

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

Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The assumed rate of return within the retirement plan has been reduced over the last few years to 7.05 percent, which has the net effect of increasing the value of the retirement obligation for the plan, which in turn increases the required contributions to the plan. Additionally, for staff hired on or after February 1, 2018, the default employee election will be into a defined contribution (DC) plan; however, an employee can elect the hybrid plan within a specified timeframe. Members opting to participate in the defined contribution (DC) plan are provided with a 50 percent employer match (up to 3 percent of salary) on employee contributions. This created a change in the District's cost of the benefit for employees new to the retirement system in February 2018. It is anticipated that funding will continue to be provided in 2019-20 to all public school districts to help offset the additional costs for these plan changes.

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

Major Initiatives

Strategic Planning – At the end of the 2016-17 school year, the District engaged a committee to begin development of an updated Strategic Plan. The Board of Education approved the four main goals at the August 2017 board meeting. The four main goal areas are Curriculum/Instruction, Culture, Community Relations and Finance/Facilities. To support attainment of these goals, strategies, action steps and monitoring methods were developed during the 2017-18 school year. An update on the strategies, action steps and monitoring methods were presented to the Board of Education in the Fall of 2018 with implementation to begin during the 2018-19 school year and continue into 2019-20.

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

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

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

Curriculum Alignment and Development – The proper alignment of all state approved standards for respective content areas including common assessments at all levels. As a result, our District is working collaboratively with Oakland Intermediate School District to develop curriculum maps, model units of study and assessment tools which better represent the learning outlined with Common Core. Eventually, these resources will be integrated by our PLT teams into their instructional practice. Science and social studies standards have been released and will continue to be worked on during the 2019-20 school year.

K-12 Math Adoption – During 2016-17 a comprehensive math program was investigated for grades 6-12 including purchasing the necessary materials/resources that meet the needs of students for differentiation so that every student will meet grade-level proficiency on NWEA as well as state administered performance

assessments. The new math program was implemented during the 2017-18 school year. Grades K-5 were evaluated during the 2017-18 school year with implementation occurring in the 2018-19 school year.

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

Capital Planning – On May 5, 2015, a \$131.5 million bond proposal was approved by voters. The proposal was the culmination of work that occurred during the 2013-14 fiscal year by the Capital Planning Advisory Committee. The committee presented its recommendations in the summer of 2014. The work of the Committee stemmed from the prior work of the Facilities Forward study team which created a broad vision to address the critical facilities needs across the district including learning spaces and tools to be able to support our staff in having what they need to achieve great results with their students. In addition, a Building and Site Utilization Committee provided a recommendation on the number of facilities that will be retained by the District. Their work was based upon enrollment trends, as the full amount of needs exceeded over \$140 million for the District to retain all existing buildings, but was reduced to incorporate enrollment trends. We will need to continue to work on the Board's decisions to close Harrison High School in 2019-20 as well as identifying the best utilization of existing buildings. As part of the bond work, the District will expand and renovate one of its early childhood centers, Alameda, which will allow for all early childhood programs to operate in one building. A 10-year Capital Assessment Plan was completed by a consultant in May 2019 with the assistance of the Facilities Management Department. The assessment provided the District with a capital planning template with three major components: critical need/life-safety, deferred maintenance and property enhancements. The Plan identified needs of approximately \$85.5 million. The District will need to determine how to fund these capital needs. Possible options include a sinking fund millage, another bond issue or allocation of resources from the District's General Fund.

Independent Audit

The School District's financial statements were audited by Plante & Moran, PLLC, certified public accountants, as of June 30, 2019. Their audit was made in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The financial statements present fairly the financial position of Farmington Public School District at June 30, 2019. Their audit also included the single audit on federal awards, a copy of which can be obtained from the School District's business office.

Excellence in Financial Reporting

The School District is committed to providing its citizens and other users with comprehensive financial reporting. For school districts meeting the requirements of a Comprehensive Annual Financial Report, the Association of School Business Officials International (ASBO) awards a Certificate of Excellence in Financial Reporting. The School District received a Certificate of Excellence in Financial Reporting from the ASBO for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 1997 through June 30, 2018.

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

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

Acknowledgments

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

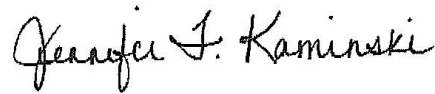
and the preparation of this report.

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

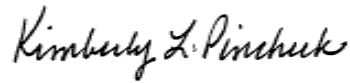
Sincerely,

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

Robert Herrera, Ed.D.
Superintendent

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

Jennifer F. Kaminski
Assistant Superintendent for Business Services

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

Kimberly L. Pincheck
Finance Director

Farmington Public School District

District Officials

Administration

Dr. Robert C. Herrera
Superintendent of Schools

Aaron M. Johnson
Associate Superintendent,
Instructional Services and
Organizational Leadership

Katherine M. Smith
Assistant Superintendent, Instruction
and Talent Development

Jennifer F. Kaminski
Assistant Superintendent,
Business Services

Jonathan A. Manier
Executive Director, Student Services

Diane Bauman
Director, School & Community Services

Jon Riebe
Director, Facilities Management, Operations,
Transportation

Board of Education

Pamela S. Green
President

Terry L. Johnson
Vice President

Zach T. Rich
Treasurer

Angie F. Smith
Secretary

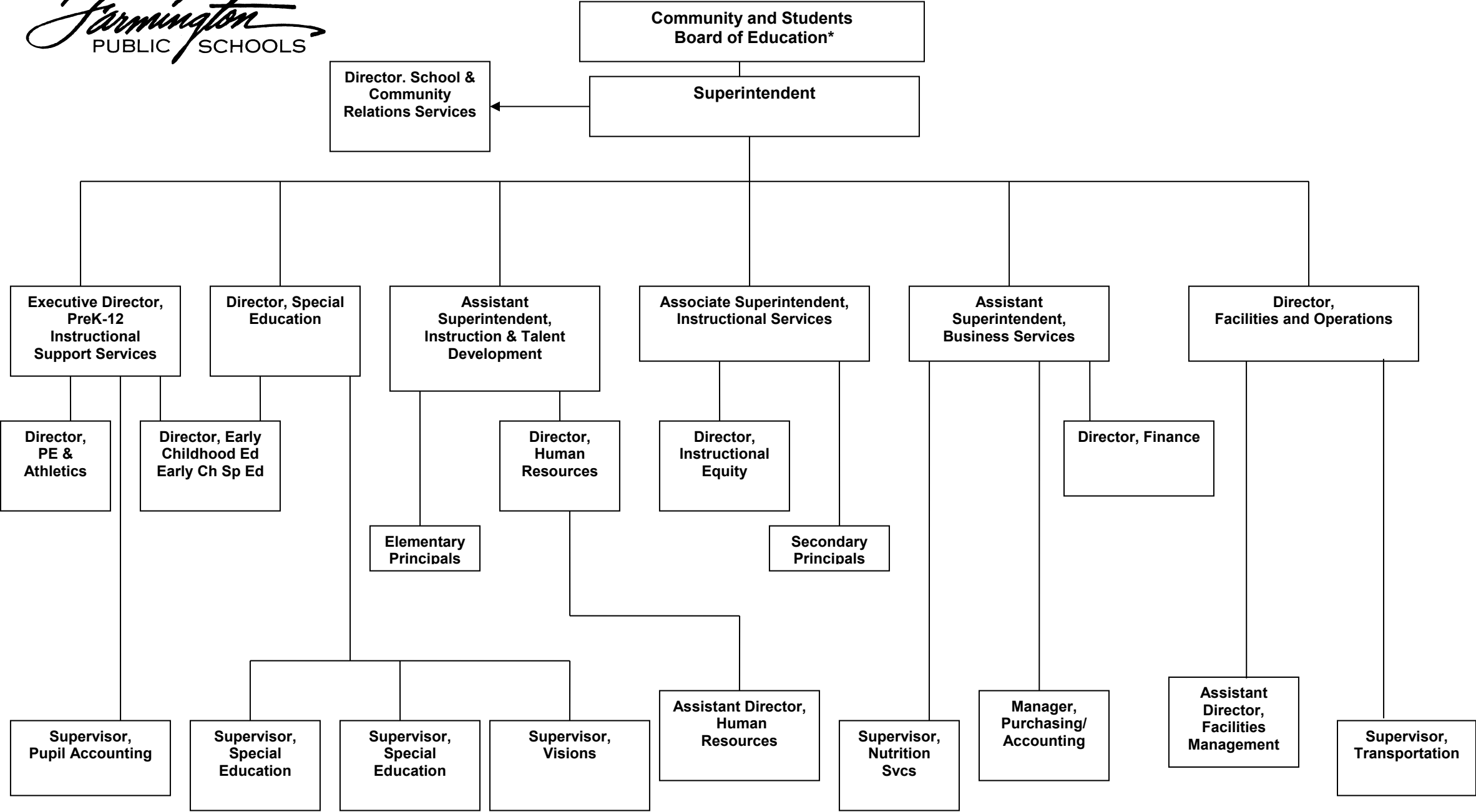
Jessica Cummings
Trustee

Richard D. Mukamal
Trustee

Terri A. Weems
Trustee

ADMINISTRATIVE ORGANIZATIONAL CHART

September 2019





**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

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

Farmington Public School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2018.**

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



Tom Wohlleber, CSRM
President

Siobhán McMahon, CAE
Chief Operating Officer

Independent Auditor's Report

To the Board of Education
Farmington Public School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

To the Board of Education
Farmington Public School District

Required Supplemental Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 on our consideration of Farmington Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Farmington Public School District's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 30, 2019

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

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Farmington Public School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund and the 2018 Building and Site Fund, with all other funds presented in one column as nonmajor funds. The remaining statements consist of the Internal Service Fund statements and the statement of fiduciary assets and liabilities. The Internal Service Fund statements present financial information about benefit claim costs. 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 Fund

Schedules of Proportionate Share of the Net Pension and OPEB Liabilities

Schedules of Pension and OPEB Contributions

Other Supplemental Information

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

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

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

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.

Farmington Public School District

Management's Discussion and Analysis (Continued)

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

Reporting the School District's Fund Financial Statements

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

Governmental Funds

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

Proprietary Fund - Internal Service Fund

The purpose of the Internal Service Fund is to finance services provided to other funds on a cost-reimbursement basis. The School District maintains this fund for health, dental and vision care, life insurance coverage, and long-term disability benefits. The proprietary fund is reported on the same basis of accounting as the government-wide statements.

Fiduciary Funds

The School District has certain fiduciary responsibility for its student activity fund. 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 this fund are used for their intended purposes.

Farmington Public School District

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2019 and 2018:

	Governmental Activities	
	2019	2018
	(in millions)	
Assets		
Current and other assets	\$ 80.5	\$ 103.9
Capital assets	163.9	164.6
Total assets	244.4	268.5
Deferred Outflows of Resources	89.2	48.1
Liabilities		
Current liabilities	23.4	28.2
Noncurrent liabilities	443.6	430.0
Total liabilities	467.0	458.2
Deferred Inflows of Resources	62.6	45.4
Net Position		
Net investment in capital assets	74.9	89.0
Restricted	2.7	2.6
Unrestricted	(273.6)	(278.6)
Total net position	<u>\$ (196.0)</u>	<u>\$ (187.0)</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 deficit was \$(196.0) million at June 30, 2019. Net investment in capital assets totaling \$74.9 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, totaling \$2.7 million, 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 (\$(273.6) million) was unrestricted.

The \$(273.6) 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.

Farmington Public School District

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2019 and 2018:

	Governmental Activities	
	2019	2018
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 4.9	\$ 4.5
Operating grants	38.9	40.6
General revenue:		
Taxes	51.9	50.5
State aid not restricted to specific purposes	58.0	58.6
Other	(10.8)	0.7
Total revenue	142.9	154.9
Expenses		
Instruction	84.8	82.3
Support services	50.2	46.7
Athletics	1.8	1.8
Nutrition services	3.3	3.5
Community services	1.3	1.4
Intergovernmental payments	0.9	-
Debt service	4.6	3.7
Depreciation expense (unallocated)	5.0	4.5
Total expenses	151.9	143.9
Change in Net Position	(9.0)	11.0
Net Position - Beginning of year	(187.0)	(121.6)
Cumulative Effect of Change in Accounting	-	(76.4)
Net Position - Beginning of year	(187.0)	(198.0)
Net Position - End of year	<u>\$(196.0)</u>	<u>\$(187.0)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$151.9 million. Certain activities were partially funded from those who benefited from the programs (\$4.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$38.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$51.9 million in taxes and \$58.0 million in state foundation allowance. Other revenue totaling \$(10.8) million is composed of interest and general entitlements offset by the loss on disposal of a building.

The School District experienced a decrease in net position of \$9.0 million. Key reasons for the change in net position were the net effect of the investment in capital assets offset with the current year depreciation; loss on disposal of a building, as a high school was sold; and General Fund operating revenue exceeding expenditures.

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

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.

Farmington Public School District

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$56.3 million, which is a decrease of \$17.6 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance increased \$2.7 million to \$18.2 million.

Fund balance of our special revenue fund increased from \$1.1 million last year to \$1.3 million this year mainly due to lower costs for noon supervisors and food.

Combined, the fund balance of our debt service funds decreased \$26,000. Millage rates were kept flat as property values increased. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved since they can only be used to pay debt service obligations.

Combined, the fund balance of our capital project funds decreased \$20.6 million. This decrease is primarily due to continued construction related to the 2015 and 2018 bond issues. The overall construction project is estimated to be approximately 76 percent complete at the end of the year.

The Maintenance/Bus Purchases Capital Projects Fund was created during the 2004-2005 fiscal year to separate large capital and nonoperating expenditures from general obligations of the School District. Transfers from the General Fund are made to this fund based upon capital projects needs for future fiscal years. A transfer of \$381,300 was made during the year.

The Technology/Other Projects Fund was previously funded through transfers from the General Fund. These funds were used to purchase technology-related equipment. As pressures continued on General Fund operations, limited, if any, dollars were available to fund technology purchases. Therefore, a portion of the 2018 Building and Site Fund is being used to purchase technology infrastructure and technology-related equipment.

The School District continues to work diligently in the budget process to maintain a balanced budget each fiscal year. The School District settled extended contracts with all of its employee units. The School District settled a one-year contract extension through June 30, 2020 with its teachers, the Farmington Education Association (FEA), which includes full step increases for those on the step schedule at the beginning of the 2019-2020 school year and a \$500 off-schedule payment for all employees at the top of the step schedule.

A contract extension for paraprofessional and secretarial staff, the Educational Support Personnel (ESP), was settled through June 30, 2020, with a full step given to those on the step schedule at the beginning of the 2019-2020 school year and a 1 percent of base contract off-schedule payment for employees at the top of the scale.

A contract extension was settled with its maintenance and nutrition staff, Farmington Maintenance and Cafeteria (FMC), through June 30, 2020. The settlement included a full step for those on the step schedule, the add back of one holiday for maintenance staff, and additional vacation days for newly hired maintenance staff. Nutrition employees will receive a full step for those on the step schedule or an off-schedule payment equivalent to two days' pay for employees at the top of the schedule.

A contract extension was settled with the Farmington Association of School Administrators (FASA) group through June 30, 2020 and provides for a full step at the beginning of the year to those on the step schedule, an off-schedule payment of \$500 for those at the top of the schedule, and an increase in funds allocated to each member for professional development by \$350.

The School District settled a two-year contract through June 30, 2020 with the Farmington Transportation Association (FTA), composed of bus drivers and mechanics, which included the reduction of employee health insurance contributions from 30 percent to 26 percent of the illustrative rate in the first year. The second year of the contract includes continuation of an attendance incentive, full steps for those on the step schedule, an off-schedule payment equal to two days' pay for those at the top step of the schedule, increase in the field trip hourly rate, reduction of employee health insurance contributions from 26 percent to 24 percent, and a bonus payment of \$100 (after meeting certain qualifications) for referring a new driver or mechanic.

In bargaining successor agreements, the School District will seek agreements that continue to recognize and value the contributions of all employees, while assuring that the School District remains well-positioned for long-term, sustainable academic and financial health.

Farmington Public School District

Management's Discussion and Analysis (Continued)

The Benefits Advisory Committee continued discussions around benefit plans and ways to control costs. The School District currently has preferred provider organization (PPO) and health maintenance organization (HMO) medical plans, as well as two consumer driver health plans (CDHP), with health savings accounts.

General Fund fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2019. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2018-2019 General Fund original budget. Budgeted revenue was increased \$3.9 million due to an increase in funding for retirement obligations and categorical revenue from the State, an increase in county-wide special education funding, and an increase in federal revenue for current grant awards and the recognition of federal grant revenue that could not be recognized in the previous fiscal year because of timing of receipt.

Budgeted expenditures were increased \$3.3 million to account for actual staffing in place and current contractual obligations, current grant awards, and one-time costs for large repairs and the purchase of a new fleet of vans for the maintenance department.

The difference between final budgeted revenue and actual revenue was \$1,447,676, or 1.0 percent less than budgeted. The difference, on a net basis, included higher than anticipated property tax, interest, and rental revenue, less special education funding; more retirement funding; and state and federal revenue recorded based upon expenditures made, where these grants are budgeted at the full award amount.

The difference between final budgeted expenditures and actual expenditures was \$2,300,912, or 1.6 percent less than budgeted. The reasons for the differences, on a net basis, are as follows:

- Grant expenditures, budgeted upon award amounts, were below projections by approximately \$1,626,000.
- Utility costs were under projections by approximately \$29,000.
- Substitute costs were under projections by approximately \$67,000.
- Building budgets and teacher/administrator conference amounts were below projections, with balances remaining at year end totaling approximately \$431,000.
- Employee wage and wage-related benefit costs were below projections by approximately \$64,000.
- Employee fringe benefit costs were below projections by approximately \$65,000.
- Workshops and conferences were below projections by approximately \$51,000.
- Software licensing fees were below projections by approximately \$30,000.
- Tax tribunal costs were below projections by approximately \$67,000.
- Special education transportation costs exceeded projections by approximately \$54,000.
- Operations and maintenance departmental budgets were above projections by approximately \$104,000.
- Departmental budgets, on a net basis, were below projections by approximately \$29,000.

Farmington Public School District

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the School District had \$163.9 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 \$0.7 million from last year.

	Governmental Activities	
	2019	2018
Land	\$ 683,746	\$ 983,298
Construction in progress	17,426,206	10,690,777
Buildings and building improvements	211,490,255	225,831,361
Furniture and equipment	18,860,593	17,997,291
Buses and other vehicles	10,942,053	10,721,718
Total capital assets	259,402,853	266,224,445
Less accumulated depreciation	95,514,728	101,647,893
Total capital assets	\$ 163,888,125	\$ 164,576,552

This year's additions of \$20.6 million included vehicles, cafeteria equipment, technology, building renovations, school building additions, and classroom furniture.

This year's disposals of 27.4 million included the disposal of a high school building and two other district properties.

Debt

At the end of this year, the School District had \$115.8 million in bonds outstanding versus \$122.7 million in the previous year - a change of 5.6 percent. Those bonds consisted of the following:

	2019	2018
2013 general obligation bonds	\$ -	\$ 2,500,000
2015 general obligation bonds	62,720,000	65,570,000
2018 general obligation bonds	53,125,000	54,675,000
Total general obligation bonds	\$ 115,845,000	\$ 122,745,000

The School District's general obligation bond rating is Aa3 and was reviewed and affirmed in May 2018 by Moody's. The current Standard & Poor's rating given to the School District in 2013 of AA was reviewed and downgraded to AA- with a positive outlook in February 2016. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding nonqualified general obligation debt was paid in full as of June 30, 2019.

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

Farmington Public School District

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2019-2020 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 2019-2020 budget was adopted in June 2019 based on an estimate of students who will enroll in September 2019. Approximately 70 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2020 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2020 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 some amount of a foundation allowance increase. Due to increases in the state required contribution to the retirement system, increases in healthcare costs, and declining student enrollment, the School District estimates that the net increase in per pupil funding to fund other operating costs will nullify any foundation allowance increase per pupil, unless the funding increase is significant.

During 2019, the School District extended labor contracts with the Farmington Education Association, the Farmington Educational Support Professionals, the Farmington Transportation Association, the Farmington Maintenance and Cafeteria, and the Farmington Association of School Administrators bargaining units. The financial impact on operations is estimated by the School District to be \$1.6 million.

Contacting the School District's Management

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

Farmington Public School District

Statement of Net Position

June 30, 2019

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 22,729,084
Receivables:	
Taxes	62,000
Interest	44,150
Accounts receivable	181,836
Due from other governmental units	15,612,895
Inventory	101,268
Prepaid expenses and other assets:	
Prepaid expenses	1,344,330
Deposits	279,246
Restricted assets (Notes 4 and 5)	40,141,025
Capital assets:	
Assets not subject to depreciation (Note 7)	18,109,952
Assets subject to depreciation - Less accumulated depreciation of \$95,514,728 (Note 7)	145,778,173
Total assets	244,383,959
Deferred Outflows of Resources	
Deferred pension costs (Note 11)	77,984,848
Deferred OPEB costs (Note 11)	11,230,787
Total deferred outflows of resources	89,215,635
Liabilities	
Accounts payable	5,264,076
Due to other governmental units	11,933
Accrued payroll and other liabilities	17,416,575
Unearned revenue (Note 6)	730,193
Noncurrent liabilities:	
Due within one year (Note 9)	8,370,143
Due in more than one year:	
Compensated absences and other long-term liabilities (Note 9)	2,433,659
Net pension liability (Note 11)	251,209,675
Net OPEB liability (Note 11)	65,900,323
Bonds - Net of current portion (Note 9)	115,673,192
Total liabilities	467,009,769
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the report date (Note 11)	9,135,381
Deferred pension cost reductions (Note 11)	36,794,838
Deferred OPEB cost reductions (Note 11)	16,666,221
Total deferred inflows of resources	62,596,440
Net Position	
Net investment in capital assets	74,934,436
Restricted:	
Debt service	240,265
Capital projects	1,120,835
Nutrition services	1,320,656
Unrestricted	(273,622,807)
Total net position	\$ (196,006,615)

Farmington Public School District

Statement of Activities

Year Ended June 30, 2019

	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 84,797,861	\$ 711,205	\$ 23,394,936	\$ (60,691,720)
Support services	50,241,412	474,899	13,870,015	(35,896,498)
Athletics	1,816,325	656,161	-	(1,160,164)
Nutrition services	3,287,761	2,109,968	1,619,319	441,526
Community services	1,289,169	973,242	-	(315,927)
Intergovernmental payments	922,418	-	-	(922,418)
Interest on long-term debt and other	4,540,811	-	-	(4,540,811)
Depreciation expense (unallocated)	4,949,376	-	-	(4,949,376)
Total primary government	\$ 151,845,133	\$ 4,925,475	\$ 38,884,270	(108,035,388)
General revenue:				
Taxes:				
Property taxes - Levied for general purposes				40,173,650
Property taxes - Levied for debt services				11,690,607
State aid not restricted to specific purposes				57,987,402
Interest and investment earnings				1,643,441
Loss on sale of capital assets (Note 7)				(12,447,275)
Other				26,031
Total general revenue				99,073,856
Change in Net Position				(8,961,532)
Net Position - Beginning of year				(187,045,083)
Net Position - End of year				<u>\$(196,006,615)</u>

Farmington Public School District

Governmental Funds Balance Sheet

June 30, 2019

	General Fund	2018 Building and Site Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 4)	\$ 16,867,290	\$ -	\$ 1,532,771	\$ 18,400,061
Receivables:				
Taxes	62,000	-	-	62,000
Interest	-	44,150	-	44,150
Accounts receivable	91,695	-	340	92,035
Due from other governmental units	15,524,062	-	88,833	15,612,895
Due from other funds (Note 8)	358,525	2,000	450,132	810,657
Inventory	73,536	-	27,732	101,268
Prepaid expenses	1,338,751	-	150	1,338,901
Restricted assets (Notes 4 and 5)	-	39,029,009	1,112,016	40,141,025
Total assets	\$ 34,315,859	\$ 39,075,159	\$ 3,211,974	\$ 76,602,992
Liabilities				
Accounts payable	\$ 977,580	\$ 3,747,900	\$ 624	\$ 4,726,104
Due to other governmental units	11,933	-	-	11,933
Due to other funds (Note 8)	456,838	-	268,724	725,562
Accrued payroll and other liabilities	14,060,662	-	6,528	14,067,190
Unearned revenue (Note 6)	644,270	-	85,923	730,193
Total liabilities	16,151,283	3,747,900	361,799	20,260,982
Fund Balances				
Nonspendable:				
Inventory	73,536	-	27,732	101,268
Prepaid expenses	1,338,751	-	150	1,338,901
Restricted:				
Debt service	-	-	1,028,557	1,028,557
Capital projects	-	35,327,259	-	35,327,259
Nutrition services	-	-	1,292,774	1,292,774
Committed:				
Capital projects	-	-	500,962	500,962
Contractual obligations - Retirement and sick pay	2,433,659	-	-	2,433,659
Contractual obligations - Vacation pay	302,491	-	-	302,491
Cash flow deficiency for 2019-2020	8,535,948	-	-	8,535,948
Unassigned	5,480,191	-	-	5,480,191
Total fund balances	18,164,576	35,327,259	2,850,175	56,342,010
Total liabilities and fund balances	\$ 34,315,859	\$ 39,075,159	\$ 3,211,974	\$ 76,602,992

Farmington Public School District

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

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 56,342,010
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	259,402,853
Accumulated depreciation	<u>(95,514,728)</u>
Net capital assets used in governmental activities	163,888,125
Bonds payable obligations are not due and payable in the current period and are not reported in the funds	(123,160,113)
Accrued interest is not due and payable in the current period and is not reported in the funds	(788,292)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(3,094,392)
Provision for health and/or workers' compensation claims not accounted for within the Internal Service Fund	(222,489)
Net pension liability and related deferred inflows and outflows	(210,019,665)
Net OPEB liability and related deferred inflows and outflows	(71,335,757)
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	(9,135,381)
Internal service funds are included as part of governmental activities	<u>1,519,339</u>
Net Position of Governmental Activities	<u><u>\$ (196,006,615)</u></u>

Farmington Public School District**Governmental Funds**
Statement of Revenue, Expenditures, and Changes in Fund Balances**Year Ended June 30, 2019**

	General Fund	2018 Building and Site Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 44,247,960	\$ 1,058,369	\$ 13,966,552	\$ 59,272,881
State sources	79,128,071	-	311,536	79,439,607
Federal sources	5,079,317	-	1,473,096	6,552,413
Interdistrict sources	11,615,912	-	-	11,615,912
Total revenue	140,071,260	1,058,369	15,751,184	156,880,813
Expenditures				
Current:				
Instruction	85,128,370	-	-	85,128,370
Support services	48,694,856	-	-	48,694,856
Athletics	1,844,753	-	-	1,844,753
Nutrition services	-	-	3,320,045	3,320,045
Community services	1,297,459	-	-	1,297,459
Debt service:				
Principal	-	-	6,900,000	6,900,000
Interest on long-term debt and other	-	-	5,085,422	5,085,422
Capital outlay	317,684	17,895,657	4,160,807	22,374,148
Intergovernmental payments	922,418	-	-	922,418
Total expenditures	138,205,540	17,895,657	19,466,274	175,567,471
Excess of Revenue Over (Under) Expenditures	1,865,720	(16,837,288)	(3,715,090)	(18,686,658)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	1,063,812	-	-	1,063,812
Transfers in (Note 8)	166,242	-	381,300	547,542
Transfers out (Note 8)	(381,300)	-	(166,242)	(547,542)
Total other financing sources	848,754	-	215,058	1,063,812
Net Change in Fund Balances	2,714,474	(16,837,288)	(3,500,032)	(17,622,846)
Fund Balances - Beginning of year	15,450,102	52,164,547	6,350,207	73,964,856
Fund Balances - End of year	<u>\$ 18,164,576</u>	<u>\$ 35,327,259</u>	<u>\$ 2,850,175</u>	<u>\$ 56,342,010</u>

Farmington Public School District

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

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds \$ (17,622,846)

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	20,617,739
Depreciation expense	(7,795,079)
Net book value of assets disposed of	(13,511,087)

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	(969,124)
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Revenue in support of pension contributions made subsequent to the measurement date	(580,813)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	7,533,131
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Interest expense is recognized in the government-wide statements as it accrues	(88,520)
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Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	3,351,781
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Internal service funds are included as part of governmental activities	103,286
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Change in Net Position of Governmental Activities \$ (8,961,532)

Farmington Public School District

Proprietary Funds Statement of Net Position

June 30, 2019

	Benefit Stabilization Fund
Assets	
Current assets:	
Cash and investments (Notes 4 and 5)	\$ 4,329,023
Due from other funds (Note 8)	4,706
Prepaid expenses and other assets:	
Prepaid expenses	5,429
Deposits	279,246
Total current assets	4,618,404
Liabilities	
Current liabilities:	
Accounts payable	537,972
Accrued payroll and other liabilities (Note 10)	2,561,093
Total current liabilities	3,099,065
Net Position - Unrestricted	\$ 1,519,339

Farmington Public School District

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

Year Ended June 30, 2019

	Benefit Stabilization Fund
Operating Revenue	
Charges for services	\$ 16,038,222
Other	584,460
Total operating revenue	16,622,682
Operating Expenses - Cost of insurance claims	16,594,521
Operating Income	28,161
Nonoperating Revenue - Interest income	75,125
Change in Net Position	103,286
Net Position - Beginning of year	1,416,053
Net Position - End of year	\$ 1,519,339

Farmington Public School District

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2019

	Benefit Stabilization Fund
Cash Flows from Operating Activities	
Receipts from interfund services	\$ 16,033,371
Claims and premiums paid	(16,188,704)
Other receipts	584,460
Net cash and cash equivalents provided by operating activities	429,127
Cash Flows Provided by Investing Activities - Interest	75,125
Net Increase in Cash and Cash Equivalents	504,252
Cash and Cash Equivalents - Beginning of year	3,824,771
Cash and Cash Equivalents - End of year	\$ 4,329,023
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 28,161
Adjustments to reconcile operating income to net cash from operating activities:	
Changes in assets and liabilities:	
Prepays	(69)
Due to and from other funds	(4,851)
Accounts payable	173,381
Accrued liabilities	232,505
Total adjustments	400,966
Net cash and cash equivalents provided by operating activities	\$ 429,127

Farmington Public School District

Fiduciary Fund Statement of Fiduciary Assets and Liabilities

June 30, 2019

	Student Activities
Assets - Cash and investments	\$ 985,777
Liabilities	
Accounts payable	\$ 77,832
Due to student groups	818,144
Due to other funds (Note 8)	89,801
Total liabilities	\$ 985,777

June 30, 2019

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Report Presentation

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

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

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

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

Fund Accounting

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

June 30, 2019**Note 2 - Significant Accounting Policies (Continued)**

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Interfund Activity

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

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

June 30, 2019**Note 2 - Significant Accounting Policies (Continued)*****Basis of Accounting***

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

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

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

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

Specific Balances and Transactions**Cash and Investments**

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

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid costs of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets

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

Capital Assets

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

June 30, 2019**Note 2 - Significant Accounting Policies (Continued)**

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

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

The School District reports deferred outflows related to deferred charged on refundings and 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 future periods and will not be recognized as an inflow of resources (revenue) until that time.

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

Net Position

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

Net Position Flow Assumption

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

June 30, 2019**Note 2 - Significant Accounting Policies (Continued)****Fund Balance Flow Assumptions**

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

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

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

Property Tax Revenue

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

June 30, 2019**Note 2 - Significant Accounting Policies (Continued)****Grants and Contributions**

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

Pension and Other Postemployment Benefit (OPEB) Plans

For 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 (Vacation and Sick Leave)

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

Proprietary Funds Operating Classification

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

Tax Abatement

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

Use of Estimates

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

June 30, 2019**Note 2 - Significant Accounting Policies (Continued)*****Upcoming Accounting Pronouncements***

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District has evaluated the impact this standard will have on the financial statements. As of July 1, 2019, the School District will report the activities and related balances currently reported as fiduciary in a newly created special revenue fund.

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

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

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

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. Since all encumbrances are budgeted for in 2019-2020, no encumbrances are included in assigned fund balance at June 30, 2019.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

The 2018 Building and Site Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

June 30, 2019**Note 3 - Stewardship, Compliance, and Accountability (Continued)**

The 2015 Building and Site Bonds Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the project for which the bonds were issued was considered complete during a prior period, and the School District has completed the required reporting to the Michigan Department of Treasury.

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 one bank for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a one-day minimum investment period. MAX CLASS investments may not be redeemed for at least 14 calendar days, with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. The School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At June 30, 2019, the School District did not have any deposit balance.

Custodial Credit Risk of Investments

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

Interest Rate Risk

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

June 30, 2019

Note 4 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy only allows purchases of commercial paper with ratings of A1/P1 and AA/Aa. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund - Cash Management Class	\$ 11,807,154	N/A 2a7 like pool	AAAm	S&P
Michigan Liquid Asset Fund - MAX Class	31,866,678	N/A 2a7 like pool	AAAm	S&P
Michigan Liquid Asset Fund - Term Series Sept 2019	7,500,000	9/6/2019	AA+	S&P
Michigan Liquid Asset Fund - Term Series Sept 2020	5,000,000	9/13/2019	AA+	S&P
Federal Home Loan Bank Notes	1,000,415	2/11/2020	AA+	S&P
Federal Home Loan Bank Notes	1,749,232	5/28/2020	AA+	S&P
Federal Home Loan Mortgage Notes	1,255,716	9/29/2020	AA+	S&P
FNMA Benchmark Notes	729,886	12/28/2020	AA+	S&P
Freddie Mac Notes	736,321	2/16/2021	AA+	S&P
Total	<u>\$ 61,645,402</u>			

Concentration of Credit Risk

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

Investment	Value	Percentage of Total Investments
Agency notes and bonds	\$ 5,471,570	8.48

Foreign Currency Risk

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

Note 5 - Fair Value Measurements

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

The following table presents information about the School District's assets measured at fair value on a recurring basis at June 30, 2019 and the valuation techniques used by the School District to determine those fair values.

June 30, 2019

Note 5 - Fair Value Measurements (Continued)

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

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

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

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

The School District has the following recurring fair value measurements as of June 30, 2019:

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2019</u>				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Investments by fair value - Debt securities:				
U.S. Treasury securities	\$ -	\$ 2,854,585	\$ -	\$ 2,854,585
Mortgage-backed securities	-	5,471,570	-	5,471,570
Total	<u>\$ -</u>	<u>\$ 8,326,155</u>	<u>\$ -</u>	<u>8,326,155</u>
Investments measured at net asset value (NAV) - Michigan Liquid Asset Fund - Term Series				<u>12,500,000</u>
Total assets				<u>\$ 20,826,155</u>

The fair value of mortgage-backed securities and U.S. Treasury securities at June 30, 2019 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments at market value using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Investments in Entities that Calculate Net Asset Value per Share

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

As of June 30, 2019, the net asset value of the School District's investment in the MILAF Term Series was \$12,500,000. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date set upon initiation of investment. Early redemptions are permitted; however, an early redemption fee would apply.

June 30, 2019

Note 5 - Fair Value Measurements (Continued)

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

Note 6 - Unavailable/Unearned Revenue

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

At June 30, 2019, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Tuition and other	\$ -	\$ 294,424
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	435,769
Total	\$ -	\$ 730,193

Note 7 - Capital Assets

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

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 983,298	\$ -	\$ -	\$ (299,552)	\$ 683,746
Construction in progress	10,690,777	(12,784,638)	19,520,067	-	17,426,206
Subtotal	11,674,075	(12,784,638)	19,520,067	(299,552)	18,109,952
Capital assets being depreciated:					
Buildings and improvements	225,831,361	12,784,638	-	(27,125,744)	211,490,255
Furniture and equipment	17,997,291	-	877,337	(14,035)	18,860,593
Buses and vehicles	10,721,718	-	220,335	-	10,942,053
Subtotal	254,550,370	12,784,638	1,097,672	(27,139,779)	241,292,901
Accumulated depreciation:					
Buildings and improvements	81,695,045	-	6,641,061	(13,914,209)	74,421,897
Furniture and equipment	11,192,733	-	696,798	(14,035)	11,875,496
Buses and vehicles	8,760,115	-	457,220	-	9,217,335
Subtotal	101,647,893	-	7,795,079	(13,928,244)	95,514,728
Net capital assets being depreciated	152,902,477	12,784,638	(6,697,407)	(13,211,535)	145,778,173
Net capital assets	\$ 164,576,552	\$ -	\$ 12,822,660	\$ (13,511,087)	\$ 163,888,125

June 30, 2019

Note 7 - Capital Assets (Continued)

The School District disposed of one building and two parcels of land during the year, receiving proceeds of \$1,063,812 and recognizing a loss of \$12,447,275 on the disposal of fixed assets.

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

Governmental activities:	
Instruction	\$ 2,030,201
Support services	793,066
Community services	22,436
Unallocated	4,949,376
	<u> </u>
Total governmental activities	\$ 7,795,079
	<u> </u>

Construction Commitments

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

	Spent to Date	Remaining Commitment
2018 bond issue	\$ 20,473,948	\$ 14,524,934
	<u> </u>	<u> </u>

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Nonmajor Funds	Fiduciary Fund	
General Fund	\$ -	\$ 268,724	\$ 89,801	\$ 358,525
2018 Building and Site Fund	2,000	-	-	2,000
Nonmajor funds	450,132	-	-	450,132
Benefit Stabilization Fund	4,706	-	-	4,706
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 456,838	\$ 268,724	\$ 89,801	\$ 815,363
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 381,300
Nonmajor governmental funds	General Fund	166,242
	<u> </u>	<u> </u>
	Total	\$ 547,542
		<u> </u>

June 30, 2019

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

General Fund transfers out are used by the applicable funds to support and maintain the operations of the funds for the purpose for which they were created. Nutrition services funds are transferred to the General Fund to cover indirect costs related to operations for the Nutrition Services Fund.

Note 9 - Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligation	\$ 122,745,000	\$ -	\$ (6,900,000)	\$ 115,845,000	\$ 7,035,000
Unamortized bond premiums	7,948,244	-	(633,131)	7,315,113	451,921
Total bonds payable	130,693,244	-	(7,533,131)	123,160,113	7,486,921
Compensated absences	3,095,351	-	(959)	3,094,392	660,733
Workers' compensation	490,452	599,907	(867,870)	222,489	222,489
Total governmental activities long-term debt	<u>\$ 134,279,047</u>	<u>\$ 599,907</u>	<u>\$ (8,401,960)</u>	<u>\$ 126,476,994</u>	<u>\$ 8,370,143</u>

General Obligation Bonds and Contracts

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

Purpose	Remaining Annual Installments	Interest Rate (Percent)	Maturing May 1	Outstanding
\$81,050,000 qualified serial bonds (2015 issue)	\$2,765,000 - \$5,145,000	5.00	2035	\$ 62,720,000
\$54,675,000 qualified serial bonds (2018 issue)	\$2,050,000 - \$3,800,000	3.33 - 4.50	2038	53,125,000
Total governmental activities				<u>\$ 115,845,000</u>

June 30, 2019

Note 9 - Long-term Debt (Continued)***Debt Service Requirements to Maturity***

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

Years Ending June 30	Governmental Activities		
	Other Debt		
	Principal	Interest	Total
2020	\$ 7,035,000	\$ 4,906,094	\$ 11,941,094
2021	4,815,000	4,622,344	9,437,344
2022	5,015,000	4,422,594	9,437,594
2023	5,220,000	4,213,844	9,433,844
2024	5,440,000	3,995,844	9,435,844
2025-2029	30,825,000	16,357,470	47,182,470
2030-2034	37,925,000	9,232,064	47,157,064
2035-2038	19,570,000	1,801,532	21,371,532
Total	<u>\$ 115,845,000</u>	<u>\$ 49,551,786</u>	<u>\$ 165,396,786</u>

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District participates in Middle Cities Risk Management Trust risk pool for claims relating to property loss, torts, and errors and omissions. The School District is partially insured for workers' compensation and medical claims.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. There have been no significant reductions in insurance coverage from the prior year. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported, as well as those that have not yet been reported. These estimates are recorded as long-term debt in the government-wide financial statements, as they are not considered due at June 30. At June 30, 2019, \$222,489 is recorded as long-term debt.

The School District is self-insured for medical claims. The School District estimates the liability for medical claims that have been incurred through the end of the fiscal year, including claims that have been reported, as well as those that have not yet been reported. These estimates are recorded as accrued liabilities in the internal service fund. At June 30, 2019, the estimated liability for these medical claims totals \$2,561,093.

June 30, 2019

Note 10 - Risk Management (Continued)

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

	Workers' Compensation		Medical	
	2019	2018	2019	2018
Estimated liability - Beginning of year	\$ 490,452	\$ 153,221	\$ 2,328,588	\$ 2,254,554
Estimated claims incurred, including changes in estimates	599,907	413,047	14,632,004	13,093,044
Claim payments	(867,870)	(75,816)	(14,399,499)	(13,019,010)
Estimated liability - End of year	\$ 222,489	\$ 490,452	\$ 2,561,093	\$ 2,328,588

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

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

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

Benefits Provided

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

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

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

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

June 30, 2019

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

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

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

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

Contributions

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent contribution and, instead, opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped 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% - 19.74%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

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

June 30, 2019

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, 2019 were \$21,915,990, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$9,135,381 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2019.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2019 were \$5,750,426, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2019, the School District reported a liability of \$251,209,675 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the School District's proportion was 0.84 and 0.85 percent, respectively, representing a change of (1.72) percent.

Net OPEB Liability

At June 30, 2019, the School District reported a liability of \$65,900,323 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the School District's proportion was 0.83 and 0.85 percent, respectively, representing a change of (2.61) percent.

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

For 2019, the School District recognized pension expense of \$22,464,236, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,165,660	\$ (1,825,497)
Changes in assumptions	58,179,954	-
Net difference between projected and actual earnings on pension plan investments	-	(17,176,356)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	87,868	(17,792,985)
The School District's contributions to the plan subsequent to the measurement date	18,551,366	-
Total	<u>\$ 77,984,848</u>	<u>\$ (36,794,838)</u>

June 30, 2019

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

The \$9,135,381 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, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2020	\$ 7,883,676
2021	6,022,512
2022	5,825,190
2023	2,907,266
Total	<u>\$ 22,638,644</u>

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

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$2,819,346.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (12,265,743)
Changes in assumptions	6,978,878	-
Net difference between projected and actual earnings on OPEB plan investments	-	(2,532,707)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	29,036	(1,867,771)
Employer contributions to the plan subsequent to the measurement date	4,222,873	-
Total	<u>\$ 11,230,787</u>	<u>\$ (16,666,221)</u>

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

Years Ending	Amount
2020	\$ (2,328,637)
2021	(2,328,637)
2022	(2,328,637)
2023	(1,816,127)
2024	(856,269)
Total	<u>\$ (9,658,307)</u>

June 30, 2019

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

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

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 7.05%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.15%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75% for 2019 and 3.50% for 2018
Healthcare cost trend rate - OPEB	7.50%	Year 1 graded to 3.0% year 12
Mortality basis		RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

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

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 7.05 percent as of September 30, 2018 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

June 30, 2019

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.70 %
Private equity pools	18.00	9.20
International equity pools	16.00	7.20
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	3.90
Absolute return pools	15.50	5.20
Short-term investment pools	2.00	-
Total	100.00 %	

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

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

	1 Percent Decrease (5.00 - 6.05%)	Current Discount Rate (6.00 - 7.05%)	1 Percent Increase (7.00 - 8.05%)
Net pension liability of the School District	\$ 329,818,901	\$ 251,209,675	\$ 185,898,187

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

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

	1 Percent Decrease (6.15%)	Current Discount Rate (7.15%)	1 Percent Increase (8.15%)
Net OPEB liability of the School District	\$ 79,111,997	\$ 65,900,323	\$ 54,787,690

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 Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 54,202,290	\$ 65,900,323	\$ 79,320,356

June 30, 2019

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

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2019, the School District reported a payable of \$3,749,680 and \$563,950 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019.

Required Supplemental Information

Farmington Public School District

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 43,700,924	\$ 43,926,711	\$ 44,247,960	\$ 321,249
State sources	77,751,322	79,663,934	79,128,071	(535,863)
Federal sources	5,046,286	6,273,323	5,079,317	(1,194,006)
Interdistrict sources	11,077,357	11,654,968	11,615,912	(39,056)
Total revenue	137,575,889	141,518,936	140,071,260	(1,447,676)
Expenditures				
Current:				
Instruction:				
Basic programs	63,491,877	64,720,926	64,863,736	142,810
Added needs	21,483,316	21,579,305	20,191,130	(1,388,175)
Adult/Continuing education	153,663	181,910	125,555	(56,355)
Total instruction	85,128,856	86,482,141	85,180,421	(1,301,720)
Support services:				
Pupil	13,985,661	14,247,564	14,096,669	(150,895)
Instructional staff	6,062,100	6,414,644	5,910,213	(504,431)
General administration	1,389,569	1,507,907	1,538,132	30,225
School administration	6,570,517	6,719,269	6,744,134	24,865
Business services	1,355,923	1,451,796	1,339,606	(112,190)
Operations and maintenance	8,631,791	9,089,086	9,244,078	154,992
Transportation	6,282,258	6,849,570	6,627,390	(222,180)
Central services	3,598,840	3,527,993	3,460,267	(67,726)
Total support services	47,876,659	49,807,829	48,960,489	(847,340)
Athletics	1,920,786	1,840,867	1,844,753	3,886
Community services	1,430,394	1,417,693	1,297,459	(120,234)
Building and site improvements	-	19,627	-	(19,627)
Intergovernmental payments	812,115	938,295	922,418	(15,877)
Total expenditures	137,168,810	140,506,452	138,205,540	(2,300,912)
Excess of Revenue Over Expenditures	407,079	1,012,484	1,865,720	853,236
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	1,305,000	1,083,625	1,063,812	(19,813)
Transfers in	172,657	163,948	166,242	2,294
Transfers out	(1,131,300)	(381,300)	(381,300)	-
Total other financing sources	346,357	866,273	848,754	(17,519)
Net Change in Fund Balance	753,436	1,878,757	2,714,474	835,717
Fund Balance - Beginning of year	15,450,102	15,450,102	15,450,102	-
Fund Balance - End of year	<u>\$ 16,203,538</u>	<u>\$ 17,328,859</u>	<u>\$ 18,164,576</u>	<u>\$ 835,717</u>

Farmington Public School District

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

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

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

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

Farmington Public School District

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

Last Two Plan Years For the Plan Year Ended September 30

	2018	2017
School District's proportion of the net OPEB liability	0.82904 %	0.85123 %
School District's proportionate share of the net OPEB liability	\$ 65,900,323	\$ 75,380,729
School District's covered employee payroll	\$ 70,402,116	\$ 69,554,738
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	93.61 %	108.38 %
Plan fiduciary net position as a percentage of total OPEB liability	43.10 %	36.53 %

Farmington Public School District

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

	Last Two Fiscal Years	
	Years Ended June 30	
	2019	2018
Statutorily required contribution	\$ 5,588,588	\$ 5,057,398
Contributions in relation to the statutorily required contribution	5,588,588	5,057,398
Contribution Deficiency	\$ -	\$ -
School District's Covered Employee Payroll	\$ 71,456,642	\$ 70,148,520
Contributions as a Percentage of Covered Employee Payroll	7.82 %	7.21 %

June 30, 2019

Budgetary Information

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

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

The School District did not have significant expenditure budget variances.

Pension Information

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

Benefit Changes

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

Changes in Assumptions

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

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

OPEB Information

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

Benefit Changes

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

Changes in Assumptions

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

- 2018 - The discount rate used in September 30, 2017 actuarial valuation decreased by 0.35 percent.

Other Supplemental Information

Farmington Public School District

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Fund	Debt Service Funds			Capital Project Funds			Total
	Nutrition Services	2013 Issue	2015 Issue	2018 Issue	Technology/ Other Projects	Maintenance/Bus Purchases	2015 Building and Site	
Assets								
Cash and investments	\$ 1,481,941	\$ -	\$ -	\$ -	\$ 50,830	\$ -	\$ -	\$ 1,532,771
Receivables:								
Accounts receivable	340	-	-	-	-	-	-	340
Due from other governmental units	78,833	2,000	5,000	3,000	-	-	-	88,833
Due from other funds	-	-	-	-	-	450,132	-	450,132
Inventory	27,732	-	-	-	-	-	-	27,732
Prepaid expenses and other assets	150	-	-	-	-	-	-	150
Restricted assets	-	171,308	588,103	352,605	-	-	-	1,112,016
Total assets	\$ 1,588,996	\$ 173,308	\$ 593,103	\$ 355,605	\$ 50,830	\$ 450,132	\$ -	\$ 3,211,974
Liabilities								
Accounts payable	\$ 624	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 624
Due to other funds	175,265	19,991	46,902	26,566	-	-	-	268,724
Accrued payroll and other liabilities	6,528	-	-	-	-	-	-	6,528
Unearned revenue	85,923	-	-	-	-	-	-	85,923
Total liabilities	268,340	19,991	46,902	26,566	-	-	-	361,799
Fund Balances								
Nonspendable:								
Inventory	27,732	-	-	-	-	-	-	27,732
Prepaid expenses	150	-	-	-	-	-	-	150
Restricted:								
Debt service	-	153,317	546,201	329,039	-	-	-	1,028,557
Nutrition services	1,292,774	-	-	-	-	-	-	1,292,774
Committed - Capital projects	-	-	-	-	50,830	450,132	-	500,962
Total fund balances	1,320,656	153,317	546,201	329,039	50,830	450,132	-	2,850,175
Total liabilities and fund balances	\$ 1,588,996	\$ 173,308	\$ 593,103	\$ 355,605	\$ 50,830	\$ 450,132	\$ -	\$ 3,211,974

Farmington Public School District

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

Year Ended June 30, 2019

	Special Revenue Fund	Debt Service Funds			Capital Project Funds			
	Nutrition Services	2013 Issue	2015 Issue	2018 Issue	Technology/Other Projects	Maintenance/Bus Purchases	2015 Building and Site	Total
Revenue								
Local sources	\$ 2,139,813	\$ 2,522,517	\$ 5,790,982	\$ 3,480,777	\$ 1,145	\$ -	\$ 31,318	\$ 13,966,552
State sources	146,223	35,542	81,169	48,602	-	-	-	311,536
Federal sources	1,473,096	-	-	-	-	-	-	1,473,096
Total revenue	3,759,132	2,558,059	5,872,151	3,529,379	1,145	-	31,318	15,751,184
Expenditures								
Current - Nutrition services	3,320,045	-	-	-	-	-	-	3,320,045
Debt service:								
Principal	-	2,500,000	2,850,000	1,550,000	-	-	-	6,900,000
Interest on long-term debt and other	-	138,310	3,296,772	1,650,340	-	-	-	5,085,422
Capital outlay	31,470	-	-	-	-	-	4,129,337	4,160,807
Total expenditures	3,351,515	2,638,310	6,146,772	3,200,340	-	-	4,129,337	19,466,274
Excess of Revenue Over (Under) Expenditures	407,617	(80,251)	(274,621)	329,039	1,145	-	(4,098,019)	(3,715,090)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	381,300	-	381,300
Transfers out	(166,242)	-	-	-	-	-	-	(166,242)
Total other financing (uses) sources	(166,242)	-	-	-	-	381,300	-	215,058
Net Change in Fund Balances	241,375	(80,251)	(274,621)	329,039	1,145	381,300	(4,098,019)	(3,500,032)
Fund Balances - Beginning of year	1,079,281	233,568	820,822	-	49,685	68,832	4,098,019	6,350,207
Fund Balances - End of year	<u>\$ 1,320,656</u>	<u>\$ 153,317</u>	<u>\$ 546,201</u>	<u>\$ 329,039</u>	<u>\$ 50,830</u>	<u>\$ 450,132</u>	<u>\$ -</u>	<u>\$ 2,850,175</u>

Farmington Public School District**Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Funds
Nutrition Services****Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 2,119,827	\$ 2,137,596	\$ 2,139,813	\$ 2,217
State sources	133,448	146,477	146,223	(254)
Federal sources	1,363,729	1,438,170	1,473,096	34,926
Interdistrict sources	65,132	68,875	-	(68,875)
Total revenue	3,682,136	3,791,118	3,759,132	(31,986)
Expenditures - Current - Nutrition services	<u>3,487,737</u>	<u>3,456,661</u>	<u>3,351,515</u>	<u>(105,146)</u>
Excess of Revenue Over Expenditures	194,399	334,457	407,617	73,160
Other Financing Uses - Transfers out	<u>(172,657)</u>	<u>(163,948)</u>	<u>(166,242)</u>	<u>(2,294)</u>
Net Change in Fund Balance	21,742	170,509	241,375	70,866
Fund Balance - Beginning of year	<u>1,079,281</u>	<u>1,079,281</u>	<u>1,079,281</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,101,023</u>	<u>\$ 1,249,790</u>	<u>\$ 1,320,656</u>	<u>\$ 70,866</u>

Farmington Public School District

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

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 11,770,278	\$ 11,766,840	\$ 11,794,276	\$ 27,436
State sources	22,795	165,313	165,313	-
Total revenue	11,793,073	11,932,153	11,959,589	27,436
Expenditures				
Debt service:				
Principal	6,900,000	6,900,000	6,900,000	-
Interest on long-term debt and other	5,129,677	5,129,677	5,085,422	(44,255)
Total expenditures	12,029,677	12,029,677	11,985,422	(44,255)
Net Change in Fund Balance	(236,604)	(97,524)	(25,833)	71,691
Fund Balance - Beginning of year	1,054,390	1,054,390	1,054,390	-
Fund Balance - End of year	<u><u>\$ 817,786</u></u>	<u><u>\$ 956,866</u></u>	<u><u>\$ 1,028,557</u></u>	<u><u>\$ 71,691</u></u>

Farmington Public School District

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

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over Final Budget
Revenue - Local sources	\$ 500	\$ 1,000	\$ 1,145	\$ 145
Expenditures	-	-	-	-
Excess of Revenue Over Expenditures	500	1,000	1,145	145
Other Financing Sources - Transfers in	400,000	-	-	-
Net Change in Fund Balance	400,500	1,000	1,145	145
Fund Balance - Beginning of year	49,685	49,685	49,685	-
Fund Balance - End of year	<u><u>\$ 450,185</u></u>	<u><u>\$ 50,685</u></u>	<u><u>\$ 50,830</u></u>	<u><u>\$ 145</u></u>

Farmington Public School District

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

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Other Financing Sources - Transfers in	731,300	381,300	381,300	-
Net Change in Fund Balance	731,300	381,300	381,300	-
Fund Balance - Beginning of year	68,832	68,832	68,832	-
Fund Balance - End of year	<u><u>\$ 800,132</u></u>	<u><u>\$ 450,132</u></u>	<u><u>\$ 450,132</u></u>	<u><u>\$ -</u></u>

Farmington Public School District

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2019

Years Ending June 30	2015 Issue Principal	2018 Issue Principal
2020	\$ 3,635,000	\$ 3,400,000
2021	2,765,000	2,050,000
2022	2,915,000	2,100,000
2023	3,070,000	2,150,000
2024	3,215,000	2,225,000
2025	3,380,000	2,300,000
2026	3,550,000	2,350,000
2027	3,725,000	2,425,000
2028	3,905,000	2,500,000
2029	4,090,000	2,600,000
2030	4,285,000	2,675,000
2031	4,480,000	2,775,000
2032	4,675,000	2,900,000
2033	4,845,000	3,050,000
2034	5,040,000	3,200,000
2035	5,145,000	3,375,000
2036	-	3,575,000
2037	-	3,675,000
2038	-	3,800,000
Total remaining payments	\$ 62,720,000	\$ 53,125,000
Principal payments due	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1
Interest rate	5.00%	3.33% to 4.50%
Original issue	\$ 81,050,000	\$ 54,675,000

Farmington Public School District

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

Year Ended June 30, 2019				
	July 1, 2018	Additions	Deductions	June 30, 2019
Assets				
Cash and cash equivalents	\$ 987,281	\$ 1,069,343	\$ (1,070,847)	\$ 985,777
Due from other funds	1,488	836,667	(838,155)	-
Total assets	\$ 988,769	\$ 1,906,010	\$ (1,909,002)	\$ 985,777
Liabilities				
Accounts payable	\$ 44,842	\$ 77,832	\$ (44,842)	\$ 77,832
Due to student groups	943,927	1,604,743	(1,730,526)	818,144
Due to other funds	-	223,435	(133,634)	89,801
Total liabilities	\$ 988,769	\$ 1,906,010	\$ (1,909,002)	\$ 985,777

Farmington Public School District

Other Supplemental Information Schedule of Fiduciary Fund Activities

Year Ended June 30, 2019

	Balance June 30, 2018	Receipts	Disbursements	Balance June 30, 2019
Adult Education Program	\$ -	\$ 840	\$ 746	\$ 94
Alameda Early Childhood	4,766	4,560	3,105	6,221
Beechview Elementary School	9,412	16,623	14,281	11,754
Bilingual Program	10,395	24,383	20,111	14,667
Delta Program	1,098	-	-	1,098
District Science	6,310	-	-	6,310
STEAM (Dunckel) Middle School	2,964	66,870	59,520	10,314
East Middle School	73,647	46,575	48,741	71,481
Farmington Central High School	7,040	1,166	317	7,889
Farmington Community School	665	4,124	2,838	1,951
Farmington High School	285,865	387,511	432,006	241,370
Forest Elementary School	14,608	32,047	30,821	15,834
Gill Elementary School	8,756	14,262	12,142	10,876
Harrison High School	105,909	322,254	373,192	54,971
Hillside Elementary School	35,849	69,387	84,860	20,376
Kenbrook Elementary School	14,188	24,605	30,103	8,690
Lanigan Elementary School	15,801	24,990	26,120	14,671
Leadership Team	857	-	286	571
Longacre Elementary School	27,608	22,634	35,351	14,891
Malen Terry Scholarship	5,899	-	-	5,899
Media	849	16,318	9,227	7,940
Music Program	13,602	-	-	13,602
North Farmington High School	192,104	338,331	364,961	165,474
Power Middle School	35,803	46,549	51,154	31,198
School/Community Relations	11,624	19,616	20,385	10,855
Special Education	(352)	704	352	-
Student Assistance	200	-	-	200
Visions Unlimited	8,805	22,706	20,751	10,760
Vocational Education	548	6,050	1,600	4,998
Warner Middle School	46,998	72,761	70,263	49,496
Wood Creek Elementary School	2,109	18,877	17,293	3,693
Total	\$ 943,927	\$ 1,604,743	\$ 1,730,526	\$ 818,144

Cash and Investments

Farmington Public School District

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

June 30, 2019

Fund	Types of Investment	Interest Rate (Percent)	Date of Maturity	Cost
General	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	\$ 724,547
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	1,661,226
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	2,166,828
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	43,882
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	12,740,699
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	10,496
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	103,520
	Total General Fund			17,451,198
Special Revenue	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	1,481,816
Debt Service	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	1,112,016
Capital Projects	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	50,830
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	30,763,249
	Federal Agency Bonds/Notes			5,471,570
	U.S. Treasury Bonds/Notes			2,854,585
Trust and Agency	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	985,700
Internal Service	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	4,329,023
	Total cash, cash equivalents, and investments			\$ 64,499,987

Note: Balances represent balances from the bank statements at June 30, 2019

Capital Assets and Accumulated Depreciation

Farmington Public School District

	Cost					Total
	Land	Buildings and Building Improvements	Furniture and Equipment	Buses and Other Vehicles	Construction in Progress	
Elementary Schools						
Beechview	25,250	7,665,064	326,302	-	-	8,016,616
Forest	31,980	6,822,783	437,849	-	-	7,292,612
Gill	4,137	7,332,999	637,842	-	-	7,974,978
Hillside	16,301	9,322,655	505,342	-	-	9,844,298
Kenbrook	24,900	9,545,443	416,506	-	-	9,986,849
Lanigan	37,800	7,933,416	499,007	-	-	8,470,223
Longacre	30,300	7,658,680	450,002	-	-	8,138,982
Wood Creek	4,391	6,426,298	581,089	-	-	7,011,778
K-8 School						
Farmington STEAM Academy	36,000	17,336,518	859,914	-	-	18,232,432
Middle Schools						
East	57,500	17,511,419	1,139,039	-	-	18,707,958
Power	4,137	13,071,957	1,006,601	-	-	14,082,695
Warner	180,000	8,662,526	392,363	-	3,510,101	12,744,990
High Schools						
Farmington	1	45,043,830	2,628,389	-	404,120	48,076,340
Harrison	-	-	1,369,801	-	-	1,369,801
North	117,600	30,364,436	2,353,312	-	12,175,664	45,011,012
Alameda Early Childhood Center	53,447	1,393,181	30,393	-	1,128,855	2,605,876
Highmeadow Common Campus	49,226	3,354,044	128,951	-	207,466	3,739,687
Shiawassee Complex	-	3,999,379	4,272,631	-	-	8,272,010
Maxfield Training Center	2	2,302,395	5,606	-	-	2,308,003
Farmington Community School	6,501	1,668,447	116,126	-	-	1,791,074
Maintenance	4,273	311,009	571,982	-	-	887,264
Visions/Cloverdale	-	3,763,776	114,866	-	-	3,878,642
Alternative Academy	-	-	16,680	-	-	16,680
Vehicles	-	-	-	10,942,053	-	10,942,053
Total	\$ 683,746	\$ 211,490,255	\$18,860,593	\$ 10,942,053	\$ 17,426,206	\$ 259,402,853

Other Supplemental Information

Schedule of Capital Assets and Accumulated Depreciation

June 30, 2019

Buildings and Building Improvements	Furniture and Equipment	Buses and Other Vehicles	Total
1,688,452	124,812	-	1,813,264
1,667,590	143,620	-	1,811,210
2,087,066	275,751	-	2,362,817
4,016,031	178,822	-	4,194,853
2,130,401	148,346	-	2,278,747
2,233,127	228,021	-	2,461,148
2,173,687	137,223	-	2,310,910
2,238,497	204,134	-	2,442,631
5,623,735	334,171	-	5,957,906
5,419,823	476,849	-	5,896,672
4,166,154	375,712	-	4,541,866
4,414,553	246,160	-	4,660,713
15,533,669	1,209,845	-	16,743,514
-	1,252,326	-	1,252,326
13,672,599	1,661,455	-	15,334,054
640,766	20,918	-	661,684
1,527,743	93,684	-	1,621,427
1,575,678	4,112,247	-	5,687,925
1,360,277	5,606	-	1,365,883
852,186	92,957	-	945,143
222,020	474,919	-	696,939
1,177,843	72,568	-	1,250,411
-	5,350	-	5,350
-	-	9,217,335	9,217,335
\$ 74,421,897	\$ 11,875,496	\$ 9,217,335	\$ 95,514,728

Statistical Section

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

Contents

Financial Trend Information

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

Revenue Capacity Information

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

Debt Capacity Information

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

Demographic and Economic Information

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

Operating Information

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

Farmington Public School District

	As of June 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities:				
Net investment in capital assets	\$ 67,745,598	\$ 71,908,876	\$ 76,376,114	\$ 78,514,622
Restricted	3,434,764	2,811,215	2,924,431	3,359,899
Unrestricted	<u>22,595,755</u>	<u>25,492,876</u>	<u>19,064,510</u>	<u>14,026,621</u>
Total net position	<u>\$ 93,776,117</u>	<u>\$ 100,212,967</u>	<u>\$ 98,365,055</u>	<u>\$ 95,901,142</u>

Source: Farmington Public School District audited financial statements

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

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

Financial Trend Information
Net Position by Component
Governmental Activities

Last Ten Fiscal Years

As of June 30,					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 80,942,482	\$ 82,595,528	\$ 85,948,397	\$ 88,245,459	\$ 88,960,987	\$ 74,934,436
3,769,752	2,986,963	1,042,446	1,362,602	2,618,786	2,681,756
9,003,324	(222,340,637)	(218,066,275)	(211,170,358)	(278,624,856)	(273,622,807)
\$ 93,715,558	\$ (136,758,146)	\$ (131,075,432)	\$ (121,562,297)	\$ (187,045,083)	\$ (196,006,615)

Farmington Public School District

As of June 30,				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses				
Governmental activities:				
Instruction	\$ 98,749,017	\$ 93,196,238	\$ 93,536,609	\$ 94,544,880
Support services	63,369,009	58,420,931	56,592,666	56,068,389
Nutrition services	4,007,796	3,820,318	3,607,330	3,676,910
Athletics	2,349,801	2,006,621	2,117,510	2,030,460
Community services	1,375,371	1,234,414	1,277,959	1,453,986
Interest on long-term debt and other	2,644,130	2,358,627	2,178,688	2,584,156
Depreciation (unallocated)	<u>2,905,796</u>	<u>2,870,672</u>	<u>2,993,638</u>	<u>3,041,878</u>
Total governmental activities	175,400,920	163,907,821	162,304,400	163,400,659
Program revenue				
Charges for services:				
Instruction	167,093	185,666	179,451	152,904
Support services	458,950	481,660	325,541	398,305
Food services	2,690,018	2,523,645	2,337,041	2,248,048
Athletics	422,652	759,090	727,394	668,356
Community services	1,035,179	1,034,647	981,483	1,164,022
Operating grants and contributions	<u>37,441,769</u>	<u>36,650,588</u>	<u>35,132,402</u>	<u>32,699,534</u>
Total program revenue	<u>42,215,661</u>	<u>41,635,296</u>	<u>39,683,312</u>	<u>37,331,169</u>
Net (expense) revenue	(133,185,259)	(122,272,525)	(122,621,088)	(126,069,490)
General Revenue				
Property taxes	60,381,468	57,793,086	52,972,802	52,169,541
State aid not restricted to specific purposes	62,226,033	67,066,383	66,742,219	68,638,365
Federal sources - unrestricted	3,396,898	2,741,173	101,444	-
Unrestricted state grants and contribution	-	-	-	-
Investment earnings	482,437	246,262	171,338	54,150
Other	<u>1,951,260</u>	<u>862,471</u>	<u>785,373</u>	<u>1,624,004</u>
Total general revenue	128,438,096	128,709,375	120,773,176	122,486,060
Special Item	(8,784,484)	-	-	1,119,517
Change in Net Position	<u>\$ (13,531,647)</u>	<u>\$ 6,436,850</u>	<u>\$ (1,847,912)</u>	<u>\$ (2,463,913)</u>

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

Source: Farmington Public School District audited financial statements

Financial Trend Information

Changes in Governmental Net Position

Last Ten Fiscal Years

As of June 30,					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 93,402,687	\$ 95,922,327	\$ 89,144,470	\$ 83,023,833	\$ 82,284,322	\$ 84,797,861
54,103,272	55,576,921	50,369,101	47,348,639	46,716,391	50,241,412
3,648,056	3,676,318	3,754,799	3,263,892	3,476,209	3,287,761
1,972,380	1,799,480	1,788,212	1,871,122	1,841,765	1,816,325
1,351,112	1,441,845	1,579,754	1,413,280	1,345,953	1,289,169
1,682,306	2,313,319	3,685,573	3,125,884	3,733,345	5,463,229
3,054,974	3,012,856	2,991,551	2,843,930	4,535,757	4,949,376
159,214,787	163,743,066	153,313,460	142,890,580	143,933,742	151,845,133
141,332	155,792	167,783	183,938	676,910	711,205
384,303	386,105	390,693	407,735	313,074	474,899
2,177,921	2,220,997	2,240,900	2,000,464	2,017,007	2,109,968
657,129	651,087	637,501	653,934	625,659	656,161
1,126,506	1,135,108	1,064,660	1,032,701	897,554	973,242
32,930,138	33,771,843	32,384,317	38,679,893	40,589,208	38,884,270
37,417,329	38,320,932	36,885,854	42,958,665	45,119,412	43,809,745
(121,797,458)	(125,422,134)	(116,427,606)	(99,931,915)	(98,814,330)	(108,035,388)
50,140,673	47,981,086	51,629,686	50,893,808	50,523,428	51,864,257
67,506,547	68,748,701	68,498,645	58,042,621	58,583,743	57,987,402
-	-	-	-	-	-
-	-	-	-	-	-
61,865	7,883	623,038	494,663	642,894	1,643,441
1,902,789	2,156,945	1,358,951	13,958	6,214	(12,421,244)
119,611,874	118,894,615	122,110,320	109,445,050	109,756,279	99,073,856
-	-	-	-	-	-
\$ (2,185,584)	\$ (6,527,519)	\$ 5,682,714	\$ 9,513,135	\$ 10,941,949	\$ (8,961,532)

Farmington Public School District

	As of June 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund:				
Reserved	\$ 2,485,604	\$ -	\$ -	\$ -
Unreserved	20,806,567	-	-	-
Nonspendable	-	2,201,374	1,770,361	1,113,025
Restricted	-	-	-	-
Committed	-	3,930,879	3,412,671	4,051,511
Assigned	-	8,018,924	11,524,781	5,483,769
Unassigned	-	13,821,912	7,403,671	8,471,478
Total general fund	<u>23,292,171</u>	<u>27,973,089</u>	<u>24,111,484</u>	<u>19,119,783</u>
All other governmental funds:				
Reserved, reported in:				
Special revenue funds	41,012	-	-	-
Capital project funds	858,932	-	-	-
Debt service funds	557,736	-	-	-
Unreserved, reported in:				
Special revenue funds	3,412,588	-	-	-
Capital project funds	4,707,552	-	-	-
Debt service funds	-	-	-	-
Nonspendable, reported in:				
Special revenue funds	-	34,381	33,577	35,196
Restricted, reported in:				
Special revenue funds	-	2,718,295	2,729,715	2,830,677
Debt service funds	-	652,072	161,139	494,026
Capital projects fund - bonded	-	-	-	-
Committed, reported in:				
Capital project funds	-	3,753,158	1,348,633	601,477
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>9,577,820</u>	<u>7,157,906</u>	<u>4,273,064</u>	<u>3,961,376</u>

Source: Farmington Public School District audited financial statements

Note: Years beginning with 2011 have been presented in accordance with GASB No. 54, which was effective July 1, 2010.

Years prior to GASB No. 54 presented fund balance into two categories: reserved and unreserved.

Reserved amounts were not available for spending or are legally restricted.

Unreserved amounts contained designated funds, which were determined by the Board of Education or management, and undesignated funds, which contained all remaining funds.

Financial Trend Information

Fund Balances - Governmental Funds

Last Ten Fiscal Years

As of June 30,					
2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
835,743	661,116	746,904	734,773	1,157,411	1,412,287
-	-	-	-	-	-
6,801,338	3,000,517	6,336,300	7,161,263	5,152,597	11,272,098
4,330,988	4,698,095	3,359,655	1,673,715	-	-
-	-	2,259,671	5,322,980	9,140,094	5,480,191
<u>11,968,069</u>	<u>8,359,728</u>	<u>12,702,530</u>	<u>14,892,731</u>	<u>15,450,102</u>	<u>18,164,576</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
39,470	34,038	38,302	30,063	48,873	27,882
2,943,868	2,952,925	1,067,900	1,177,781	1,030,408	1,292,774
786,414	227,029	754,951	865,773	1,054,390	1,028,557
-	76,602,905	68,361,556	32,514,535	56,262,566	35,327,259
579,928	146,116	117,434	117,837	118,517	500,962
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,349,680</u>	<u>79,963,013</u>	<u>70,340,143</u>	<u>34,705,989</u>	<u>58,514,754</u>	<u>38,177,434</u>

Farmington Public School District

	As of June 30,			
	2010	2011	2012	2013
Revenue				
Local revenue	\$ 67,589,057	\$ 65,032,708	\$ 59,203,322	\$ 58,180,291
State revenue	75,454,052	78,833,538	80,024,841	82,047,166
Federal revenue	11,310,338	10,576,783	6,675,500	5,718,440
Interdistrict revenue	16,962,427	15,676,746	14,565,989	12,923,811
Total revenue	171,315,874	170,119,775	160,469,652	158,869,708
Expenditures				
Current:				
Instruction	97,015,401	90,810,497	90,714,416	91,818,639
Support services	62,000,776	56,670,108	54,791,172	54,251,823
Community services	1,356,136	1,215,179	1,257,702	1,433,219
Nutrition services	3,997,493	3,807,614	3,584,696	3,658,731
Athletics	2,349,801	2,006,621	2,117,510	2,030,460
Debt service:				
Principal	5,480,000	5,645,000	5,830,000	6,025,000
Debt issuance costs	-	-	-	128,622
Interest	2,465,030	2,302,693	2,207,345	1,983,642
Intergovernmental payments	750,522	721,407	820,803	662,217
Capital Outlay	4,727,626	4,714,698	5,904,662	3,431,896
Total expenditures	180,142,785	167,893,817	167,228,306	165,424,249
Excess of Revenue (Under) Over	(8,826,911)	2,225,958	(6,758,654)	(6,554,541)
Other Financing Sources (Uses)				
Debt issuance	-	-	-	11,180,000
Premium on debt issued	-	-	-	1,304,740
Sale of capital assets	24,089	35,046	12,207	1,119,518
Transfers in	15,186,436	10,380,771	11,419,878	9,591,991
Transfers out	(15,186,436)	(10,380,771)	(11,419,878)	(9,591,991)
Payments to bond escrow agent	-	-	-	(12,353,106)
Total other financing sources (uses)	24,089	35,046	12,207	1,251,152
Net change in fund balances	(8,802,822)	2,261,004	(6,746,447)	(5,303,389)
Fund Balances - Beginning of year	41,672,813	32,869,991	35,130,995	28,384,548
Fund Balances - End of year	\$ 32,869,991	\$ 35,130,995	\$ 28,384,548	\$ 23,081,159
Debt service as a percentage of noncapital expenditures	4.77%	5.14%	5.27%	5.31%

Source: Farmington Public School District audited financial statements

Financial Trend Information

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

As of June 30,					
2014	2015	2016	2017	2018	2019
\$ 56,401,936	\$ 54,255,170	\$ 57,914,213	\$ 56,823,935	\$ 56,820,326	\$ 59,272,881
81,213,142	83,101,032	82,062,850	79,540,215	80,753,569	79,439,607
5,707,257	5,731,381	5,608,374	5,073,500	4,584,875	6,552,413
12,682,208	12,694,664	11,788,943	11,318,752	10,973,273	11,615,912
156,004,543	155,782,247	157,374,380	152,756,402	153,132,043	156,880,813
92,780,320	92,034,829	85,548,608	84,698,693	85,131,450	85,128,370
53,564,499	53,105,932	48,240,724	46,227,964	47,646,320	48,694,856
1,329,693	1,424,828	1,496,704	1,417,606	1,395,012	1,297,459
3,646,676	3,676,318	3,651,062	3,291,564	3,547,386	3,320,045
1,972,380	1,799,480	1,788,212	1,887,855	1,903,395	1,844,753
6,350,000	6,150,000	7,215,000	7,430,000	7,455,000	6,900,000
-	537,564	-	-	556,576	-
1,638,386	1,771,184	3,725,090	4,044,991	3,740,820	5,085,422
592,863	434,061	678,074	812,115	777,328	922,418
901,333	518,875	11,295,327	35,856,729	31,982,988	22,374,148
162,776,150	161,453,071	163,638,801	185,667,517	184,136,275	175,567,471
(6,771,607)	(5,670,824)	(6,264,421)	(32,911,115)	(31,004,232)	(18,686,658)
-	81,050,000	-	-	54,675,000	-
-	9,186,782	-	-	562,493	-
8,197	502,255	532,260	9,255	42,875	1,063,812
8,220,060	8,479,893	266,955	173,592	177,675	547,542
(8,220,060)	(8,479,893)	(266,955)	(173,592)	(177,675)	(547,542)
-	(13,063,221)	-	-	-	-
8,197	77,675,816	532,260	9,255	55,280,368	1,063,812
(6,763,410)	72,004,992	(5,732,161)	(32,901,860)	24,276,136	(17,622,846)
23,081,159	16,317,749	88,322,741	82,590,580	49,688,720	73,964,856
\$ 16,317,749	\$ 88,322,741	\$ 82,590,580	\$ 49,688,720	\$ 73,964,856	\$ 56,342,010
5.21%	5.56%	7.77%	8.34%	8.42%	8.54%

Farmington Public School District

Taxable Value by Property Type

Real Property					
Tax Year	Residential	Commercial	Industrial	Personal Property*	Commercial Personal Property
2009	2,852,923,100	1,006,481,180	286,807,880	N/A	156,459,620
2010	2,403,008,210	921,785,410	245,508,730	N/A	146,933,020
2011	2,204,586,330	866,304,300	143,820,720	N/A	141,735,540
2012	2,128,956,830	785,323,570	101,290,930	N/A	135,583,780
2013	2,152,620,080	731,842,410	92,365,090	N/A	137,119,430
2014	2,206,252,830	695,602,580	91,896,530	N/A	120,006,060
2015	2,279,432,190	695,770,180	94,275,590	N/A	124,588,940
2016	2,323,967,980	697,227,610	92,660,800	N/A	121,347,540
2017	2,394,338,920	717,326,830	94,328,290	N/A	123,873,610
2018	2,486,688,870	741,540,180	104,608,030	N/A	122,285,560

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

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

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

Source: Oakland County Form L-4028

Revenue Capacity Information

Taxable Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Taxable Value by Property Type

Industrial Personal Property	Utility Personal Property	Total Value	Tax rate (mills)	Estimated Actual Value	Taxable Value as a % of Actual
			Homestead/Non- Homestead		
90,453,690	37,452,570	4,430,578,040	10.1442/19.8000	8,861,156,080	50.00%
86,967,220	38,192,480	3,842,395,070	12.0278/20.1000	7,684,790,140	50.00%
78,913,080	43,622,360	3,478,982,330	12.3334/20.1800	6,957,964,660	50.00%
77,025,150	44,594,630	3,272,774,890	13.3810/20.5600	6,545,549,780	50.00%
75,384,170	48,422,550	3,237,753,730	13.0150/20.5600	6,475,507,460	50.00%
76,000,470	49,097,810	3,238,856,280	11.7472/20.2600	6,477,712,560	50.00%
76,455,060	52,464,870	3,322,986,830	12.4418/21.4400	6,645,973,660	50.00%
34,303,610	55,425,380	3,324,932,920	12.1482/21.4400	6,649,865,840	50.00%
29,731,320	60,536,590	3,420,135,560	11.4628/21.3000	6,840,271,120	50.00%
26,284,020	63,545,460	3,544,952,120	11.3026/21.3000	7,089,904,240	50.00%

Farmington Public School District

Millage rates - direct city taxes						
Operating					Total Direct Taxes	
Tax Year	Fiscal Year Ended June 30	Homestead	Non-homestead	Debt*	Homestead	Non-homestead
2009	2010	8.3442	18.0000	1.8000	10.1442	19.8000
2010	2011	9.9278	18.0000	2.1000	12.0278	20.1000
2011	2012	10.1534	18.0000	2.1800	12.3334	20.1800
2012	2013	10.8210	18.0000	2.5600	13.3810	20.5600
2013	2014	10.4550	18.0000	2.5600	13.0150	20.5600
2014	2015	9.4872	18.0000	2.2600	11.7472	20.2600
2015	2016	9.0018	18.0000	3.4400	12.4418	21.4400
2016	2017	8.7082	18.0000	3.4400	12.1482	21.4400
2017	2018	8.1268	18.0000	3.3000	11.4268	21.3000
2018	2019	8.0026	18.0000	3.3000	11.3026	21.3000

* Debt millage applies to homestead and nonhomestead property.

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

Revenue Capacity Information

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

Overlapping taxes

Oakland County	Oakland Community College	Oakland Intermediate School District	State Education	City of Farmington	City of Farmington Hills	Township of West Bloomfield
4.7461	1.5844	3.3690	6.0000	15.4019	12.1972	8.9774
4.7461	1.5844	3.3690	6.0000	16.0000	12.1972	9.0074
4.7461	1.5844	3.3690	6.0000	16.5856	12.2036	11.9347
4.9461	1.5844	3.3690	6.0000	16.5856	13.9392	12.2537
4.9461	1.5844	3.3690	6.0000	16.5856	13.9392	12.2550
4.0019	1.5844	3.3690	6.0000	16.5856	13.9394	12.2550
4.0900	1.5819	3.3633	6.0000	15.0000	14.3908	12.2112
4.2800	1.5708	3.3980	6.0000	15.0000	14.3200	12.1700
4.4908	1.5555	3.3079	6.0000	15.0000	14.6569	12.0487
4.0400	1.5431	3.2813	6.0000	15.5000	14.5797	11.9618

Farmington Public School District

Revenue Capacity Information Principal Property Taxpayers

Current and Nine Years Ago

	Taxpayer	2018 Taxable Value	% of total	Taxpayer	2009 Taxable Value	% of total	2009 Rank
1	Oakland Management Co.	\$ 49,500,320	1.61%	Oakland Management Co.	\$ 60,000,540	1.35%	1
2	DTE Energy	36,064,950	1.17%	FH Corportate Investors (Kojaian)	57,656,390	1.30%	2
3	FH Corportate Investors (Kojaian)	20,912,900	0.68%	Nissan Corp.	42,661,390	0.96%	3
4	Independence Green Assoc LLC	19,403,140	0.63%	Robert Bosch Corp.	38,874,520	0.88%	4
5	Green Hill Apts.	17,530,300	0.57%	DTE Energy	23,149,550	0.52%	5
6	Nissan Corp.	16,676,480	0.54%	Arboretum Development	22,994,960	0.52%	6
7	Robert Bosch Corp.	16,057,920	0.52%	Ramco/Lion Venture LP	19,668,870	0.44%	7
8	Finsilver Friedman	14,691,620	0.48%	Chrysler Financial Company	19,347,590	0.44%	8
9	Ramco/Lion Venture LP	14,352,560	0.47%	Aimco (Independence Green)	18,456,390	0.42%	9
10	Hartman & Tyner	13,085,550	0.43%	Green Hill Apts.	17,965,880	0.41%	10
	Total	<u>\$ 218,275,740</u>	7.10%		\$ 320,776,080	7.24%	
	Total School District Taxable Value	<u>\$ 3,544,952,120</u>			<u>\$ 4,430,578,040</u>		

Source: Cities of Farmington and Farmington Hills

Farmington Public School District

Revenue Capacity Information Property Tax Levies and Collections

Last Ten Fiscal Years

	Year ended		Current	Percent	Delinquent	Total tax	Percent of
Tax Year	June 30,	Total levy	collections (1)	collected	collections (2)	collections	levy collected
2009	2010	60,356,441	60,208,132	99.75%	-	59,400,205	98.42%
2010	2011	57,759,703	57,643,665	99.80%	24	56,983,596	98.66%
2011	2012	52,916,609	52,764,189	99.71%	1,398	52,868,451	99.91%
2012	2013	52,079,493	51,994,900	99.84%	4,548	52,055,771	99.95%
2013	2014	50,765,606	50,678,031	99.83%	41,439	50,719,470	99.91%
2014	2015	47,485,452	47,382,532	99.78%	-	47,382,532	99.78%
2015	2016	51,359,325	51,260,368	99.81%	-	51,260,368	99.81%
2016	2017	50,919,669	50,893,807	99.95%	-	50,893,807	99.95%
2017	2018	50,581,629	50,523,427	99.88%	-	50,523,427	99.88%
2018	2019	51,757,190	51,671,366	99.83%	-	51,671,366	99.83%

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

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

Source: Farmington Public School District audited financial statements

Farmington Public School District

	As of June 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities:				
General obligation bonds	\$ 53,070,000	\$ 47,425,000	\$ 41,595,000	\$ 34,925,000
Less: pledged debt service funds	-	-	-	-
Net general bonded debt	53,070,000	47,425,000	41,595,000	34,925,000
Installment purchase agreements	-	-	-	-
Capital leases	-	-	-	-
Total debt of school district	53,070,000	47,425,000	41,595,000	34,925,000
Taxable Value	8,861,156,080	7,684,790,140	6,957,964,660	6,545,549,780
Net general bonded obligation debt as a percentage of taxable value	0.60%	0.62%	0.60%	0.53%
Total Population	89,500	89,500	89,500	83,700
Total debt per capita	\$ 593	\$ 530	\$ 465	\$ 417
Per capita personal income	\$ 34,293	\$ 34,293	\$ 37,187	\$ 37,187
Total debt to per capita personal income	1548:1	1383:1	1119:1	939:1

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

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

Debt Capacity Information
Ratios of Outstanding Debt
Last Ten Fiscal Years

As of June 30,					
2014	2015	2016	2017	2018	2019
\$ 28,575,000	\$ 90,170,000	\$ 82,955,000	\$ 75,525,000	\$ 122,745,000	\$ 115,845,000
-	-	-	-	-	-
28,575,000	90,170,000	82,955,000	75,525,000	122,745,000	115,845,000
-	-	-	-	-	-
28,575,000	90,170,000	82,955,000	75,525,000	122,745,000	115,845,000
6,475,507,460	6,477,712,560	6,645,973,660	6,649,865,840	6,840,271,120	7,089,904,240
0.44%	1.39%	1.25%	1.14%	1.79%	1.63%
84,300	84,300	84,300	84,300	91,600	91,500
\$ 339	\$ 1,070	\$ 984	\$ 896	\$ 1,340	\$ 1,266
\$ 37,187	\$ 37,187	\$ 37,187	\$ 37,187	\$ 40,089	\$ 40,920
768:1	2425:1	2231:1	2031:1	3062:1	2831:1

Farmington Public School District

Debt Capacity Information Direct and Overlapping Governmental Activities Debt

June 30, 2019

Governmental unit	Debt outstanding	Estimated percent applicable	Estimated share of overlapping debt
City of Farmington	\$ 13,150,335	100.00%	\$ 13,150,335
City of Farmington Hills	47,781,830	92.82%	44,351,095
Township of West Bloomfield	50,668,770	3.44%	1,743,006
Oakland County	314,814,309	6.18%	19,455,524
Oakland Community College	-	6.23%	-
Oakland Intermediate School District	43,855,000	6.19%	2,714,625
Total overlapping debt			81,414,584
Direct district debt			115,845,000
Total direct and overlapping debt			<u>\$ 197,259,584</u>

Source: Municipal Advisory Council of Michigan, May 2017

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

Farmington Public School District

	As of June 30,			
	2010	2011	2012	2013
Calculation of debt limit				
State equalized valuation (SEV)	\$ 456,420,200	\$ 3,901,601,510	\$ 3,508,724,740	\$ 3,306,721,310
15% of state equalized valuation (SEV)	68,463,030	585,240,227	526,308,711	496,008,197
Calculation of debt subject to limit				
Total debt	53,070,000	47,425,000	41,595,000	34,925,000
Less debt not subject to limit:				
State qualified debt issuance	(53,070,000)	(47,425,000)	(41,595,000)	(34,925,000)
Net debt subject to limit	-	-	-	-
Legal debt margin	68,463,030	585,240,227	526,308,711	496,008,197
Net debt subject to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

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

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

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

Source: School District audited financial statements

Debt Capacity Information Legal Debt Margin

Last Ten Fiscal Years

As of June 30,					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 3,281,856,510	\$ 3,458,703,200	\$ 3,770,509,520	\$ 3,994,121,140	\$ 4,228,770,840	\$ 4,425,044,500
492,278,477	518,805,480	565,576,428	599,118,171	634,315,626	663,756,675
28,575,000	90,170,000	82,955,000	75,525,000	122,745,000	115,845,000
(28,575,000)	(9,120,000)	(7,055,000)	(4,800,000)	(2,500,000)	-
-	81,050,000	75,900,000	70,725,000	120,245,000	115,845,000
492,278,477	437,755,480	489,676,428	528,393,171	514,070,626	547,911,675
0.00%	15.62%	13.42%	11.80%	18.96%	17.45%

Farmington Public School District

Demographic and Economic Information

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal year	Population	Total Personal Income	Per Capita Personal Income	Unemployment rate
2010	89,500	3,069,224	34,293	11.27%
2011	89,500	3,069,224	34,293	9.02%
2012	89,500	3,328,237	37,187	7.53%
2013	83,700	3,112,552	37,187	7.38%
2014	84,300	3,134,864	37,187	6.26%
2015	84,300	3,134,864	37,187	3.73%
2016	84,300	3,134,864	37,187	2.90%
2017	91,600	3,556,828	38,830	4.30%
2018	91,600	3,672,152	40,089	3.80%
2019	91,500	3,668,418	40,092	4.00%

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

Farmington Public School District

Demographic and Economic Information

Principal Employers

Employer	2019 Employees	Percentage of total	2010 Employees	Percentage of total
1 Beaumont Hospital - Farmington Hills	2,500	2.82%	2,000	4.56%
2 Robert Bosch Corporation	1,400	1.58%	1,600	3.65%
3 Nissan Technical Center North America	1,200	1.35%	500	1.14%
4 Hitachi	1,200	1.35%	400	0.91%
5 Farmington Public Schools	1,100	1.24%	1,700	3.87%
6 TRW Automotive Electronics	650	0.73%	600	1.37%
7 Mercedes-Benz Financial Services	650	0.73%	800	1.82%
8 Concentrix	550	0.00%	700	1.60%
9 Cengage Learning Gale	500	0.56%	850	1.94%
10 Mahle	500	0.56%	279	0.64%
 Total principal employers	 <u>10,250</u>	 10.93%	 <u>9,429</u>	 21.49%
 Total employment	 <u>88,720</u>		 <u>43,878</u>	

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

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

Farmington Public School District

<u>Function/ program:</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government					
Instruction	953	841	838	856	838
Support services	579	480	486	486	468
Community service	5	4	4	4	4
Athletics	2	2	2	2	2
Food service	<u>71</u>	<u>69</u>	<u>69</u>	<u>69</u>	<u>69</u>
Total	<u>1,610</u>	<u>1,396</u>	<u>1,399</u>	<u>1,417</u>	<u>1,381</u>

Source: Farmington Public School District Personnel Department

Operating Information
Full-Time Equivalent School District Employees

Last Ten Fiscal Years

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
804	701	701	707	726
445	413	350	351	355
3	3	3	3	3
2	2	2	2	2
<u>69</u>	<u>69</u>	<u>63</u>	<u>63</u>	<u>63</u>
<u>1,323</u>	<u>1,188</u>	<u>1,119</u>	<u>1,126</u>	<u>1,149</u>

Farmington Public School District

Operating Information Operating Indicators

Last Ten Fiscal Years

Year	Enrollment	Operating expenditures	Cost per pupil	Operating revenue	Revenue per pupil	Total teaching staff	Percentage of students qualifying for free/reduced meals	Average teacher salary
2010	11,832	150,653,406	12,733	138,003,848	11,664	908	19.23%	75,267
2011	11,567	142,196,852	12,293	138,989,831	12,016	793	22.72%	78,677
2012	11,335	139,722,381	12,327	131,000,311	11,557	800	23.80%	76,621
2013	11,149	140,796,620	12,629	130,457,034	11,701	820	23.08%	75,303
2014	10,776	143,417,384	13,309	129,848,413	12,050	794	23.68%	75,930
2015	10,332	141,740,089	13,719	129,912,019	12,574	762	23.51%	76,625
2016	10,097	137,710,021	13,639	141,274,125	13,992	663	21.80%	75,627
2017	9,719	135,139,630	13,905	137,236,964	14,120	661	23.30%	76,176
2018	9,669	136,966,622	14,166	137,213,443	14,191	675	26.93%	76,087
2019	9,550	138,205,540	14,472	140,071,260	14,667	684	26.84%	76,586

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

Farmington Public School District

Function/ program	As of June 30,				
	2010	2011	2012	2013	2014
Instructional buildings:					
Elementary:					
Number of buildings	13	9	9	9	9
Square footage	640,831	459,488	459,488	459,488	459,488
Capacity	5,325	4,389	4,389	4,389	4,389
Enrollment*	4,880	3,879	3,773	3,643	3,607
Upper Elementary:					
Number of buildings	-	2	2	2	2
Square footage	-	209,452	209,452	209,452	209,452
Capacity	-	1,830	1,830	1,830	1,830
Enrollment*	-	1,655	1,715	1,633	1,523
K-8 School:					
Number of buildings	-	-	-	-	-
Square footage	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment*	-	-	-	-	-
Middle:					
Number of buildings	4	2	2	2	2
Square footage	429,172	232,200	232,200	232,200	232,200
Capacity	3,124	1,848	1,848	1,848	1,848
Enrollment*	2,654	1,752	1,684	1,704	1,691
High:					
Number of buildings	3	3	3	3	3
Square footage	734,412	734,412	734,412	734,412	734,412
Capacity	3,856	3,856	3,856	3,856	3,856
Enrollment*	4,054	4,033	3,944	3,950	3,719
Other:					
Number of buildings	6	4	4	4	4
Square footage	147,542	112,532	112,532	112,532	112,532
Capacity	755	605	605	605	605
Enrollment*	379	330	319	300	298
Administrative:					
Number of buildings	4	3	3	3	3
Square footage	139,853	77,588	77,588	77,588	77,588
Transportation/Maintenance:					
Number of garages	1	1	1	1	1
Buses	96	96	96	96	96
Athletics:					
Football/Soccer fields	15	15	15	15	15
Running tracks	5	5	5	5	5
Baseball/softball	31	31	31	31	31
Swimming pools	3	3	3	3	3
Playgrounds	17	17	17	14	14

* Enrollment is based upon the fall head count of pupils.

Source: Farmington Public School District

Operating Information Capital Asset Information

Last Ten Fiscal Years

As of June 30,				
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
9	9	9	8	8
459,488	459,488	459,488	423,652	423,652
4,389	4,389	4,389	4,103	4,103
3,431	3,351	3,950	3,471	3,597
2	2	-	-	-
209,452	209,452	-	-	-
1,830	1,830	-	-	-
1,408	1,322	-	-	-
-	-	-	1	1
-	-	-	84,720	84,720
-	-	-	896	896
-	-	-	598	699
2	2	3	3	3
232,200	232,200	344,452	348,552	348,552
1,848	1,848	2,782	2,832	2,832
1,611	1,530	2,035	1,903	1,813
3	3	3	3	3
734,412	734,412	734,412	734,412	734,412
3,856	3,856	3,856	3,856	3,856
3,639	3,544	3,364	3,242	3,057
4	4	4	5	5
112,532	112,532	112,532	135,323	135,323
605	605	605	941	941
287	248	245	252	244
3	3	3	3	3
77,588	77,588	77,588	77,588	77,588
1	1	1	1	1
96	95	95	95	95
15	15	15	15	15
5	5	5	5	5
31	31	31	31	31
3	3	3	3	3
14	14	14	14	14

Points of Pride

Farmington Public Schools, together with our community, will engage every student in a quality learning experience, empowering each student to become a thoughtful, contributing citizen in a changing world.

The District serves approximately 10,000 students in Farmington, Farmington Hills, and a portion of West Bloomfield.

Our Students

- Farmington Public Schools' **students consistently score above state and national averages** on the Scholastic Assessment Test (SAT) and the Michigan Student Test of Educational Progress (MSTEP).
- Students from around the District excel in State and National competitions** like Destination Imagination, WordMasters, PTA Reflections, Math Pentathlon, HOSA, and Robotics to name just a few.
- Students regularly earn honors as **AP Scholars, All State Academic winners** and **National Merit Award winners**. Most recently, nine students earned the distinction of being named National Merit Scholars, and two were finalists for National Achievement Scholarships.
- Approximately **751 students took Advanced Placement** exams and 69% qualified for college credit on at least one exam in 2017 - 2018. This ultimately saves hundreds of dollars of college tuition for families.
- Students have the opportunity to participate in a **wide variety of athletics**. Many of the teams have earned divisional, regional, and state championship titles.
- TV-10** - High school students can participate in the District student-run television station, TV-10, which just celebrated more than 34 years of operation.



The three comprehensive high schools' musical groups annually compete and win state and national honors.

Facts

- Farmington Public Schools boasts the **largest Career and Technical Education (CTE) department in Oakland County**, with nine state-approved programs running at all three high schools and one additional state approved program running at North Farmington High School. More than 60% of students at each of the three high schools participate in these courses.
- 46th on the Niche list of Michigan's best school districts** (19th among metro Detroit districts) with a B+ overall grade and an A in Diversity, College Preparation, and Sports.
- The combined high school robotics team, **Hackbots**, has earned the honor to compete in the **FIRST Robotics World Competition** three times.



Points of Pride

Community



The Farmington/Farmington Hills Education Foundation is a community-based organization that provides financial and volunteer support to Farmington Public Schools. **Community contributions have enabled the Foundation to award more than \$295,803** in grants for 279 projects that have touched every school, in the form of technology, extracurricular enrichment, the arts, and scholastic achievement.

Involved and supportive parents are one of the many strengths of Farmington Public Schools. Parents are involved in their schools and participate in PTAs/PTSAs, booster groups, the Farmington African American Parent Network (FAAPN), Proud Dads Clubs, and other parent groups.

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

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



Alameda Early Childhood Center & Farmington Community School are **accredited by the National Association for the Education of Young Children**, as well as receiving AdvancED Accreditation.

Farmington Central High School was named the 2016-2017 **Michigan Alternative Education Organization's School of the Year.**

In 2015, **the community supported a \$131.5 million bond proposal** for the improvement of schools, including new buses, safety features, and technology.

The District continues to support **energy conservation** by maintaining **a reduction of 33% total energy usage** over the past 13 years, resulting in a **savings of approximately \$12.5 Million.**

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



In 2018, 86% of our International Baccalaureate students earned the IB Diploma. 14% of the class of 2018 missed earning the diploma by 1+ point. The class of 2018 was offered more than

\$8,000,000

in scholarships. On average, most students earn 25 college credits.



Our District serves students and families who speak more than **77** languages.

Farmington Public Schools shall not discriminate against any person based on race, color, religion, natural origin or ancestry, sexual orientation, gender, age, disability, height, weight, or marital status in any of its programs, services, activities or employment. Inquiries regarding nondiscrimination policies should be directed to:
Human Resources Specialists • 32500 Shiawassee, Farmington, MI 48336 • 248.489.3356

www.farmington.k12.mi.us
info@fpsk12.net
#FPSuccess

32500 Shiawassee Street
Farmington, Michigan 48336
248.489.3349 | Fax 248.489.3314

Our District

Joining **Lanigan and Hillside Elementary Schools, Harrison High School and Farmington STEAM Academy** have recently been recognized as National PTA Schools of Excellence.



Farmington Public Schools offers **Adult ESL classes** and the **Newcomers Program** that provides additional ESL assistance to students that need it.



All PreK-12 schools and the District are fully accredited

by AdvancED. AdvancED conducts on-site external reviews of schools and districts to ensure that all learners realize their full potential. The District received its first accreditation in 2011 and earned re-accreditation in 2016. Districts are evaluated every five years.

Longacre Elementary School was the fifth school in Michigan to be awarded the distinction and honor of being named a Leader in Me LIGHTHOUSE School. They were among the first schools in Michigan to meet the rigorous academic and depth of implementation criteria involved in receiving this honor.



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