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# Washtenaw Intermediate School District

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**Financial Report  
with Supplemental Information  
June 30, 2020**

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## Independent Auditor's Report

To the Board of Education  
Washtenaw Intermediate School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of Washtenaw Intermediate School District (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Washtenaw Intermediate 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, the business-type activities, each major fund, and the aggregate remaining information of Washtenaw Intermediate School District as of June 30, 2020 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.

### *Emphasis of Matter*

As discussed in Note 2 to the basic financial statements, as of July 1, 2019, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

To the Board of Education  
Washtenaw Intermediate School District

**Other Matters**

*Required Supplemental Information*

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

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020 on our consideration of Washtenaw Intermediate 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 Washtenaw Intermediate School District's internal control over financial reporting and compliance.



October 26, 2020

This section of Washtenaw Intermediate School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the School District's 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 Washtenaw Intermediate School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund, the Special Education Fund, the Cooperative Activities Fund, and the 2019 Bonds Capital Projects Fund with the other governmental funds presented in one column as nonmajor funds. The proprietary fund statements offer short- and long-term financial information about activities the School District operates like a business. This report is composed of the following elements:

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

#### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

#### **Required Supplemental Information**

Budgetary Information for Major Funds

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

Schedule of Washtenaw Intermediate School District's Pension Contributions

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

Schedule of Washtenaw Intermediate School District's OPEB Contributions

#### **Other Supplemental Information**

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

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

# Washtenaw Intermediate School District

## Management's Discussion and Analysis (Continued)

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

The statement of net position and the statement of activities report the governmental activities and business-type activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, and food services. Property taxes, unrestricted state aid (intermediate school district grant revenue), and state and federal grants finance most of these activities. Business-type activities include the enterprise funds, which are financed through charges for services.

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

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Special Education and Food Service funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

### **Governmental Funds**

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

### **Proprietary Funds**

Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds. The School District established proprietary funds for services for which the School District charges a fee intended to cover the entire cost of those services. One example is the Internal Service Fund, which is used to finance specific services provided to other funds of the School District on a cost-reimbursement basis. The specific services provided include health, dental, and vision insurance services.

## Washtenaw Intermediate School District

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

#### The School District as a Whole

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

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
	(in millions)		(in millions)	
<b>Assets</b>				
Current and other assets	\$ 107.7	\$ 52.1	\$ 0.1	\$ 0.1
Capital assets	14.7	11.6	-	-
Total assets	122.4	63.7	0.1	0.1
<b>Deferred Outflows of Resources</b>	46.1	34.6	-	-
<b>Liabilities</b>				
Current liabilities	31.4	29.0	-	-
Noncurrent liabilities	54.6	1.0	-	-
Net pension liability	93.6	75.2	-	-
Net OPEB liability	21.5	21.2	-	-
Total liabilities	201.1	126.4	-	-
<b>Deferred Inflows of Resources</b>	16.2	15.9	-	-
<b>Net Position</b>				
Net investment in capital assets	10.9	11.6	-	-
Restricted	0.7	-	-	-
Unrestricted	(60.4)	(55.6)	0.1	0.1
Total net position	<b>\$ (48.8)</b>	<b>\$ (44.0)</b>	<b>\$ 0.1</b>	<b>\$ 0.1</b>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(48.8) million at June 30, 2020. Net investment in capital assets totaling \$10.9 million compares the original cost, less depreciation of the School District's capital assets. Restricted net position is reported separately to show legal constraints from 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, \$(60.4) million, was unrestricted.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2019. This standard provides guidance on the identification and reporting of fiduciary activities and required the School District to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2019 beginning net position by \$153,771, which represents the activities that were previously reported as fiduciary but are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2020 and statement of activities for the year ended June 30, 2020 include all the balances and transactions for those activities that were previously reported as fiduciary but are now reported as governmental. All school districts were required to adopt this new standard, unless they elected to defer for one year, as allowed under GASB 95.

The \$(60.4) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The deficit in net position is largely due to the requirement to record the School District's share of the state multiemployer pension and OPEB liabilities on the government-wide financial statements.

## Washtenaw Intermediate School District

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

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2020 and 2019:

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
	(in millions)		(in millions)	
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 22.4	\$ 20.5	\$ -	\$ -
Operating grants	17.2	17.3	-	-
General revenue:				
Taxes	93.0	88.5	-	-
State aid not restricted to specific purposes	26.4	24.6	-	-
Other	3.6	2.9	-	-
Total revenue	162.6	153.8	-	-
<b>Expenses</b>				
Instruction	25.7	20.5	-	-
Support services	43.2	35.7	-	-
Food services	0.2	0.2	-	-
Community services	0.9	0.8	-	-
Interdistrict payments	95.0	96.6	-	-
Debt service	1.6	-	-	-
Depreciation expense (unallocated)	1.0	1.0	-	-
Total expenses	167.6	154.8	-	-
<b>Change in Net Position</b>	(5.0)	(1.0)	-	-
<b>Net Position - Beginning of year (as restated)</b>	(43.8)	(43.0)	0.1	0.1
<b>Net Position - End of year</b>	<b>\$ (48.8)</b>	<b>\$ (44.0)</b>	<b>\$ 0.1</b>	<b>\$ 0.1</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$167.6 million. Certain activities were partially funded from those who benefited from the programs (\$22.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$17.2 million). We paid for the remaining public benefit portion of our governmental activities with \$93.0 million in taxes, \$26.4 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$5.0 million. Although the School District received an increase in revenue from tax collections, it added costs to support programs related to behavior support and additional mandated special education services for young adult programs as well as support services. In addition, the School District increased reimbursements to local education agencies for eligible special education costs.

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.

## Washtenaw Intermediate School District

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$74.6 million, which is an increase of \$52.9 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased by approximately \$233,000 to \$4.6 million. The change is mainly due to expenditures from various departments, primarily operations and curriculum and instruction/assessment networks, being less than anticipated. Further, there were decreases in expenditures due to the shutdown for the COVID-19 pandemic.

The fund balance of the Special Education Fund (special revenue fund) decreased from \$3.3 million last year to \$3.1 million this year as a result of the School District having greater tax revenue than anticipated, less regular education spending than anticipated, and an increase in reimbursements made to local agencies.

The fund balance of the Cooperative Activities Fund (special revenue fund) increased from \$11.0 million last year to \$13.1 million this year as a result of Medicaid outgoing transfers being less than anticipated.

The School District issued the 2019 School Building and Site Bonds, for which a new capital projects fund was created. This new fund is considered a major governmental fund, with a year-end fund balance of \$50.4 million.

The combined fund balance of the other nonmajor funds, primarily the capital projects funds, increased by approximately \$328,000. This increase is primarily due to not spending funds within the special education capital projects fund due to the COVID-19 pandemic.

With the adoption of GASB 84, the School District created the Student Activity Fund to account for activities previously reported as fiduciary funds. The effect of the adoption was to increase July 1, 2019 beginning fund balance by \$153,771. This new fund is aggregated with other nonmajor funds in the basic financial statements.

The School District has established proprietary funds to account for its self-funded insurance program, business services provided to local districts, and transportation services provided to school children on behalf of certain local districts. For the year ended June 30, 2020, the net position of the School District's proprietary funds increased by approximately \$615,000 as a result of the Internal Service Fund operating at a surplus for the fiscal year.

#### ***Major Governmental Fund Budgetary Highlights***

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

#### **General Fund**

The final revenue budget in the General Fund, including transfers in, of \$28.5 million was increased by approximately \$7.8 million from the original budget and reflects the following significant changes:

- Federal, state, local, and interdistrict/incoming transfer revenue was approximately \$806,000, \$6,180,000, \$380,500, and \$315,000, respectively, more than originally budgeted due to the School District being awarded unanticipated grants, receiving increases in grant awards, and being approved for carryover grant funds.
- Federal and interdistrict/incoming transfer grants and projects revenue includes approximately \$14,500 and \$87,700, respectively, related to unavailable revenue from fiscal year 2019. In the original budget, there were no corresponding budgeted expense increases to reflect this.
- The budget for state revenue was increased by approximately \$165,700 due to receiving an allocation of funding to partially offset employee retirement costs.
- The budget for state revenue was decreased by approximately \$20,000 due to receiving a decreased allocation for Bus Driver Safety funds.

## Washtenaw Intermediate School District

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

- The budget for local revenue was decreased by approximately \$52,000 for reduced earnings on investments due to interest rate decreases.
- The budget for interdistrict/incoming transfers was reduced by approximately \$82,000 due to a reduction of services provided to local school districts for curriculum and instruction and bus driver trainings.

The General Fund actual revenue, including transfers in, was approximately 23.1 million, which was approximately \$5.4 million less than the final amended budget of \$28.5 million. Significant reasons for this variance are as follows:

- Local, state, federal, and interdistrict/incoming transfer reimbursement-type grant and project revenue was approximately \$429,000, \$3,800,000, \$585,000, and \$509,000, respectively, less than budgeted, primarily due to expenditures being less than the full grant award or project revenue. This revenue and these expenditures will be deferred until the next fiscal year.

The final expenditure budget in the General Fund, including transfers out, of \$28.4 million was increased by approximately \$7.3 million from the original budget and reflects the following significant changes:

- As mentioned above, federal, state, local, and interdistrict/incoming transfer revenue was approximately \$806,000, \$6,180,000, \$380,500, and \$315,000, respectively, more than originally budgeted due to being awarded unanticipated grants, receiving increases in grants included in the original budget, or being approved for carryover grant funds.
- Position additions, vacancies, allocation of time changes, and fringe benefit costs were more than originally anticipated, resulting in a budget increase of approximately \$70,000. Included in this increase is an increase for retirement expenses in the non-grant accounts for the current portion of the unfunded accrued actuarial liability of the state pension system, which was reimbursed by the State Aid Act.
- The expenditure budget was reduced by \$15,000 to reflect less than originally anticipated tax tribunal cases.
- Expenditures for local district school improvement, curriculum support, and assessment services were reduced due to more in-house training by local leaders, and less substitute reimbursement payments to districts were necessary. Further, trainings were not held due to COVID-19, resulting in a reduction in the expenditure budget of approximately \$190,000.
- Anticipated contracted services, capital equipment replacements, and supply purchases of approximately \$154,000 in the grants and development, event services, and superintendent/board departments were not required, were postponed, or were not needed due to the COVID-19 shutdown. The final budget was amended to reflect those reductions.
- Anticipated technology switch and server replacement costs were postponed until 2020-2021, as projects could not be completed by fiscal year end, resulting in a reduction of budgeted expenses of \$67,000.

The actual expenditures of the General Fund, including transfers out, were approximately 22.9 million, which is about \$5.4 million less than the final amended budget of \$28.4 million. Significant reasons for this variance include the following:

- Expenditures for maintenance and operations, including repairs of buildings/equipment and utilities, were less than anticipated based on needs and usage of electricity and gas of \$24,000.
- Expenditures for local district school improvement, curriculum support, and assessment services were reduced due to more in-house training by local leaders, and less substitute reimbursement payments to districts were necessary. Further, trainings were not held due to COVID-19, resulting in a reduction in the expenditure budget of approximately \$53,000.

## Washtenaw Intermediate School District

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

- Local, state, federal, and interdistrict/incoming transfer reimbursement-type grant and project revenue was approximately \$429,000, \$3,800,000, \$585,000, and \$509,000, respectively, less than budgeted, primarily due to expenditures being less than the full grant award or project revenue. This revenue and these expenditures will be deferred until the next fiscal year.

#### **Special Education Fund**

The final revenue budget in the Special Education Fund, including transfers in, of \$119.3 million was increased by approximately \$2.4 million from the original budget and reflects the following significant changes:

- Federal revenue was approximately \$896,000 more than originally budgeted due to the School District being awarded unanticipated grants, receiving increases in grants included in the original budget, and being approved for carryover grant funds.
- State, local, and interdistrict/incoming transfer revenue was approximately \$1,225,000, \$46,000, and \$3,800, respectively, less than originally budgeted, primarily due to the School District being awarded less for State Aid Act Section 24 funds than were originally budgeted for.
- State revenue was approximately \$2,600,000 more than anticipated due to adjustments of prior year state categorical revenue line items, as well as adjustments for increased special education costs that were not originally budgeted for.
- The fund modifications budget was increased by approximately \$371,000 to cover a transfer from the Cooperative Activities Fund for Medicaid to cover rent at a temporary location during bonded construction work.
- The budget for local revenue was decreased by approximately \$210,000 for reduced earnings on investments due to interest rate decreases.

The actual revenue of the Special Education Fund, including transfers in, was approximately \$118.9 million, which is approximately \$0.4 million less than the final amended budget of \$119.3 million. Significant reasons for this variance include the following:

- Tax revenue was approximately \$690,000 greater than the anticipated total tax revenue primarily due to tax increment finance authority distributions being greater than anticipated and less appeals to current year assessments.
- Local, federal, and interdistrict/incoming transfer revenue was approximately \$54,000, \$932,000, and \$3,000, respectively, less than budgeted primarily due to expenses being less than the full grant or project revenue. This revenue and these expenditures will be deferred until the next fiscal year.
- State revenue was approximately \$141,000 less than expected due to adjustments to prior year state categorical revenue line items, as well as adjustments for special education costs not originally budgeted for.
- Incoming transfer revenue was \$30,000 more than anticipated due to sale of capital assets and more services rendered to local school districts than anticipated.

The final expenditure budget in the Special Education Fund, including transfers out, of \$119.4 million was increased by approximately \$2.5 million from the original budget and reflects the following significant changes:

- As mentioned above, Federal expenditure budget was approximately \$896,000 more than originally budgeted for due to the School District being awarded unanticipated grants, receiving increases in grants included in the original budget, and being approved for carryover grant funds.
- State, local, and interdistrict/incoming transfer expense budgets were approximately \$1,225,000, \$46,000, and \$3,800, respectively, less than originally budgeted primarily due to the School District being awarded less State Aid Act Section 24 funds, for which the School District has a corresponding revenue budget.

## Washtenaw Intermediate School District

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

- Staff vacancies in all classes of employees were either filled for less than originally anticipated, were not filled, were filled for a partial year, or substitutes were utilized, and fringe benefit costs were less than anticipated, resulting in a reduction of those respective budgets of approximately \$830,000.
- Budgeted repayments of property taxes due to state tax commission tax tribunal cases were anticipated to be less than originally budgeted by approximately \$300,000.
- Anticipated contracted services, capital equipment replacements, and supply purchases of approximately \$144,000 were not required, were postponed, or were not needed due to the COVID-19 shutdown, and the final budget reflected that change.
- The reimbursement to local school districts and other agencies for eligible special education costs was increased primarily to recognize increased revenue in the fund and lower educational and operational expenses in programs operated by the School District, resulting in a \$4,100,000 increase in anticipated expenditures.
- The expense budget was increased by \$50,000 to reflect increased anticipated expenses related to the COVID-19 pandemic to cover staff and student equipment, with no corresponding increase in revenue.

The actual expenditures of the Special Education Fund, including transfers out, were approximately 119.0 million, which is about \$0.4 million less than the final amended budget of 119.4 million. Significant reasons for this variance include the following:

- Local, federal, and interdistrict/incoming transfer expenditures were approximately \$54,000, \$932,000, and \$3,000, respectively, less than budgeted for, primarily due to expenses being less than the full grant or project revenue. These expenditures will be deferred until next year.
- Instructional program and pupil support contracted services and other expenditures, such as supplies, of approximately \$243,000 were not required, were postponed, or were not needed due to the COVID-19 shutdown.
- Various general administrative contracted services and other expenditures, including legal fees, were postponed or the expenditures were less than anticipated, resulting in the expenditures being \$239,000 less than budgeted.
- The rent for the temporary location of program during bond work was less than anticipated by approximately \$150,000.
- Expenditures for maintenance and operations, including repairs of buildings/equipment and utilities, were less than anticipated, based on needs and usage of electricity and gas, by approximately \$170,000.
- The reimbursement to local school districts and other agencies for eligible special education costs was approximately \$1,400,000 more than the budgeted amount, which was based on funds available for distribution estimates prior to the final budget amendment.

# Washtenaw Intermediate School District

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### Capital Assets

As of June 30, 2020 and 2019, the School District had \$14.7 million and \$11.6 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$3.0 million, or 26.2 percent, from last year.

	Governmental Activities	
	2020	2019
Land	\$ 93,670	\$ 93,670
Construction in progress	3,262,451	-
Buildings and improvements	22,129,404	21,722,265
Furniture and equipment	6,185,230	5,876,292
Buses and other vehicles	200,450	172,092
Land improvements	1,107,555	1,129,200
Total capital assets	32,978,760	28,993,519
Less accumulated depreciation	18,293,153	17,353,855
Total capital assets - Net of accumulated depreciation	<u>\$ 14,685,607</u>	<u>\$ 11,639,664</u>

This year's additions of \$4.1 million included the replacement of a maintenance van, playground equipment, school safety equipment, assistive technology/augmentative communication equipment, building improvements, and bonded construction. We present more detailed information about our capital assets in the notes to the financial statements.

#### Debt

During the year, the School District issued the 2019 School Building and Site Bonds, with a face value of \$44,570,000. The bonds will be repaid over a period of 10 years.

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.

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

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

Our elected officials and administration consider many factors when setting the School District's 2020-2021 fiscal year budget. One of the most important factors affecting the operating budgets of intermediate school districts is property tax revenue.

Increases in property tax revenue on property that was on the tax rolls in the prior year are limited to a defined inflationary factor. For the 2020-2021 year, the inflationary factor is 1.0 percent. Fortunately, new property added to the tax rolls provides additional financial resources for district operations and for funding support for our local school districts. Taking into account the property additions, offset by the constitutional limit, the increase in property tax revenue for 2020-2021 over the 2018-2019 level is estimated to be approximately 2.0 percent in both the General Fund and the Special Education Fund.

Regarding the 2020-2021 budget, the COVID-19 pandemic has not had a significant immediate impact. Our property tax revenue is based on property valuations as of December 31, 2019, prior to the virus having a major impact on the economy of the United States. Our state funding and various one-time revenue have helped support the state budget, and there were no reductions in state aid anticipated for the 2020-2021 fiscal year. There will be some impact on expenditures during the year for personal protective equipment and providing technology to students for virtual instruction, but we do not anticipate it to have a major impact on the budget.

## **Washtenaw Intermediate School District**

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

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In discussions with legislators, governmental liaisons, economists, and equalization directors, it is more likely the economic impact of the pandemic will occur in the 2021-2022 fiscal year and possibly beyond, depending on the effect on property values and state revenue sources.

# Washtenaw Intermediate School District

## Statement of Net Position

June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 4)	\$ 40,354,282	\$ 84,492	\$ 40,438,774
Receivables:			
Property taxes receivable	1,205,182	-	1,205,182
Other receivables	194,752	312	195,064
Due from other governments	14,719,969	-	14,719,969
Inventory	9,765	-	9,765
Prepaid costs	289,245	7,558	296,803
Restricted assets (Note 9)	50,977,178	-	50,977,178
Capital assets - Net (Note 7)	14,685,607	-	14,685,607
Total assets	122,435,980	92,362	122,528,342
<b>Deferred Outflows of Resources</b>			
Deferred pension costs (Note 12)	35,218,468	-	35,218,468
Deferred OPEB costs (Note 12)	10,903,708	-	10,903,708
Total deferred outflows of resources	46,122,176	-	46,122,176
<b>Liabilities</b>			
Accounts payable	19,158,027	-	19,158,027
Checks issued in excess of available cash	221,206	-	221,206
Due to other governmental units	378,416	-	378,416
Accrued liabilities and other	6,426,231	1,064	6,427,295
Unearned revenue (Note 6)	5,271,530	-	5,271,530
Noncurrent liabilities:			
Due within one year (Note 10)	3,321,341	-	3,321,341
Due in more than one year (Note 10)	51,273,305	-	51,273,305
Net pension liability (Note 12)	93,591,162	-	93,591,162
Net OPEB liability (Note 12)	21,530,055	-	21,530,055
Total liabilities	201,171,273	1,064	201,172,337
<b>Deferred Inflows of Resources</b>			
Revenue in support of pension contributions made subsequent to the measurement date (Note 12)	3,328,368	-	3,328,368
Deferred pension cost reductions (Note 12)	4,473,589	-	4,473,589
Deferred OPEB cost reductions (Note 12)	8,350,135	-	8,350,135
Total deferred inflows of resources	16,152,092	-	16,152,092
<b>Net Position</b>			
Net investment in capital assets	10,959,083	-	10,959,083
Restricted:			
Food service	16,255	-	16,255
Capital projects	696,635	-	696,635
Unrestricted	(60,437,182)	91,298	(60,345,884)
Total net position	<u>\$ (48,765,209)</u>	<u>\$ 91,298</u>	<u>\$ (48,673,911)</u>

# Washtenaw Intermediate School District

## Statement of Activities

Year Ended June 30, 2020

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government - Governmental activities:						
Instruction	\$ 25,718,361	\$ 16,627,047	\$ 114,240	\$ (8,977,074)	\$ -	\$ (8,977,074)
Support services	43,190,274	5,312,543	1,999,644	(35,878,087)	-	(35,878,087)
Food services	190,447	6,830	89,879	(93,738)	-	(93,738)
Community services	914,800	416,149	623,549	124,898	-	124,898
Interdistrict payments	94,966,394	-	14,365,375	(80,601,019)	-	(80,601,019)
Interest	1,291,639	-	-	(1,291,639)	-	(1,291,639)
Other debt costs	274,828	-	-	(274,828)	-	(274,828)
Depreciation expense (unallocated) (Note 7)	983,073	-	-	(983,073)	-	(983,073)
Total primary government - governmental activities	167,529,816	22,362,569	17,192,687	(127,974,560)	-	(127,974,560)
Business-type activities - Enterprise fund - Transportation	117	163	-	-	46	46
Total primary government	<b>\$ 167,529,933</b>	<b>\$ 22,362,732</b>	<b>\$ 17,192,687</b>	(127,974,560)	46	(127,974,514)
General revenue:						
Taxes:						
Property taxes levied for general purposes				1,672,236	-	1,672,236
Property taxes levied for special education (ISD)				91,328,167	-	91,328,167
State aid not restricted to specific purposes				26,377,601	-	26,377,601
Interest and investment earnings				1,723,423	1,508	1,724,931
Loss on the disposal of capital assets				(24,547)	-	(24,547)
Payment in lieu of taxes from the Treasury				777,395	-	777,395
Other				1,106,205	-	1,106,205
Total general revenue				122,960,480	1,508	122,961,988
<b>Change in Net Position</b>				(5,014,080)	1,554	(5,012,526)
<b>Net Position - Beginning of year (as restated)</b>				(43,751,129)	89,744	(43,661,385)
<b>Net Position - End of year</b>				<b>\$ (48,765,209)</b>	<b>\$ 91,298</b>	<b>\$ (48,673,911)</b>

# Washtenaw Intermediate School District

## Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Special Education Fund	Cooperative Activities Fund	2019 Bonds Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments (Note 4)	\$ 8,864,902	\$ 12,051,321	\$ 14,560,395	\$ -	\$ 3,434,538	\$ 38,911,156
Receivables:						
Property taxes receivable	21,426	1,183,756	-	-	-	1,205,182
Other receivables	77,866	632	-	18,154	-	96,652
Due from other governments	5,372,135	9,024,414	323,420	-	-	14,719,969
Due from other funds (Note 8)	286,745	-	471,505	-	297,689	1,055,939
Inventory	-	-	-	-	9,765	9,765
Prepaid costs	28,289	242,333	16,289	-	2,334	289,245
Restricted assets (Note 9)	-	-	-	50,977,178	-	50,977,178
<b>Total assets</b>	<b>\$ 14,651,363</b>	<b>\$ 22,502,456</b>	<b>\$ 15,371,609</b>	<b>\$ 50,995,332</b>	<b>\$ 3,744,326</b>	<b>\$ 107,265,086</b>
<b>Liabilities</b>						
Accounts payable	\$ 4,687,924	\$ 12,886,466	\$ 1,231,141	\$ 337,526	\$ 14,970	\$ 19,158,027
Checks issued in excess of available cash	-	-	-	-	221,206	221,206
Due to other governmental units	93,300	860	273,181	-	11,075	378,416
Due to other funds (Note 8)	-	1,199,112	25	295,333	160,524	1,654,994
Accrued liabilities and other	200,285	4,224,792	708,675	-	840	5,134,592
Unearned revenue (Note 6)	5,024,679	221,801	25,050	-	-	5,271,530
<b>Total liabilities</b>	<b>10,006,188</b>	<b>18,533,031</b>	<b>2,238,072</b>	<b>632,859</b>	<b>408,615</b>	<b>31,818,765</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue (Note 5)	60,344	819,428	-	-	-	879,772
<b>Total liabilities and deferred inflows of resources</b>	<b>10,066,532</b>	<b>19,352,459</b>	<b>2,238,072</b>	<b>632,859</b>	<b>408,615</b>	<b>32,698,537</b>
<b>Fund Balances</b>						
Nonspendable:						
Inventory	-	-	-	-	9,765	9,765
Prepaid costs	28,289	242,333	16,289	-	2,334	289,245
Restricted:						
Capital projects	-	-	-	50,362,473	2,706,286	53,068,759
Special education	-	2,907,664	-	-	-	2,907,664
Food service	-	-	-	-	4,156	4,156
Committed:						
Capital projects	-	-	-	-	458,302	458,302
Cooperative activities	-	-	13,117,248	-	-	13,117,248
Student activities	-	-	-	-	154,868	154,868
Assigned - Budgeted use of fund balance in subsequent year	771,510	-	-	-	-	771,510
Unassigned	3,785,032	-	-	-	-	3,785,032
<b>Total fund balances</b>	<b>4,584,831</b>	<b>3,149,997</b>	<b>13,133,537</b>	<b>50,362,473</b>	<b>3,335,711</b>	<b>74,566,549</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 14,651,363</b>	<b>\$ 22,502,456</b>	<b>\$ 15,371,609</b>	<b>\$ 50,995,332</b>	<b>\$ 3,744,326</b>	<b>\$ 107,265,086</b>

# Washtenaw Intermediate School District

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

June 30, 2020

<b>Fund Balances Reported in Governmental Funds</b>	\$ 74,566,549
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	32,978,760
Accumulated depreciation	<u>(18,293,153)</u>
Net capital assets used in governmental activities	14,685,607
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	879,772
Bonds payable are not due and payable in the current period and are not reported in the funds	(53,392,362)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,291,639)
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	(592,307)
Net pension liability and related deferred inflows and outflows	(62,846,283)
Net OPEB liability and related deferred inflows and outflows	(18,976,482)
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	(3,328,368)
Internal service funds are included as part of governmental activities	<u>1,530,304</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ (48,765,209)</u></u></b>

# Washtenaw Intermediate School District

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

**Year Ended June 30, 2020**

	General Fund	Special Education Fund	Cooperative Activities Fund	2019 Bonds Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Local sources	\$ 2,475,731	\$ 92,380,569	\$ 5,781,817	\$ 696,635	\$ 189,341	\$ 101,524,093
State sources	12,736,644	14,104,104	683,717	-	3,636	27,528,101
Federal sources	5,439,515	11,560,058	121,263	-	89,879	17,210,715
Interdistrict sources	2,428,972	167,668	13,417,632	-	-	16,014,272
Total revenue	23,080,862	118,212,399	20,004,429	696,635	282,856	162,277,181
<b>Expenditures</b>						
Current:						
Instruction	1,428,587	12,788,060	8,873,319	-	-	23,089,966
Support services	10,313,237	23,470,973	4,720,989	13,012	339,294	38,857,505
Food services	-	-	-	-	190,447	190,447
Community services	787,550	30,620	4,614	-	-	822,784
Debt service - Other debt costs	-	-	-	274,828	-	274,828
Capital outlay	250,695	713,824	2,686	3,274,165	313,634	4,555,004
Interdistrict payments	10,117,279	81,437,104	3,412,011	-	-	94,966,394
Total expenditures	22,897,348	118,440,581	17,013,619	3,562,005	843,375	162,756,928
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	183,514	(228,182)	2,990,810	(2,865,370)	(560,519)	(479,747)
<b>Other Financing Sources (Uses)</b>						
Face value of debt issued (Note 10)	-	-	-	44,570,000	-	44,570,000
Proceeds from sale of capital assets	-	17,496	-	-	-	17,496
Premium on debt issued (Note 10)	-	-	-	8,822,362	-	8,822,362
Transfers in (Note 8)	49,094	644,119	-	-	888,588	1,581,801
Transfers out (Note 8)	-	(589,444)	(827,838)	(164,519)	-	(1,581,801)
Total other financing sources (uses)	49,094	72,171	(827,838)	53,227,843	888,588	53,409,858
<b>Net Change in Fund Balances</b>	232,608	(156,011)	2,162,972	50,362,473	328,069	52,930,111
<b>Fund Balances - Beginning of year (as restated)</b>	4,352,223	3,306,008	10,970,565	-	3,007,642	21,636,438
<b>Fund Balances - End of year</b>	<b>\$ 4,584,831</b>	<b>\$ 3,149,997</b>	<b>\$ 13,133,537</b>	<b>\$ 50,362,473</b>	<b>\$ 3,335,711</b>	<b>\$ 74,566,549</b>

## Washtenaw Intermediate School District

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

Year Ended June 30, 2020

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 52,930,111</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	4,071,059
Depreciation expense	(983,073)
Net book value of assets disposed of	(42,043)
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	636,207
Revenue in support of pension contributions made subsequent to the measurement date	(373,105)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(53,392,362)
Interest expense is recognized in the government-wide statements as it accrues	(1,291,639)
Some employee costs (pension and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(7,184,378)
Internal service funds are included as part of governmental activities	<u>615,143</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (5,014,080)</u></u></b>

# Washtenaw Intermediate School District

## Proprietary Funds Statement of Net Position

June 30, 2020

	Enterprise Funds			Governmental Activities
	Nonmajor Enterprise Fund - Transportation Fund	Nonmajor Enterprise Fund - Business Services Fund	Total Enterprise Funds	Internal Service Fund
<b>Assets</b>				
Current assets:				
Cash and investments (Note 4)	\$ 10,474	\$ 74,018	\$ 84,492	\$ 1,443,126
Receivables	312	-	312	98,100
Due from other funds (Note 8)	-	-	-	599,055
Prepaid costs	-	7,558	7,558	-
Total assets	10,786	81,576	92,362	2,140,281
<b>Liabilities</b>				
Current liabilities:				
Accrued liabilities and other	-	1,064	1,064	-
Self-insurance claims	-	-	-	609,977
Total liabilities	-	1,064	1,064	609,977
<b>Net Position - Unrestricted</b>	<b>\$ 10,786</b>	<b>\$ 80,512</b>	<b>\$ 91,298</b>	<b>\$ 1,530,304</b>

**Washtenaw Intermediate School District**

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

**Year Ended June 30, 2020**

	Enterprise Funds			Governmental Activities
	Nonmajor Enterprise Fund - Transportation Fund	Nonmajor Enterprise Fund - Business Services Fund	Total Enterprise Funds	Internal Service Fund
<b>Operating Revenue</b> - Charges for services	\$ 163	\$ -	\$ 163	\$ 5,015,054
<b>Operating Expenses</b> - Claims paid and other	117	-	117	4,399,911
<b>Operating Income</b>	46	-	46	615,143
<b>Nonoperating Revenue</b> - Interest and investment earnings	439	1,069	1,508	-
<b>Change in Net Position</b>	485	1,069	1,554	615,143
<b>Net Position</b> - Beginning of year	10,301	79,443	89,744	915,161
<b>Net Position</b> - End of year	<b>\$ 10,786</b>	<b>\$ 80,512</b>	<b>\$ 91,298</b>	<b>\$ 1,530,304</b>

# Washtenaw Intermediate School District

## Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2020

	Enterprise Funds			Governmental Activities
	Nonmajor Enterprise Fund - Transportation Fund	Nonmajor Enterprise Fund - Business Services Fund	Total	Internal Service Fund
<b>Cash Flows from Operating Activities</b>				
Charges for services	\$ 116	\$ -	\$ 116	\$ 5,015,055
Payments to interfund services and reimbursements	(20,683)	-	(20,683)	-
Claims paid	-	-	-	(4,399,911)
Other payments	(117)	(1,927)	(2,044)	(405,171)
Net cash (used in) provided by operating activities	(20,684)	(1,927)	(22,611)	209,973
<b>Cash Flows Provided by Investing Activities -</b>				
Interest received on investments	439	1,069	1,508	-
<b>Net (Decrease) Increase in Cash and Investments</b>	(20,245)	(858)	(21,103)	209,973
<b>Cash and Investments - Beginning of year</b>	30,719	74,876	105,595	1,233,153
<b>Cash and Investments - End of year</b>	<b>\$ 10,474</b>	<b>\$ 74,018</b>	<b>\$ 84,492</b>	<b>\$ 1,443,126</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>				
Operating income	\$ 46	\$ -	\$ 46	\$ 615,143
Adjustments to reconcile operating income to net cash from operating activities -				
Changes in assets and liabilities:				
Receivables	(47)	-	(47)	1
Due to other funds - Net	(20,683)	(1,926)	(22,609)	(493,347)
Accrued liabilities	-	(1)	(1)	-
Estimated claims liability	-	-	-	88,176
Net cash (used in) provided by operating activities	<b>\$ (20,684)</b>	<b>\$ (1,927)</b>	<b>\$ (22,611)</b>	<b>\$ 209,973</b>

June 30, 2020

### Note 1 - Nature of Business

Washtenaw Intermediate School District (the "School District") is an intermediate school district in the state of Michigan that provides a broad spectrum of services and support to various school districts within Washtenaw County.

### Note 2 - Significant Accounting Policies

#### ***Accounting and Reporting Principles***

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

#### ***Reporting Entity***

The School District is governed by an elected five-member Board of Education. In accordance with governmental 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. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### ***Basis of Accounting***

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

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

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, expenditures related to compensated absences, 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 use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Fund Accounting***

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

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, and capital projects funds. The School District reports the following funds as major governmental funds:

- The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- The Special Education Fund (special revenue fund) is used to account for all the financial resources relating to the operations of special education programs of the School District. The Special Education Fund is funded primarily by property taxes and federal and state grant programs that are restricted to expenditure for specified purposes. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The Cooperative Activities Fund (special revenue fund) is used to account for all of the financial resources relating to the operation of the W-A-Y Washtenaw, Early College Alliance, International Baccalaureate, county-wide software project, and Medicaid programs. The Cooperative Activities Fund is funded primarily by charges for services that are restricted to expenditure for specified purposes. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The 2019 Bonds Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for the construction of the new High Point school and site. The fund operates until the purpose for which it was created is accomplished.

June 30, 2020

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

Additionally, the School District reports the following fund types:

- The School District's nonmajor special revenue funds are the Food Service and the Student Activity funds. The Food Service special revenue fund is used to account for activities relating to the operation of the cafeteria. The Food Service Fund is funded primarily by charges for services and federal grant programs that are restricted to expenditure for specified purposes. Revenue sources for the Student Activity Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The WEOC, General Education, and Special Education capital projects funds are used to record transfers from other funds and other revenue and the disbursement of funds specifically designated for acquiring equipment and for major remodeling and repairs. The funds operate until the purpose for which they were created is accomplished. The Special Education Capital Projects Fund was funded through transfers from the Special Education Fund, and, accordingly, its expenditures are restricted to specified purposes.

#### **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 reports the following funds as enterprise funds:

- The Business Services Fund (an enterprise fund) is supported by user fees and provides software support services and fiscal services to local districts.
- The Transportation Fund (an enterprise fund) is supported by charges for service and is used to account for transportation services provided to school children on behalf of certain local districts. During the year ended June 30, 2016, the School District ceased providing transportation services on behalf of these certain local districts. It is anticipated that the fund will have minimal activity in the future.
- The Internal Service Fund accounts for payments of self-insured health, dental, and vision insurance services provided to other departments of the School District on a cost-reimbursement basis.

#### **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. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Investments

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

Inventory and Prepaid Costs

Inventory is valued at cost, on a first-in, first-out basis. Inventory of governmental funds is 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 costs in both government-wide and fund financial statements.

Restricted Assets

The unspent bond proceeds and related interest of the bonded capital projects funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, furniture and equipment, and buses and other vehicles, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the applicable enterprise fund in the proprietary funds financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

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

	<u>Depreciable Life - Years</u>
Buildings, building additions, and land improvements	20 to 50
Buses and other vehicles	5 to 10
Furniture and other equipment	5 to 10

Long-term Obligations

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

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

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The School District has deferred inflows of resources related to unavailable revenue, revenue in support of pension payments made subsequent to the measurement date, and deferred pension and OPEB costs.

**Net Position**

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

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumptions**

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

**Fund Balance Policies**

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

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

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

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

The Board of Education has adopted a fund balance policy for the General Fund. The fund balance policy prescribes the minimum General Fund fund balance as 15 percent of annual operating expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

**Property Tax Revenue**

The School District has 36 taxing entities in which property taxes are levied and become a lien as of July 1 and December 1 and are due between August 1 and September 14 and between January 1 and February 1, respectively. An allowance has been established based on past collection history to provide for taxes that may be ultimately uncollectible. The revenue related to property taxes not collected within 60 days has been deferred in the accompanying financial statements.

**Grants and Contributions**

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

**Pension and Other Postemployment Benefit (OPEB) Costs**

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

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

**Compensated Absences**

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

**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 the enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Use of Estimates**

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

**Upcoming Accounting Pronouncement**

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

**Adoption of New Accounting Pronouncement**

During the current year, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the Student Activity Fund was previously reported as fiduciary activity but no longer meets the definition of such; therefore, the fund is now reported as a nonmajor special revenue fund within the governmental funds.

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

The effect of this new standard on net position/fund balance was as follows:

	Governmental Activities	Nonmajor Funds
Net position/fund balance - June 30, 2019 - As previously reported	\$ (43,904,900)	\$ 2,853,871
Adjustment for GASB Statement No. 84 - To change fund type	153,771	153,771
Net position/fund balance - June 30, 2019 - As restated	<u>\$ (43,751,129)</u>	<u>\$ 3,007,642</u>

**Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including October 26, 2020, which is the date the financial statements were available to be issued.

**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. The presentation of the budget information and the basic financial statements is consistent, except that capital outlay is presented within the functional categories in the budget. All annual appropriations lapse at fiscal year end.

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

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

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

The School District did not have significant expenditure budget variances.

**Capital Projects Fund Compliance**

The 2019 Bonds Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan’s School Code.

**Note 4 - Deposits and Investments**

State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers’ acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District’s deposits are in accordance with statutory authority.

The School District has designated eleven banks for the deposit of its funds.

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

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

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

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

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. At year end, the School District's deposit balance of \$2,483,623 had \$1,983,623 of bank deposits (certificates of deposit and checking and savings accounts) that was uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Custodial Credit Risk of Investments***

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

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the School District's cash requirements. At June 30, 2020, the School District had \$9,861,791 of U.S. agency notes that have a weighted-average maturity of 0.84 years and \$12,598,838 of commercial paper securities that have a weighted-average maturity of 0.19 years.

**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 has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Carrying Value	Rating	Rating Organization
<b>Primary Government</b>			
Michigan Liquid Asset Fund MAX Class	\$ 36,327,266	AAAm	Standard & Poor's
Michigan Liquid Asset Fund Cash Mgmt Class	24,472,051	AAAm	Standard & Poor's
Michigan Liquid Asset Fund Term	5,449,451	AAAm	Standard & Poor's
Commercial paper	12,598,838	A-1/P-1	Standard & Poor's
U.S. treasury securities	9,861,791	AA+/Aaa	Standard & Poor's
Michigan CLASS	2,206	AAAm	Standard & Poor's
Comerica Govt Cash Investment Fund J	2,670	Not rated	N/A
Total	<u>\$ 88,714,273</u>		

**Concentration of Credit Risk**

The School District places no limit on the amount the School District may invest in any one issuer. The School District's investment policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The School District does not have any investments subject to concentration of credit risk.

**Foreign Currency Risk**

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

**Note 5 - Fair Value Measurements**

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

In instances where inputs used to measure fair value fall into different levels in the 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.

**Note 5 - Fair Value Measurements (Continued)**

The School District has the following recurring fair value measurements as of June 30, 2020:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
<b>Assets - Debt securities</b>				
U.S. treasury securities	\$ -	\$ 9,861,791	\$ -	\$ 9,861,791
Commercial paper	-	12,598,838	-	12,598,838
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 22,460,629</b>	<b>\$ -</b>	<b>\$ 22,460,629</b>

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

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table.

**Investments in Entities that Calculate Net Asset Value per Share**

The School District holds shares in the Michigan Liquid Asset Fund (MILAF) Term Series and the Michigan CLASS investment pool, for which the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At June 30, 2020, the net asset value of the School District's investment in the MILAF Term Series was \$5,449,451. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date upon initiation of the investment. Early redemptions are permitted; however, an early adoption fee would apply.

The investment pool 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 and provide liquidity.

At June 30, 2020, the net asset value of the School District's investment in the Michigan CLASS pool was \$2,206. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated A1 or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

June 30, 2020

**Note 6 - Unavailable/Unearned Revenue**

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

At June 30, 2020, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Delinquent property taxes	\$ 834,148	\$ -
Grant receivables unavailable for use in the current period	19,115	-
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	4,929,504
Other	26,509	342,026
<b>Total</b>	<b>\$ 879,772</b>	<b>\$ 5,271,530</b>

**Note 7 - Capital Assets**

Capital asset activity of the School District's governmental and business-type activities was as follows:

**Governmental Activities**

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 93,670	\$ -	\$ -	\$ 93,670
Construction in progress	-	3,262,451	-	3,262,451
Capital assets being depreciated:				
Buildings and improvements	21,722,265	462,334	(55,195)	22,129,404
Furniture and equipment	5,876,292	317,916	(8,978)	6,185,230
Buses and other vehicles	172,092	28,358	-	200,450
Land improvements	1,129,200	-	(21,645)	1,107,555
Subtotal	28,899,849	808,608	(85,818)	29,622,639
Accumulated depreciation:				
Buildings and improvements	11,853,481	647,789	(31,415)	12,469,855
Furniture and equipment	4,658,968	269,421	(8,978)	4,919,411
Buses and other vehicles	117,568	20,012	-	137,580
Land improvements	723,838	45,851	(3,382)	766,307
Subtotal	17,353,855	983,073	(43,775)	18,293,153
Net capital assets being depreciated	11,545,994	(174,465)	(42,043)	11,329,486
Net governmental activities capital assets	\$ 11,639,664	\$ 3,087,986	\$ (42,043)	\$ 14,685,607

**June 30, 2020**

**Note 7 - Capital Assets (Continued)**

***Business-type Activities***

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets being depreciated - Computer software and equipment	\$ 339,767	\$ -	\$ -	\$ 339,767
Accumulated depreciation - Computer software and equipment	339,767	-	-	339,767
Net business-type activities capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the year ended June 30, 2020 totaled \$983,073 for the governmental activities. There was no depreciation expense for business-type activities for the year ended June 30, 2020. Depreciation expense for the governmental activities was not charged to activities, as the School District considers its assets to impact multiple activities, and allocation is not practical.

In addition, the School District leases facilities under various operating leases. Total costs for such leases were approximately \$2,035,000 for the current year. The future minimum lease payments for these leases are not significant.

***Construction Commitments***

The School District has active construction projects at year end. The projects all relate to the 2019 School Building and Site bond issue. As of June 30, 2020, the School District had entered into \$11,424,570 of construction contracts and had paid \$2,895,501 on those contracts, leaving \$8,529,069 in remaining construction commitments at year end.

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

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	Special Education Fund	Cooperative Activities Fund	2019 Bonds Capital Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ 286,745	\$ -	\$ -	\$ -	\$ 286,745
Cooperative Activities Fund	320,985	-	-	150,520	471,505
Nonmajor governmental funds	-	-	295,333	2,356	297,689
Internal Service Fund	591,382	25	-	7,648	599,055
Total	<u>\$ 1,199,112</u>	<u>\$ 25</u>	<u>\$ 295,333</u>	<u>\$ 160,524</u>	<u>\$ 1,654,994</u>

Interfund balances represent routine and temporary cash flow assistance until amounts are transferred from fund accounts.

June 30, 2020

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Special Education Fund	Nonmajor governmental funds	\$ 589,444
Cooperative Activities Fund	General Fund	49,094
	Special Education Fund	628,744
	Nonmajor governmental funds	150,000
	Total Cooperative Activities Fund	827,838
2019 Bonds Capital Projects Fund	Special Education Fund	15,375
	Nonmajor governmental funds	149,144
	Total 2019 Bonds Capital Projects Fund	164,519
	Total	<u>\$ 1,581,801</u>

Transfers from the Special Education Fund and Cooperative Activities Fund represent nonreciprocal activity between the funds and primarily represent reimbursement for indirect costs incurred by the funds. Transfers from the 2019 Bonds Capital Projects Fund represent the reimbursement of expenses to the respective funds for amounts that were paid by those funds prior to the bonds passing.

**Note 9 - Restricted Assets**

The School District's bond ordinances require the bond proceeds to be spent solely for the project expenditures; any unspent proceeds are reported as restricted investments.

At June 30, 2020, restricted assets are composed of the following:

Description	Governmental Activities
Unspent bond proceeds	\$ 50,977,178

**Note 10 - Long-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
General obligation	\$ -	\$ 44,570,000	\$ -	\$ 44,570,000	\$ 2,255,000
Unamortized bond premiums	-	8,822,362	-	8,822,362	446,364
Total bonds payable	-	53,392,362	-	53,392,362	2,701,364
Compensated absences	422,255	170,052	-	592,307	10,000
Claims and judgments	521,801	88,176	-	609,977	609,977
Total governmental activities long-term debt	<u>\$ 944,056</u>	<u>\$ 53,650,590</u>	<u>\$ -</u>	<u>\$ 54,594,646</u>	<u>\$ 3,321,341</u>

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

**General Obligation Bonds**

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2020 are as follows:

Purpose	Remaining Annual Installments	Interest Rate	Maturing	Outstanding
\$44,570,000 serial bonds	\$2,255,000 - \$6,505,000	5.00%	May 1, 2029	\$ 44,570,000

**Other Long-term Liabilities**

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund and the Special Education Fund. The claims and judgments liability will generally be liquidated through the School District's internal service fund.

**Debt Service Requirements to Maturity**

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 2,255,000	\$ 3,272,342	\$ 5,527,342
2022	4,000,000	2,099,700	6,099,700
2023	4,350,000	1,899,700	6,249,700
2024	4,725,000	1,682,200	6,407,200
2025	5,105,000	1,462,000	6,567,000
2026-2029	24,135,000	3,097,750	27,232,750
Total	<u>\$ 44,570,000</u>	<u>\$ 13,513,692</u>	<u>\$ 58,083,692</u>

**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for errors and omissions. The School District participates in the MASB/SEG risk pool for claims relating to all risks related to property and liability coverage on owned buildings and contents, umbrella liability, bus and auto fleet, travel accident, workers' disability, and other miscellaneous coverage. The School District is self-insured for health, dental, and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

**Note 11 - Risk Management (Continued)**

The School District estimates the liability for medical, dental, and vision claims that have been incurred through the end of the fiscal year, including both those claims that have been reported and those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the fiscal year are as follows:

	2020	2019
Estimated liability - Beginning of year	\$ 521,801	\$ 581,176
Estimated claims incurred, including changes in estimates	4,488,087	3,786,578
Claim payments	(4,399,911)	(3,845,953)
Estimated liability - End of year	\$ 609,977	\$ 521,801

**Note 12 - Michigan Public School Employees' Retirement System**

***Plan Description***

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

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

***Benefits Provided***

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

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

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

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

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

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

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

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

**Contributions**

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

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

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

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

The ranges of rates are as follows:

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

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

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

The School District's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$9,158,701, 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 \$3,328,368 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$2,527,449, which include the School District's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2020, the School District reported a liability of \$93,591,162 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.28 and 0.25 percent, respectively, representing a change of 12.91 percent.

**Net OPEB Liability**

At June 30, 2020, the School District reported a liability of \$21,530,055 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.30 and 0.27 percent, respectively, representing a change of 12.57 percent.

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

For 2020, the School District recognized pension expense of \$16,154,415, inclusive of payments to fund the MPERS UAAL stabilization rate. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 419,505	\$ (390,266)
Changes in assumptions	18,325,215	-
Net difference between projected and actual earnings on pension plan investments	-	(2,999,438)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	8,983,535	(1,083,885)
The School District's contributions to the plan subsequent to the measurement date	7,490,213	-
Total	<u>\$ 35,218,468</u>	<u>\$ (4,473,589)</u>

June 30, 2020

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

The \$3,328,368 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2021	\$ 8,035,860
2022	7,620,133
2023	5,445,433
2024	2,153,240
Total	<u>\$ 23,254,666</u>

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

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$1,617,718.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (7,899,986)
Changes in assumptions	4,665,127	-
Net difference between projected and actual earnings on OPEB plan investments	-	(374,418)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	4,491,028	(75,731)
Employer contributions to the plan subsequent to the measurement date	1,747,553	-
Total	<u>\$ 10,903,708</u>	<u>\$ (8,350,135)</u>

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

Years Ending	Amount
2021	\$ 64,702
2022	64,702
2023	251,286
2024	322,474
2025	102,856
Total	<u>\$ 806,020</u>

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

**Actuarial Assumptions**

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

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

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

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

**Discount Rate**

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

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

June 30, 2020

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

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

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

Long-term rates of return are net of administrative expense and inflation of 2.30 percent.

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

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

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 121,674,498	\$ 93,591,162	\$ 70,309,109

June 30, 2020

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

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

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

	1 Percentage Point Decrease <u>(5.95%)</u>	Current Discount Rate <u>(6.95%)</u>	1 Percentage Point Increase <u>(7.95%)</u>
Net OPEB liability of the School District	\$ 26,409,848	\$ 21,530,055	\$ 17,432,384

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

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

	1 Percentage Point Decrease <u>(6.50%)</u>	Current Rate <u>(7.50%)</u>	1 Percentage Point Increase <u>(8.50%)</u>
Net OPEB liability of the School District	\$ 17,258,661	\$ 21,530,055	\$ 26,409,269

***Pension Plan and OPEB Plan Fiduciary Net Position***

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

***Payable to the Pension Plan and OPEB Plan***

At June 30, 2020, the School District reported a payable of \$1,407,733 and \$336,877 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

**Note 13 - Tax Abatements**

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974), brownfield redevelopment agreements, and Obsolete Property Rehabilitation Act granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. The Obsolete Property Rehabilitation Act (PA 146 of 2000) provides property tax exemptions for commercial and commercial housing properties that are rehabilitated and meet the requirements of the act.

For the fiscal year ended June 30, 2020, the School District's property tax revenue was reduced by approximately \$1,092,000 under these programs.

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## Required Supplemental Information

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# Washtenaw Intermediate School District

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	(Under) Over <u>Final Budget</u>
<b>Revenue</b>				
Local sources	\$ 2,555,316	\$ 2,907,368	\$ 2,475,731	\$ (431,637)
State sources	10,228,640	16,568,445	12,736,644	(3,831,801)
Federal sources	5,203,661	6,024,001	5,439,515	(584,486)
Interdistrict sources	2,614,990	2,952,223	2,428,972	(523,251)
Total revenue	20,602,607	28,452,037	23,080,862	(5,371,175)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	1,235,760	1,540,944	1,114,581	(426,363)
Added needs	121,300	55,545	18,769	(36,776)
Adult/Continuing education	123,931	339,304	295,237	(44,067)
Support services:				
Pupil	699,715	1,380,040	857,163	(522,877)
Instructional staff	4,292,815	7,364,163	5,209,345	(2,154,818)
General administration	579,119	575,473	559,074	(16,399)
School administration	16,702	35,927	35,927	-
Business	280,323	246,519	247,575	1,056
Operations and maintenance	534,421	715,921	694,212	(21,709)
Pupil transportation services	97,604	89,549	56,707	(32,842)
Central	2,960,905	3,216,907	2,903,929	(312,978)
Community services	961,366	913,917	787,550	(126,367)
Interdistrict payments	9,162,920	11,877,544	10,117,279	(1,760,265)
Total expenditures	21,066,881	28,351,753	22,897,348	(5,454,405)
<b>Excess of Revenue (Under) Over Expenditures</b>	(464,274)	100,284	183,514	83,230
<b>Other Financing Sources - Transfers in</b>	50,387	49,264	49,094	(170)
<b>Net Change in Fund Balance</b>	(413,887)	149,548	232,608	83,060
<b>Fund Balance - Beginning of year</b>	4,352,223	4,352,223	4,352,223	-
<b>Fund Balance - End of year</b>	<u>\$ 3,938,336</u>	<u>\$ 4,501,771</u>	<u>\$ 4,584,831</u>	<u>\$ 83,060</u>

## Washtenaw Intermediate School District

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

**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 92,064,890	\$ 91,747,195	\$ 92,380,569	\$ 633,374
State sources	12,872,914	14,245,138	14,104,104	(141,034)
Federal sources	11,596,473	12,492,195	11,560,058	(932,137)
Interdistrict sources	116,604	152,400	167,668	15,268
Total revenue	116,650,881	118,636,928	118,212,399	(424,529)
<b>Expenditures</b>				
Current:				
Instruction - Added needs	13,730,475	12,959,452	12,904,611	(54,841)
Support services:				
Pupil	14,098,818	13,868,383	13,479,017	(389,366)
Instructional staff	2,919,216	2,896,061	2,735,071	(160,990)
General administration	617,453	622,967	596,830	(26,137)
School administration	246,409	236,486	237,440	954
Business	1,578,878	1,256,606	1,296,000	39,394
Operations and maintenance	3,073,829	3,392,783	3,509,400	116,617
Pupil transportation services	76,053	42,942	23,806	(19,136)
Central	2,314,129	2,241,776	2,189,217	(52,559)
Other	-	2,065	1,465	(600)
Community services	39,475	39,106	30,620	(8,486)
Interdistrict payments	77,612,071	81,267,116	81,437,104	169,988
Total expenditures	116,306,806	118,825,743	118,440,581	(385,162)
<b>Excess of Revenue Over (Under) Expenditures</b>	344,075	(188,815)	(228,182)	(39,367)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	17,496	17,496
Transfers in	249,504	628,211	644,119	15,908
Transfers out	(593,579)	(595,404)	(589,444)	5,960
Total other financing (uses) sources	(344,075)	32,807	72,171	39,364
<b>Net Change in Fund Balance</b>	-	(156,008)	(156,011)	(3)
<b>Fund Balance - Beginning of year</b>	3,306,008	3,306,008	3,306,008	-
<b>Fund Balance - End of year</b>	<u>\$ 3,306,008</u>	<u>\$ 3,150,000</u>	<u>\$ 3,149,997</u>	<u>\$ (3)</u>

## Washtenaw Intermediate School District

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Cooperative Activities Fund

**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 3,245,696	\$ 4,979,093	\$ 5,781,817	\$ 802,724
State sources	480,742	681,645	683,717	2,072
Federal sources	100,000	66,711	121,263	54,552
Interdistrict sources	13,074,097	13,455,478	13,417,632	(37,846)
Total revenue	16,900,535	19,182,927	20,004,429	821,502
<b>Expenditures</b>				
Current:				
Instruction - Basic programs	8,409,960	8,801,760	8,876,005	74,245
Support services:				
Pupil	1,043,703	1,001,411	1,032,708	31,297
Instructional staff	1,335,820	1,496,501	1,511,297	14,796
School administration	499,970	538,778	541,288	2,510
Operations and maintenance	882,424	906,165	649,481	(256,684)
Pupil transportation services	14,207	17,320	8,517	(8,803)
Central	721,184	960,279	977,698	17,419
Community services	4,000	5,522	4,614	(908)
Interdistrict payments	5,591,695	5,978,803	3,412,011	(2,566,792)
Total expenditures	18,502,963	19,706,539	17,013,619	(2,692,920)
<b>Excess of Revenue (Under) Over Expenditures</b>	(1,602,428)	(523,612)	2,990,810	3,514,422
<b>Other Financing Uses - Transfers out</b>	-	(828,901)	(827,838)	1,063
<b>Net Change in Fund Balance</b>	(1,602,428)	(1,352,513)	2,162,972	3,515,485
<b>Fund Balance - Beginning of year</b>	10,970,565	10,970,565	10,970,565	-
<b>Fund Balance - End of year</b>	<u>\$ 9,368,137</u>	<u>\$ 9,618,052</u>	<u>\$ 13,133,537</u>	<u>\$ 3,515,485</u>

## Washtenaw Intermediate School District

### Required Supplemental Information

### Schedule of Washtenaw Intermediate School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	<b>Last Six Plan Years</b>					
	<b>Plan Years Ended September 30</b>					
	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.28261 %	0.25030 %	0.23134 %	0.23036 %	0.25731 %	0.24957 %
School District's proportionate share of the net pension liability	\$ 93,591,162	\$ 75,245,489	\$ 59,950,967	\$ 57,472,149	\$ 62,848,969	\$ 54,972,004
School District's covered payroll	\$ 26,388,163	\$ 22,773,640	\$ 20,035,969	\$ 18,684,329	\$ 21,640,574	\$ 21,154,802
School District's proportionate share of the net pension liability as a percentage of its covered payroll	354.67 %	330.41 %	299.22 %	307.60 %	290.42 %	259.86 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

**Note:** The amounts presented for each fiscal year were determined as of September 30 of the preceding year. GASB Statement No. 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## Washtenaw Intermediate School District

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

	<b>Last Six Fiscal Years Years Ended June 30</b>					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 8,796,319	\$ 7,561,992	\$ 6,422,824	\$ 5,410,599	\$ 5,386,534	\$ 4,334,689
Contributions in relation to the statutorily required contribution	<u>8,796,319</u>	<u>7,561,992</u>	<u>6,422,824</u>	<u>5,410,599</u>	<u>5,386,534</u>	<u>4,334,689</u>
<b>Contribution Deficiency</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>School District's Covered Payroll</b>	\$ 28,857,515	\$ 25,567,336	\$ 21,932,693	\$ 19,631,640	\$ 18,414,965	\$ 21,772,781
<b>Contributions as a Percentage of Covered Payroll</b>	30.48 %	29.58 %	29.28 %	27.56 %	29.25 %	19.91 %

**Note:** GASB Statement No. 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## Washtenaw Intermediate School District

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

	Last Three Plan Years		
	Plan Years Ended September 30		
	2019	2018	2017
School District's proportion of the net OPEB liability	0.29996 %	0.26646 %	0.23194 %
School District's proportionate share of the net OPEB liability	\$ 21,530,055	\$ 21,180,475	\$ 20,539,211
School District's covered payroll	\$ 26,388,163	\$ 22,773,640	\$ 20,035,969
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.59 %	93.00 %	102.51 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.53 %

**Note:** GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## Washtenaw Intermediate School District

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

	Last Three Fiscal Years Years Ended June 30		
	2020	2019	2018
Statutorily required contribution	\$ 2,318,874	\$ 2,008,321	\$ 1,584,138
Contributions in relation to the statutorily required contribution	2,318,874	2,008,321	1,584,138
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$ 28,857,515</b>	<b>\$ 25,567,336</b>	<b>\$ 21,932,693</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>8.04 %</b>	<b>7.86 %</b>	<b>7.22 %</b>

**Note:** GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

June 30, 2020

#### ***Pension Information***

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

#### **Benefit Changes**

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

#### **Changes in Assumptions**

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

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.

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

2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

#### ***OPEB Information***

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

#### **Benefit Changes**

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

#### **Changes in Assumptions**

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

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

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

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## Other Supplemental Information

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# Washtenaw Intermediate School District

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Funds		Capital Projects Funds			Total
	Food Service Fund	Student Activity Fund	General Education Fund	Special Education Fund	WEOC Fund	
<b>Assets</b>						
Cash and investments	\$ 109,431	\$ 224,118	\$ 456,531	\$ 2,644,458	\$ -	\$ 3,434,538
Due from other funds	-	-	2,356	-	295,333	297,689
Inventory	9,765	-	-	-	-	9,765
Prepaid costs	2,334	-	-	-	-	2,334
<b>Total assets</b>	<b>\$ 121,530</b>	<b>\$ 224,118</b>	<b>\$ 458,887</b>	<b>\$ 2,644,458</b>	<b>\$ 295,333</b>	<b>\$ 3,744,326</b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 2,926	\$ 585	\$ 11,459	\$ -	\$ 14,970
Due to other governmental units	11,075	-	-	-	-	11,075
Checks issued in excess of available cash	-	-	-	-	221,206	221,206
Due to other funds	94,200	66,324	-	-	-	160,524
Accrued liabilities and other	-	-	-	-	840	840
<b>Total liabilities</b>	<b>105,275</b>	<b>69,250</b>	<b>585</b>	<b>11,459</b>	<b>222,046</b>	<b>408,615</b>
<b>Fund Balances</b>						
Nonspendable	12,099	-	-	-	-	12,099
Restricted:						
Capital projects	-	-	-	2,632,999	73,287	2,706,286
Food service	4,156	-	-	-	-	4,156
Committed	-	154,868	458,302	-	-	613,170
<b>Total fund balances</b>	<b>16,255</b>	<b>154,868</b>	<b>458,302</b>	<b>2,632,999</b>	<b>73,287</b>	<b>3,335,711</b>
<b>Total liabilities and fund balances</b>	<b>\$ 121,530</b>	<b>\$ 224,118</b>	<b>\$ 458,887</b>	<b>\$ 2,644,458</b>	<b>\$ 295,333</b>	<b>\$ 3,744,326</b>

## Washtenaw Intermediate School District

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

**Year Ended June 30, 2020**

	Special Revenue Funds		Capital Projects Funds			Total
	Food Service Fund	Student Activity Fund	General Education Fund	Special Education Fund	WEOC Fund	
<b>Revenue</b>						
Local sources	\$ 7,652	\$ 154,619	\$ 5,528	\$ 21,542	\$ -	\$ 189,341
State sources	3,636	-	-	-	-	3,636
Federal sources	89,879	-	-	-	-	89,879
Total revenue	101,167	154,619	5,528	21,542	-	282,856
<b>Expenditures</b>						
Current:						
Support services	-	153,522	24,033	155,681	6,058	339,294
Food services	190,447	-	-	-	-	190,447
Capital outlay	164	-	6,084	175,785	131,601	313,634
Total expenditures	190,611	153,522	30,117	331,466	137,659	843,375
<b>Excess of Revenue (Under) Over Expenditures</b>	(89,444)	1,097	(24,589)	(309,924)	(137,659)	(560,519)
<b>Other Financing Sources - Transfers in</b>	89,444	-	-	649,144	150,000	888,588
<b>Net Change in Fund Balances</b>	-	1,097	(24,589)	339,220	12,341	328,069
<b>Fund Balances - Beginning of year (as restated)</b>	16,255	153,771	482,891	2,293,779	60,946	3,007,642
<b>Fund Balances - End of year</b>	<b>\$ 16,255</b>	<b>\$ 154,868</b>	<b>\$ 458,302</b>	<b>\$ 2,632,999</b>	<b>\$ 73,287</b>	<b>\$ 3,335,711</b>

## Washtenaw Intermediate School District

### Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2019 School Building and Site Bonds		Total
	Principal	Interest	
2021	\$ 2,255,000	\$ 3,272,342	\$ 5,527,342
2022	4,000,000	2,099,700	6,099,700
2023	4,350,000	1,899,700	6,249,700
2024	4,725,000	1,682,200	6,407,200
2025	5,105,000	1,462,000	6,567,000
2026	5,525,000	1,206,750	6,731,750
2027	5,905,000	930,500	6,835,500
2028	6,200,000	635,250	6,835,250
2029	6,505,000	325,250	6,830,250
Total remaining payments	<u>\$ 44,570,000</u>	<u>\$ 13,513,692</u>	<u>\$ 58,083,692</u>
Interest rate	5.0%		
Original issue	<u>\$ 44,570,000</u>		

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

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