



Van Buren Public Schools
Audited Financial Statements

June 30, 2019

Prepared by Taylor & Morgan, P.C.

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INDEPENDENT AUDITORS' REPORT

October 8, 2019

Board of Education
Van Buren Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Van Buren Public Schools as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the 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.

Auditors' 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 of 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Van Buren Public Schools as of June 30, 2019 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan information on pages 4-8 and 38-40 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, who 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 supplementary 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 the Van Buren Public Schools' basic financial statements. The introductory, combining individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019 on our consideration of the Van Buren Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Van Buren Public Schools' 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 the Van Buren Public Schools' internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD & A)

VAN BUREN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

The Van Buren Public Schools has implemented *Governmental Accounting Standards Board Statement 34 (GASB 34)* with the enclosed financial statements. Our discussion and analysis of the Van Buren Public Schools' financial performance, a GASB 34 requirement, provides an overview of the Districts' financial activities for the fiscal year ended June 30, 2019.

This reporting model was adopted by the *Governmental Accounting Standards Board (GASB) in Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's net position – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to its students, not generate profits as commercial entities do. Many other non-financial factors, such as the quality of education provided and the safety of the schools must also be considered when assessing the overall health of the District.

The School District's net position totaled \$(61,280,027) and \$(59,395,409) at June 30, 2019 and 2018, respectively. Of these amounts \$1,265,223 and \$2,098,012 were restricted. Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limits the District's ability to use that net position for day-to-day operations. The following is a summary of the District's net position at June 30, 2019 and 2018:

	2019	2018
Assets	\$ 99,901,844	\$ 99,641,186
Deferred outflows of resources	36,235,500	17,357,968
Liabilities	180,388,625	171,453,545
Deferred inflows of resources	17,028,746	4,941,018
Net Position:		
Net investment in capital assets	23,046,311	17,463,198
Restricted	1,265,223	2,098,012
Unrestricted	(85,591,561)	(78,956,619)
Total net position	\$ (61,280,027)	\$ (59,395,409)

The June 30, 2018 balances reflect the result of implementation for Governmental Accounting Standards Board (GASB) Statement No. 75.

The \$(85,591,561) in unrestricted net position of governmental activities represents District funds that have not been committed contractually or for debt obligations and are available for future use. Total net position decreased \$1,884,618 in 2018-19.

Net position decreased approximately \$1.88 million in 2018-19. The major components of the change in net position are as follows:

➤ Depreciation expense

The provisions of GASB 34 require districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net assets. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2019, the net decrease in accumulated depreciation was \$727,157, due to sales of land and disposals of assets.

VAN BUREN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

➤ Capital acquisitions

Capital outlay (net) for the year ended June 30, 2019 totaled \$2,380,204. Combined with current year depreciation and the effect of disposals, net capital assets decreased by \$881,887.

➤ Debt Repayment

The District levies property taxes for the specific purpose of retiring debt. The collection of these taxes and the resultant repayment of debt decreases the District's long-term principal obligations and, as a result, the net position of the District increases. The District repaid \$1,995,000 of long-term bonded debt in the current year.

➤ GASB 68 adjustment

Adjustments to the government-wide statements include an increase in pension expense totaling \$3,328,698.

➤ GASB 75 adjustment

Adjustments to the government-wide statements include a decrease in OPEB expense totaling \$527,993.

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The summaries of the District-wide results of operations for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
<i>General revenue</i>		
Property taxes	\$ 16,415,722	\$ 16,278,971
State foundation allowance	25,138,215	24,286,494
Other	5,473,907	5,690,196
Total general revenue	47,027,844	46,255,661
<i>Program revenue</i>		
Charges for services – local	1,497,511	915,119
Operating grants – federal and state	14,422,324	13,305,993
Total revenues	62,947,679	60,476,773
<i>Expenses</i>		
Instruction	31,450,688	30,848,635
Support services	23,944,011	24,573,509
Community services	15,521	14,159
Food services	1,794,465	1,794,673
Interest on long-term debt	4,410,521	4,095,932
Depreciation (unallocated)	3,262,091	3,105,794
Total expenses	64,832,297	64,432,702
Increase/(decrease) in net position	(1,884,618)	(3,955,929)
Net position – July 1	(59,395,409)	(30,615,122)
Restatement for implementation of GASB 75	-	(24,824,358)
Net position – June 30	\$ (61,280,027)	\$ (59,395,409)

VAN BUREN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

GASB Statement No. 68 required the District to include its share of the Michigan Public School Retirees (MPERS) Net Pension Liability on the government-wide statements. The District's share of this liability equaled \$89,272,857 as of September 30, 2018 and \$74,052,660 as of September 30, 2017.

GASB Statement No. 75 required the District to include its share of the Michigan Public School Retirees (MPERS) Net OPEB Liability on the government-wide statements. The District's share of this liability equaled \$24,373,508 as of September 30, 2018 and \$25,365,002 as of September 30, 2017.

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

Our financial statements provide the following insights about the results of this year's operations:

The financial condition of the governmental funds has declined overall from the prior year.

In the General Fund, the fund balance increased by \$794,245 to \$8,766,856. Wayne RESA passed an Enhancement Millage with Wayne County taxpayers November 2016 for 2.000 mills. The Enhancement Millage was distributed to school districts based on pupil count. The District received \$1,824,350 additional revenue as direct result of the Wayne RESA Enhancement millage. Without the Enhancement Millage, the General Fund would have decreased by \$1,030,105 to \$6,492,506. The fund balance for the Debt Service Funds increased \$14,456 to \$1,479,198. The total fund balance for the non-major governmental funds decreased by \$649,684 to \$1,258,417.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements are known. Currently, the most significant budgeted funds are the General Fund and the 2009 Construction Fund. The District amended the budgets of these major governmental funds three times during the year ended June 30, 2019.

General Fund

In the General Fund, the actual revenue and other financing sources totaled approximately \$52.6 million. This is above the original budget estimate of \$52.1 million and below the final amended budgeted amount of \$53.1 million, a variance of .1%. The actual expenditures and other financing uses were approximately \$51.8 million. This is below the original budget estimate of \$54.7 million and below the final amended budgeted amount of \$54.0 million, a variance of 4.0%

The fund balance of the general fund was \$8,766,856 on June 30, 2019 as compared to \$7,972,611 on June 30, 2018.

A schedule is provided in the required supplemental information of these financial statements showing the District's original and final budget amounts compared with amounts actually paid and received.

GOVERNMENTAL FUND EXPENDITURES

The following chart illustrates that the General Fund comprises approximately 76.20% of all the equity within the governmental funds of the District. The ending fund balance for all funds was equal to \$11.5 million and is detailed below.

	Fund Balance as of June 30, 2019	Percentage of Total Fund Balance
General Fund	\$ 8,766,856	76.20%
Debt Service Funds	1,479,198	12.86%
Non-major Funds	1,258,417	10.94%
Total	\$ 11,504,471	100.00%

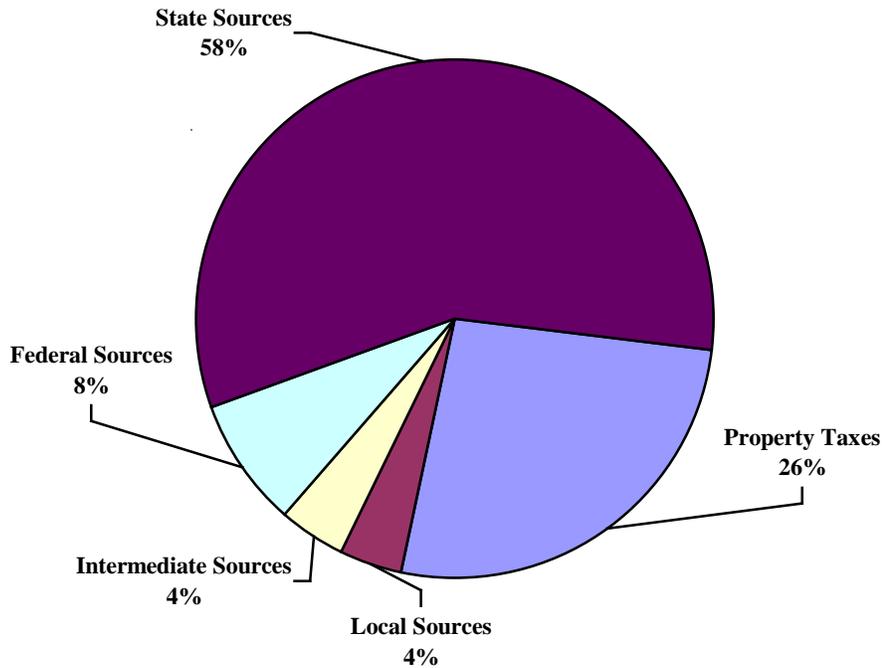
As of June 30, 2019, the District's program expenditures for all programs totaled \$61,295,036 compared to \$62,932,694 in 2018.

VAN BUREN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

TOTAL REVENUES

Revenues for all governmental funds totaled \$62,043,558 for the year ended June 30, 2019 compared with \$60,134,651 in 2018. The following graph illustrates the District revenues by source as a percentage of total revenue:

Total Revenue by Source for All Funds



Unrestricted State Aid

The District is primarily funded by State Aid. The per-pupil allowance was \$8,004 for 2018-19. State Aid membership was computed in the 2018-19 school year with a blended count of 10% of the February and 90% of the September counts.

Van Buren Public Schools enrollment for the 2018-19 school year was 4,434, a decrease of 212 students from the prior year.

Property Taxes

The District levied 18.0000 mills of property taxes on all non-homestead property located within the district for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2018-19 non-homestead property tax levy including delinquent taxes totaled approximately \$10.6 million. The district would not have been able to levy the full 18 mills permitted due to property values increasing faster than the rate of inflation resulting in a Headlee Rollback; however in November 2016, taxpayers approved extra mills permitting the district to levy the full 18 mills regardless of a possible Headlee Rollback.

VAN BUREN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

In the 2018-19 school year, the District levied .4972 mills for the District's sinking funds and 2.98 mills for the District's debt funds. The revenue collected for the debt and sinking funds approximated \$5.0 million and \$.8 million, respectively. Taxpayers approved .5000 mills to be levied for the sinking fund. The sinking fund was also affected by a Headlee Rollback for the 2018-19 tax year.

OUTSTANDING DEBT AT YEAR-END

Bonded debt consists of \$56.9 million of 2019 Refunding Bonds.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CAPITAL ASSETS

At the end of fiscal year 2019, the District had \$119.0 million invested in land, buildings, furniture, equipment, buses, and vehicles. Of this total investment, \$39.1 million has been depreciated, resulting in a net book value of \$79.9 million. Total additions (net of disposals) for the year were approximately \$(1.6) million and were comprised of site improvements, new equipment, and bus purchases. Included in the disposals were 2 parcels of vacant land. The District is committed to the timely repairs and maintenance of its facilities. Computer purchases under the District's capitalization threshold of \$5,000 are expensed accordingly.

**CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)
(IN MILLIONS)**

	<u>Governmental Activities</u>
Land and improvements	\$ 1.5
Buildings and improvements	75.3
Furniture and equipment	.8
Vehicles and buses	<u>2.3</u>
Total	\$ <u>79.9</u>

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of Van Buren Public Schools. If you should desire additional detailed financial program audits, they can be obtained by contacting the following person:

Mr. Peter Kudlak
Superintendent, Van Buren Public Schools
555 West Columbia Avenue
Belleville, Michigan 48111
(734) 697-9123

BASIC FINANCIAL STATEMENTS

VAN BUREN PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets	
Cash, cash equivalents and investments	\$ 9,578,199
Accounts receivable	87,586
Due from other governmental units	10,135,170
Due from agency fund	26,317
Inventory	9,441
Prepaid costs and other assets	128,820
Capital assets	
Land, buildings and improvements	108,475,229
Equipment and furniture	4,962,128
Vehicles	5,625,854
Less: accumulated depreciation	(39,126,900)
Net capital assets	79,936,311
Total Assets	99,901,844
Deferred Outflows of Resources	
Deferred OPEB amounts	5,691,768
Deferred pension amounts	30,543,732
Total Deferred Outflows of Resources	36,235,500
Liabilities	
Accounts payable	1,730,081
Accrued expenses	627,844
Salaries payable	4,532,505
Due to other governmental units	224,928
Accrued interest on long-term debt	817,636
Advance from grantors	1,345,704
Long-term liabilities	
Due within 1 year	2,481,034
Due in more than 1 year:	
Net OPEB liability	24,373,508
Net pension liability	89,272,857
Other	54,982,528
Total Liabilities	180,388,625
Deferred Inflows of Resources	
Deferred premium on bond refunding	4,638,194
Deferred OPEB amounts	5,479,335
Deferred pension amounts	6,911,217
Total Deferred Inflows of Resources	17,028,746
Net Position	
Net investment in capital assets	23,046,311
Restricted for:	
Capital projects	603,661
Debt service	661,562
Unrestricted	(85,591,561)
Total Net Position	\$ (61,280,027)

See accompanying notes to basic financial statements.

VAN BUREN PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Revenues		Net (Expense)	
Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets	
Functions/Programs				
Governmental Activities				
Instruction	\$ 31,450,688	\$ 904,121	\$ 12,706,561	\$ (17,840,006)
Support services	23,944,011	149,751	265,426	(23,528,834)
Food services	1,749,465	443,639	1,450,337	144,511
Community services	15,521	-	-	(15,521)
Interest on long-term debt net of amortization of debt issue discounts and other costs	4,410,521	-	-	(4,410,521)
Unallocated depreciation	3,262,091	-	-	(3,262,091)
Total governmental activities	\$ 64,832,297	\$ 1,497,511	\$ 14,422,324	(48,912,462)
 General Purpose Revenues				
Taxes:				
Property taxes, levied for general purposes			10,626,108	
Property taxes, levied for debt service			4,990,357	
Property taxes, levied for capital projects			799,257	
State school aid - unrestricted			25,138,215	
Retirement Reimbursement			3,984,165	
Investment earnings			1,242,917	
Other			246,825	
		Total general revenue	47,027,844	
		Change in net position	(1,884,618)	
		Net position - July 1	(59,395,409)	
		Net position - June 30	\$ (61,280,027)	

See accompanying notes to basic financial statements.

VAN BUREN PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Debt Service Funds	Non-major Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 6,664,408	\$ 1,294,749	\$ 1,619,042	\$ 9,578,199
Accounts receivable	87,545	41	-	87,586
Due from other governmental units	10,135,170	-	-	10,135,170
Due from other funds	-	184,408	397,741	582,149
Due from agency fund	26,317	-	-	26,317
Inventory	-	-	9,441	9,441
Prepaid costs	128,820	-	-	128,820
Total Assets	<u>\$ 17,042,260</u>	<u>\$ 1,479,198</u>	<u>\$ 2,026,224</u>	<u>\$ 20,547,682</u>
 Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 1,187,202	\$ -	\$ 542,879	\$ 1,730,081
Accrued expenses	627,844	-	-	627,844
Salaries payable	4,532,505	-	-	4,532,505
Due to other governmental units	-	-	224,928	224,928
Due to other funds	582,149	-	-	582,149
Advances from grantors	1,345,704	-	-	1,345,704
Total Liabilities	8,275,404	-	767,807	9,043,211
 Fund Balance				
Non-spendable	128,820	-	9,441	138,261
Restricted for:				
Capital projects	-	-	603,661	603,661
Debt retirement	-	1,479,198	-	1,479,198
Food service	-	-	645,315	645,315
Committed	2,405,200	-	-	2,405,200
Assigned	1,672,598	-	-	1,672,598
Unassigned	4,560,238	-	-	4,560,238
Total Fund Balance	<u>8,766,856</u>	<u>1,479,198</u>	<u>1,258,417</u>	<u>11,504,471</u>
 Total Liabilities and Fund Balance	 <u>\$ 17,042,260</u>	 <u>\$ 1,479,198</u>	 <u>\$ 2,026,224</u>	 <u>\$ 20,547,682</u>

See accompanying notes to basic financial statements.

VAN BUREN PUBLIC SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Total Governmental Fund Balances	\$	11,504,471
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 therefore are not reported as assets in governmental funds.		
Cost of capital assets	\$	119,063,211
Accumulated depreciation		<u>(39,126,900)</u>
Net capital assets		79,936,311
Deferred inflow and outflows related to the implementation of GASB Statement No. 68 are not included as assets and liabilities in the governmental funds:		
Deferred inflows		(6,911,217)
Deferred outflows		30,543,732
Deferred inflow and outflows related to the implementation of GASB Statement No. 75 are not included as assets and liabilities in the governmental funds:		
Deferred inflows		(5,479,335)
Deferred outflows		5,691,768
Deffered inflows of resources relating to debt refunding		(4,638,194)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds payable	\$	(56,890,000)
Compensated absences payable		(573,562)
Net OPEB liability		(24,373,508)
Net pension liability		<u>(89,272,857)</u>
Total long-term liabilities		(171,109,927)
Accrued interest payable is not included as a liability in governmental funds		<u>(817,636)</u>
Total net position - governmental activities	\$	<u><u>(61,280,027)</u></u>

See accompanying notes to basic financial statements.

VAN BUREN PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Funds	Non-major Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 10,626,108	\$ 4,990,357	\$ 799,257	\$ 16,415,722
Other local sources	525,628	37,083	1,623,073	2,185,784
Intermediate sources	2,641,808	-	-	2,641,808
State sources	34,899,635	-	706,780	35,606,415
Federal sources	<u>2,651,867</u>	<u>1,061,394</u>	<u>1,480,568</u>	<u>5,193,829</u>
Total revenues	51,345,046	6,088,834	4,609,678	62,043,558
Expenditures				
Instruction				
Basic programs	21,103,267	-	-	21,103,267
Added needs	<u>7,018,396</u>	<u>-</u>	<u>-</u>	<u>7,018,396</u>
Total instruction	28,121,663	-	-	28,121,663
Support services				
Pupil services	3,646,745	-	-	3,646,745
Instructional staff services	2,752,259	-	-	2,752,259
General administration	502,154	-	-	502,154
School administration	3,198,176	-	-	3,198,176
Business services	531,269	-	-	531,269
Operation and maintenance	5,759,475	-	-	5,759,475
Pupil transportation	5,186,166	-	-	5,186,166
Central services	1,224,143	-	-	1,224,143
Athletics	614,366	-	-	614,366
Community services	15,521	-	-	15,521
Capital outlay	250,032	-	1,467,537	1,717,569
Principal	-	1,995,000	-	1,995,000
Interest and fiscal charges	-	2,585,752	-	2,585,752
Other supporting services	<u>-</u>	<u>-</u>	<u>3,444,778</u>	<u>3,444,778</u>
Total support services	<u>23,680,306</u>	<u>4,580,752</u>	<u>4,912,315</u>	<u>33,173,373</u>
Total expenditures	<u>51,801,969</u>	<u>4,580,752</u>	<u>4,912,315</u>	<u>61,295,036</u>
Excess/(deficiency) of revenues over/ (under) expenditures	(456,923)	1,508,082	(302,637)	748,522
Other financing sources/(uses)				
Intra-district transfers	904,121	-	-	904,121
Operating transfers out	(27,391)	-	(347,047)	(374,438)
Operating transfers in	374,438	-	-	374,438
Proceeds from sale of bonds	-	61,528,194	-	61,528,194
Payments to escrow agent	<u>-</u>	<u>(63,021,820)</u>	<u>-</u>	<u>(63,021,820)</u>
Total other financing sources/(uses)	<u>1,251,168</u>	<u>(1,493,626)</u>	<u>(347,047)</u>	<u>(589,505)</u>
Excess/(deficiency) of revenues over/(under) expenditures and other financing sources/(uses)	794,245	14,456	(649,684)	159,017
Fund balance - July 1	<u>7,972,611</u>	<u>1,464,742</u>	<u>1,908,101</u>	<u>11,345,454</u>
Fund balance - June 30	<u>\$ 8,766,856</u>	<u>\$ 1,479,198</u>	<u>\$ 1,258,417</u>	<u>\$ 11,504,471</u>

See accompanying notes to basic financial statements.

VAN BUREN PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Total net change in fund balances - governmental funds	\$	159,017
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital Outlay	\$ 2,380,204	
Depreciation Expense	<u>(3,262,091)</u>	(881,887)
<p>The issuance of long-term debt provides current financial resources to governmental funds. This transaction has no effect on net assets. Also, governmental funds report as current income and expense the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are amortized over the life of the bonds in the government-wide statements. This amount is the net effect of the differences in the treatment of long-term refunding debt and related items.</p>		
Bond Proceeds	(56,890,000)	
Bond Refunding	61,360,000	
Deferred Premium	<u>(4,638,194)</u>	(168,194)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments reported as expenditures in the governmental funds.</p>		
		1,995,000
<p>Accumulated unpaid benefits are recorded as liabilities in the statement of net position, but are not recorded in the governmental funds statement. This is the (increase)/decrease in accumulated unpaid benefits.</p>		
		(24,900)
<p>Pension expense in the government-wide statements has been adjusted to reflect the requirements of GASB 68. This is the amount of the adjustment to pension expense in the government-wide statements.</p>		
		(3,328,698)
<p>OPEB expense in the government-wide statements has been adjusted to reflect the requirements of GASB 75. This is the amount of the adjustment to OPEB expense in the government-wide statements.</p>		
		527,993
<p>Interest on long-term debt in the statement of activities includes accrued interest while the governmental funds statement does not. This is the (increase)/decrease in accrued interest.</p>		
		<u>(162,949)</u>
Change in net position of governmental activities	\$	<u><u>(1,884,618)</u></u>

See accompanying notes to basic financial statements.

VAN BUREN PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>688,353</u>
Total assets	\$ <u><u>688,353</u></u>
Liabilities	
Accounts payable	\$ 14,278
Due to other funds	26,317
Due to student groups	<u>647,758</u>
Total liabilities	\$ <u><u>688,353</u></u>

See accompanying notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Van Buren Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

Basic Financial Statements – Government-wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: invested in capital assets net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. General government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function.

Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District allocates indirect costs to certain federal programs and the School Lunch Fund. Interfund transactions have been eliminated in the government-wide financial statements.

Basic Financial Statements - Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into five generic fund types in two broad fund categories as follows:

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds - Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two special revenue funds: School Lunch Fund and Special Education Fund.

Debt Service Funds - Debt Service Funds are used to record tax and interest revenue and the payment of general long-term debt principal, interest and related cost. The District has one debt service fund: the 2009 Debt Service Fund.

Capital Projects Funds - The Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designed for acquiring new school sites, buildings, and equipment and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished. The District has one capital projects fund: the 2009 Sinking Fund.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent.

Activities (Agency) Funds - Agency Funds are used to account for assets held by the School District as an agent, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting/Measurement Focus (continued)

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

Cash and Investments

Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificate of deposits with original maturities less than 180 days. The District reports its investments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair values when quoted market prices are not available.

The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA), respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments outlined above.

Property Taxes

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the District's boundaries. The District's tax base is in Wayne and Washtenaw counties.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 15. Collections are forwarded to the District as collected by the assessing municipality. Real property taxes uncollected as of March 1 are purchased by the county and remitted to the District by June 30.

Property taxes are recognized in the accounting period when they become measurable and available to finance operations. Available means when due or past due and receivable within the current period and collected no longer than 60 days after the current period.

Inventories

Items purchased for future use are recorded as inventory and charged to expenditure accounts when requisitioned for use. Food Services Fund inventory consists of food and paper goods recorded at cost and commodity inventory recorded at fair market value as determined by the USDA.

Restricted Fund Balance

The unspent tax levy of the 2009 Sinking Fund requires amounts to be set aside for activities as defined by the Sinking Fund millage. These amounts have been classified as restricted fund balance (See Note 9).

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. The District has adopted a \$5,000 capitalization threshold for recording capital assets. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is computed on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and equipment	5 – 10 years

Compensated Absences (Vacation and Sick Leave) and Early Termination Benefits

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 method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

Benefits are accrued based on various contract stipulations and lengths of service for the various bargaining units.

Vacation/sick time earned but not used at June 30, 2019 and 2018 amounted to \$573,562 and \$548,662 respectively.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Economic Dependency

The District receives approximately 70% of its operating revenue through the foundation allowance from the State of Michigan. This figure includes property taxes collected for operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

Substantially all employees of the District are covered under collective bargaining agreements. The following table details the terms of the District's employment contracts:

	<u>Expiration Date</u>
Administrators' Contract	December 31, 2019
Teachers' Contract	December 31, 2019
Paraprofessionals' Contract	June 30, 2020
Custodian/Maintenance Contract	June 30, 2020
Transportation Employees' Contract	June 30, 2020
Cafeteria Employees' Contract	June 30, 2021
Secretaries Association Contract	June 30, 2021

Note 2 - Budget and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (The Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for the General and Special Revenue Funds and an informational study of Capital Project Funds of school districts prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the act. The Act requires expenditures to be budgeted on a functional basis. A district is not considered to be in violation of the Act if reasonable procedures are in use by the District to detect violations.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The District's superintendent submits to the Board of Education a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.

VAN BUREN PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 2 - Budget and Budgetary Accounting (continued)

3. The superintendent is authorized to transfer budgeted amounts within functions; however, any revisions that alter the function amounts or the total expenditures of any fund must be approved by the Board of Education.
4. Budgets for the General, Capital Projects, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations, which were amended.
6. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.
7. A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as required supplementary information.

Budgetary information

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. In the body of the financial statements, the District's actual and budgeted expenditures for the period have been shown as adopted by function on a modified accrual basis.

Excess of expenditures over appropriations in budgeted funds

During the year, the District incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Athletics	605,171	\$614,366	\$(9,195)
Other Financing Uses	18,806	27,390	\$(8,584)

The final amended budget anticipated expenditures exceeding revenues by \$927,704. Actual revenues exceeded expenditures by \$677,040, a positive variance of \$1,604,744.

Note 3 - Deposits and Investments

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

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3 - Deposits and Investments (continued)

issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Cumulatively, portfolios of the District may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total District portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the District's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2019, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Value	Maturities	Rating	Organization
Huntington Conservative Deposit Account - Corporate Trust Plus	\$ 607,154	N/A	N/A	N/A
Other Cash Equivalents	51,934	N/A	N/A	N/A
Commercial Paper	<u>785,790</u>	Various	A-1+	S&P
Total Investments	\$ <u>1,444,878</u>			

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities, if any, in the possession of an outside party.

At June 30, 2019, the District had \$250,000 of its deposit balances insured and \$8,883,458 of its deposit balances uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is minimized by the District through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The District is not authorized to invest in investments that would be subject to this type of risk.

Fair Value Measurement

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

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3 - Deposits and Investments (continued)

The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The District had no fair value investments categorized as Level 1, 2 or 3 at June 30, 2019.

Note 4 - Changes in Capital Assets

Summary of capital asset transactions:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital Assets Not Being Depreciated:				
Land	\$ 15,000	\$ 250,032	\$ (10,000)	\$ 255,032
Construction in progress	190,748	553,928	(182,588)	562,088
Subtotal	205,748	803,960	(192,588)	817,120
Capital Assets Being Depreciated:				
Land improvements	3,343,898	665,652	(55,122)	3,954,428
Buildings and improvements	103,616,626	317,755	(230,700)	103,703,681
Furniture and equipment	4,980,636	38,357	(56,865)	4,962,128
Buses and other vehicles	8,525,347	888,802	(3,788,295)	5,625,854
Subtotal	120,466,507	1,910,566	(4,130,982)	118,246,091
Total capital assets	120,672,255	2,714,526	(4,323,570)	119,063,211
Accumulated Depreciation:				
Land improvements	2,438,447	276,631	(55,122)	2,659,956
Buildings and improvements	26,769,026	2,237,329	(88,965)	28,917,390
Furniture and equipment	3,905,580	334,470	(56,866)	4,183,184
Buses and other vehicles	6,741,004	413,661	(3,788,295)	3,366,370
Subtotal	39,854,057	3,262,091	(3,989,248)	39,126,900
Net Capital Assets	\$ <u>80,818,198</u>	\$ <u>(547,565)</u>	\$ <u>(334,322)</u>	\$ <u>79,936,311</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical. The District does not have any impaired assets.

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 5 - Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2019:

	<u>Compensated Absences</u>	<u>Bonded Debt</u>	<u>Total</u>
Balance July 1, 2018	\$ 548,662	\$ 65,285,000	\$ 65,833,662
Additions	24,900	56,890,000	56,914,900
Less: Retirements and Payments	<u>-</u>	<u>(65,285,000)</u>	<u>(65,285,000)</u>
Balance June 30, 2019	573,562	56,890,000	57,463,562
Less: Current Portion	<u>(86,034)</u>	<u>(2,395,000)</u>	<u>(2,481,034)</u>
Total Due after One Year	<u>\$ 487,528</u>	<u>\$ 54,495,000</u>	<u>\$ 54,982,528</u>

On February 19, 2019, \$56,890,000 in building and site bonds with an average interest rate of 3.98 percent were issued to advance refund the remaining \$61,360,000 of outstanding bonds of the 2009 bond issue with an average interest rate of 6.54 percent. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the remaining portion of the 2009 building and site bonds are considered defeased, and the District has removed the liability from its accounts. This refunding resulted in an economic gain of approximately \$6,245,104. The outstanding balance of the new bonds was \$56,890,000 at June 30, 2019.

Future principal and interest requirements for the bonded debt are as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,395,000	\$ 2,680,525	\$ 5,075,525
2021	1,955,000	2,138,788	4,093,788
2022	2,035,000	2,058,987	4,093,987
2023	2,120,000	1,975,887	4,095,887
2024	2,205,000	1,889,388	4,094,388
2025-2029	12,450,000	8,021,236	20,471,236
2030-2034	15,205,000	5,267,512	20,472,512
2035-2039	<u>18,525,000</u>	<u>1,940,558</u>	<u>20,465,558</u>
Total	<u>\$ 56,890,000</u>	<u>\$ 25,972,881</u>	<u>\$ 82,862,881</u>

Compensated Absences

The payment dates of compensated absences are indeterminable.

VAN BUREN PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 6 – Leases

The District leased various office equipment under a 5 year operating lease which expires in 2021.

The following is a schedule, by year, of future minimum rental payments required under the non-cancelable operating leases as of June 30, 2019:

June 30, 2020	\$		43,344
June 30, 2021			<u>43,344</u>
Total	\$		<u>86,688</u>

Lease expenditures for the year ended June 30, 2019 amounted to \$43,344 and for June 30, 2018 amounted to \$43,344.

Note 7 – Inter-fund Transactions

The District made the following inter-fund transfers during the year:

		<u>General Fund</u>		<u>Special Revenue Funds</u>		<u>Total</u>
To:	\$	27,391	\$	347,047	\$	374,438
From:	\$	374,438	\$	-	\$	374,438

The transfers were for the purpose of indirect cost transfers.

Note 8 – Inter-fund Receivables and Payables

Inter-fund receivable and payable balances as of June 30, 2019 are as follows:

		<u>Due to Other Funds</u>		<u>Due from Other Funds</u>
Major funds	\$	582,149	\$	210,725
Non-major funds		-		397,741
Agency funds		<u>26,317</u>		<u>-</u>
Total	\$	<u>608,466</u>	\$	<u>608,466</u>

Note 9 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Education adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash.

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Fund Balance (continued)

Non-spendable:

Inventory	\$ 9,441
Prepaid expenses	<u>74,218</u>
Total non-spendable	<u>\$ 83,659</u>

Restricted fund balances are reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use those assets for day-to-day operations.

Restricted:

Capital projects	\$ 728,157
Debt retirement	1,479,198
Food service	<u>654,756</u>
Total restricted	<u>\$ 2,862,111</u>

Committed fund balance represents constrained amounts imposed by school board resolution. The District committed \$2,405,200 for declining enrollment, future athletic field replacement costs, and WCRESA Enhancement Millage plan.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Education, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Board of Education adopted the 2019-20 General Fund budget whereby expenditures exceeded revenues by \$1,672,598.

Assigned:

2019-20 budget appropriation	\$ <u>1,672,598</u>
Total assigned	<u>\$ 1,672,598</u>

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

The District applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 10- Contingencies and Commitments

The District has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 11 – Risk Management

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

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

Note 12 – School Code Sinking Fund Requirements

The District's Capital Project/Building and Site Fund is required to expend monies in accordance with the Michigan Revised School Code Section 1212(1). Based on our testing of the fund's expenditures, the District is in compliance with Section 1212(1).

Note 13 – Subsequent Events

Management has reviewed subsequent events through October 8, 2019, which is the date the financial statements were available to be issued.

Note 14 – Defined Benefit Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension 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 (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 14 – Defined Benefit Pension Plan (continued)

Benefits provided (continued)

monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." The Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21 year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year 2018.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	17.89 %
Member Investment Plan	3.0 - 7.0 %	17.89 %
Pension Plus	3.0 - 6.4 %	16.61 %
Pension Plus 2	6.2 %	19.74 %
Defined Contribution	0.0 %	13.54 %

Required contributions to the pension plan from the District were \$8,086,404 for the year ended September 30, 2018.

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

At June 30, 2019, The District reported a liability of \$89,272,857 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2017. The District's proportionate share of the net pension liability was determined by dividing each district's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable districts during the measurement period. At September 30, 2018, the District's proportion was .29696 percent, which was an increase of .001 percent from its proportion measured as of September 30, 2017.

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 14 – Defined Benefit Pension Plan (continued)

For the year ended June 30, 2019, the District recognized total pension expense of \$ 11,910,749. At June 30, 2019, the 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
Differences between expected and actual experience	\$ 414,243	\$ 648,730
Changes of assumptions	20,675,520	-
Net difference between projected and actual earnings on pension plan investments	-	6,103,994
Changes in proportion and differences between District contributions and proportionate share of contributions	2,484,051	158,493
District contributions subsequent to the measurement date	<u>6,969,918</u>	<u>-</u>
Total	\$ <u>30,543,732</u>	\$ <u>6,911,217</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Year Ending June 30,	Amount:
2019	\$6,532,376
2020	\$4,976,671
2021	\$3,634,241
2022	\$1,519,309

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

VAN BUREN PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 14 – Defined Benefit Pension Plan (continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Valuation Date	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
- MIP and Basic Plans:	7.05%
- Pension Plus Plan:	7.00%
- Pension Plus 2 Plan:	6.00%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projected scale MP-2017 from 2006.
	Active members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projected scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found in the OS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension 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 pension 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

VAN BUREN PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 14 – Defined Benefit Pension Plan (continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Private Equity Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	<u>2.0</u>	0.0
TOTAL	<u>100.0</u> %	

*Long term rate of return does not include 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
6.05% / 6.0% / 5.0%	7.05% / 7.0% / 6.0%	8.05% / 8.0% / 7.0%
\$117,208,366	\$89,272,857	\$66,062,990

Michigan Public Schools Employees Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www/michigan.gov/orsschools.

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 15 – Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, and dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by the State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by the statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2018 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 15 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Contributions

Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00 %	6.44 %
Personal Healthcare Fund (PHF)	0.00 %	6.13 %

Required contributions to the OPEB plan from the District were \$2,230,002 for the year ended September 30, 2018.

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

At June 30, 2019, The District reported a liability of \$24,373,508 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2017. The District's proportion share of the net OPEB liability was determined by dividing each district's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable districts during the measurement period. At September 30, 2018, the District's proportion was .30666 percent, which was an increase of .2019 percent from its proportion measured as of October 1, 2017.

For the year ended June 30, 2019, the District recognized total OPEB expense of \$1,518,765. At June 30, 2019, the 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
Differences between expected and actual experience	\$ -	\$ 4,536,536
Changes of assumptions	2,581,167	-
Net difference between projected and actual earnings on OPEB plan investments	-	936,732
Changes in proportion and differences between District contributions and proportionate share of contributions	1,519,673	6,067
District contributions subsequent to the measurement date*	1,590,928	-
Total	\$ 5,691,768	\$ 5,479,335

VAN BUREN PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 15 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

*Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses)

Year Ending June 30,	Amount:
2019	\$(385,238)
2020	\$(385,238]
2021	\$(385,238)
2022	\$(194,223)
2023	\$(28,558)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Valuation Date	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	7.15%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12

Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projected scale MP-2017 from 2006.
	Active members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projected scale MP-2017 from 2006.

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 15 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Other Assumptions:

Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found in the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on 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 OPEB 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
% Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	<u>2.0</u>	0.0
TOTAL	<u>100.0</u> %	

**Long-term rate of returns are net of administrative expenses and 2.3% inflation.*

VAN BUREN PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 15 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net OPEB liability, calculated using a discount rate of 7.15%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
6.15%	7.15%	8.15%
\$29,259,901	\$24,373,508	\$20,263,455

Sensitivity of the District’s Proportionate Share of the OPEB liability to Healthcare Cost Trend Rate

The following presents the District’s proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District’s proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$20,046,942	\$24,373,508	\$29,336,963

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.com/orsschools.

Note 16 – Tax Abatements

Effective for the year ended June 30, 2017, the District is required to disclose significant tax abatements as required by GASB statement 77.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

VAN BUREN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 16 – Tax Abatements (continued)

As part of section 22 of the State School Aid Act, any taxes abated for the General Fund operating millage are paid to the District by the State of Michigan. The District was not significantly impacted by tax abatements for the year ended June 30, 2019.

REQUIRED SUPPLEMENTAL INFORMATION

VAN BUREN PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 12,035,232	\$ 12,239,913	\$ 11,151,736	\$ (1,088,177)
State sources	34,367,850	34,024,312	34,899,635	875,323
Federal sources	2,981,716	3,042,399	2,651,867	(390,532)
Interdistrict sources	<u>2,713,022</u>	<u>3,746,232</u>	<u>3,920,367</u>	<u>174,135</u>
Total revenues	52,097,820	53,052,856	52,623,605	(429,251)
Expenditures				
Education				
Instruction				
Basic programs	23,060,290	21,665,799	21,103,267	562,532
Added needs	7,361,384	7,477,799	7,018,396	459,403
Supporting services				
Pupil services	3,507,403	3,669,840	3,646,745	23,095
Instructional staff	2,896,070	3,112,835	2,752,259	360,576
General administration	648,251	600,027	502,154	97,873
School Administration	3,148,315	3,230,187	3,198,176	32,011
Business services	590,365	575,445	531,269	44,176
Operation and maintenance	5,979,109	6,057,762	5,759,475	298,287
Transportation	5,604,536	5,395,497	5,186,166	209,331
Central services	1,220,031	1,298,320	1,224,143	74,177
Athletics	628,939	605,171	614,366	(9,195)
Community services	17,570	22,972	15,521	7,451
Facilities Acquisition	<u>-</u>	<u>250,100</u>	<u>250,032</u>	<u>68</u>
Total expenditures	<u>54,662,263</u>	<u>53,961,754</u>	<u>51,801,969</u>	<u>2,159,717</u>
Excess/(deficiency) of revenues over/(under) expenditures	(2,564,443)	(908,898)	821,636	1,730,534
Other financing sources/(uses)				
Other financing uses	<u>(53,102)</u>	<u>(18,806)</u>	<u>(27,391)</u>	<u>(8,585)</u>
Total other financing sources/(uses)	<u>(53,102)</u>	<u>(18,806)</u>	<u>(27,391)</u>	<u>(8,585)</u>
Excess/(deficiency) of revenues over/(under) expenditures and other financing sources/(uses)	(2,617,545)	(927,704)	794,245	1,721,949
Fund balance - July 1	<u>7,972,611</u>	<u>7,972,611</u>	<u>7,972,611</u>	<u>-</u>
Fund balance - June 30	<u>\$ 5,355,066</u>	<u>\$ 7,044,907</u>	<u>\$ 8,766,856</u>	<u>\$ 1,721,949</u>

VAN BUREN PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLAN INFORMATION
JUNE 30, 2019

**Schedule of District's Proportionate Share of the Net Pension Liability
Determined As of 9/30 of Each Fiscal Year**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability (%)	0.29696%	0.28576%	0.28360%	0.28460%	0.28232%
District's proportionate share of net pension liability	\$ 89,272,857	\$ 74,052,660	\$ 70,756,261	\$ 69,513,233	\$ 62,185,620
District's covered-employee payroll	\$ 26,156,231	\$ 24,127,475	\$ 24,075,822	\$ 23,896,555	\$ 24,103,797
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	341.31%	306.92%	293.89%	290.89%	257.99%
Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%

**Schedule of the District's Contributions
Determined as of 6/30 of Each Fiscal Year**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 8,086,404	\$ 6,702,598	\$ 6,368,419	\$ 5,490,272	\$ 6,925,302
Contributions in relation to statutorily required contributions	\$ 8,086,404	\$ 6,702,598	\$ 6,368,419	\$ 5,490,272	\$ 6,925,302
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 26,286,771	\$ 25,249,428	\$ 24,475,544	\$ 24,043,816	\$ 24,176,622
Contributions as a percentage of covered-employee payroll	30.76%	26.55%	26.02%	22.83%	28.64%

Notes

See Note 14 to the financial statements for discussion of benefit terms and assumptions.

VAN BUREN PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTAL INFORMATION
 OPEB PLAN INFORMATION
 JUNE 30, 2019

**Schedule of District's Proportionate Share of the Net OPEB Liability
 Determined As of 9/30 of Each Fiscal Year**

	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (%)	0.30663%	0.28643%
District's proportionate share of net OPEB liability	\$ 24,373,508	\$ 25,365,002
District's covered-employee payroll	\$ 26,156,231	\$ 24,127,475
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.18%	105.13%
Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%

**Schedule of the District's Contributions
 Determined as of 6/30 of Each Fiscal Year**

	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 1,990,295	\$ 2,230,002
OPEB Contributions in relation to statutorily required contributions	<u>\$ 1,990,295</u>	<u>\$ 2,230,002</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 26,286,771	\$ 25,249,428
OPEB Contributions as a percentage of covered-employee payroll	7.57%	8.83%

Notes

See Note 15 to the financial statements for discussion of benefit terms and assumptions.

OTHER SUPPLEMENTAL INFORMATION

VAN BUREN PUBLIC SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Fund		Capital Projects Funds	Non-major Governmental Funds Total
	School Lunch Fund	Special Education Fund		
Assets				
Cash and investments	\$ 534,163	\$ -	\$ 1,084,879	\$ 1,619,042
Due from other funds	137,159	230,964	29,618	397,741
Inventory	9,441	-	-	9,441
Total assets	\$ 680,763	\$ 230,964	\$ 1,114,497	\$ 2,026,224
Liabilities				
Accounts payable	\$ 26,007	\$ 6,036	\$ 510,836	\$ 542,879
Due to other governmental units	-	224,928	-	224,928
Total liabilities	26,007	230,964	510,836	767,807
Fund Balances				
Non-spendable	9,441	-	-	9,441
Restricted for:				
Capital projects	-	-	603,661	603,661
Food service	645,315	-	-	645,315
Total fund balance	654,756	-	603,661	1,258,417
Total liabilities and fund balance	\$ 680,763	\$ 230,964	\$ 1,114,497	\$ 2,026,224

VAN BUREN PUBLIC SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	Special Revenue Fund		Capital Projects Funds	Non-major Governmental Funds Total
	School Lunch Fund	Special Education Fund		
Revenues				
Revenues from local sources				
Food sales	\$ 443,639	\$ -	\$ -	\$ 443,639
Property taxes	-	-	799,257	799,257
Other local sources	5,109	1,164,046	10,279	1,179,434
State aid	70,441	636,339	-	706,780
Federal aid	1,379,896	100,672	-	1,480,568
Total revenues	1,899,085	1,901,057	809,536	4,609,678
Expenditures				
Salaries	445,807	886,999	-	1,332,806
Employee benefits	332,037	654,142	-	986,179
Purchased services	22,963	118,719	65,868	207,550
Supplies and materials	893,617	9,158	-	902,775
Capital outlay	39,573	-	1,427,964	1,467,537
Other	15,468	-	-	15,468
Total expenditures	1,749,465	1,669,018	1,493,832	4,912,315
Excess/(deficiency) of revenues over/(under) expenditures	149,620	232,039	(684,296)	(302,637)
Other financing sources/(uses)				
Operating transfers	(115,008)	(232,039)	-	(347,047)
Total other financing sources	(115,008)	(232,039)	-	(347,047)
Excess/(deficiency) of revenues and other financing sources/(uses) over/(under) expenditures	34,612	-	(684,296)	(649,684)
Fund balance - July 1	620,144	-	1,287,957	1,908,101
Fund balance - June 30	\$ 654,756	\$ -	\$ 603,661	\$ 1,258,417

VAN BUREN PUBLIC SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2019	June 30, 2018
Local sources		
Property taxes	\$ 10,626,108	\$ 10,783,553
Athletics	149,751	139,304
Earnings on investments	129,052	101,474
Other	<u>246,825</u>	<u>260,549</u>
Total revenues from local sources	11,151,736	11,284,880
State sources		
Grants - unrestricted		
State school aid	25,138,215	24,286,494
Grants - restricted		
Special Education	2,792,647	2,573,751
At Risk	2,173,826	1,524,087
MI School Readiness	599,496	544,752
Retirement Reimbursement	3,984,165	3,959,175
Other	<u>211,286</u>	<u>224,141</u>
Total revenues from state sources	34,899,635	33,112,400
Federal sources		
Grants - restricted		
Special Education - I.D.E.A.	1,254,955	1,191,937
Title I	1,038,658	1,347,561
Title IIA Improving Teacher Quality	205,816	257,106
Voc. Ed. Perkins	73,675	67,992
Medicaid Outreach	6,576	7,687
Other	<u>72,187</u>	<u>18,413</u>
Total revenues from federal sources	2,651,867	2,890,696
Other financing sources		
County millages	2,641,808	2,236,721
Operating transfers	374,438	363,798
Other local transfers and miscellaneous	<u>904,121</u>	<u>342,122</u>
Total revenues from interdistrict sources	<u>3,920,367</u>	<u>2,942,641</u>
Total revenues and other financing sources	<u>\$ 52,623,605</u>	<u>\$ 50,230,617</u>

VAN BUREN PUBLIC SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Salaries & Benefits	Purchased Services	Supplies & Materials	Capital Outlay & Other Expenses	June 30, 2019	June 30, 2018
Instruction						
Basic programs						
Elementary	\$ 6,283,873	\$ 407,522	\$ 226,737	\$ 146,883	\$ 7,065,015	\$ 7,411,966
Middle school	1,679,596	78,993	35,793	47,825	1,842,207	1,957,747
High school	3,534,446	487,111	162,043	104,795	4,288,395	4,420,917
Preschool	226,579	14,631	16,123	2,672	260,005	223,833
Employee benefits	7,647,645	-	-	-	7,647,645	8,177,256
Added needs						
Special education	2,096,890	93,562	6,391	-	2,196,843	2,121,816
Compensatory education	1,742,543	29,896	21,824	-	1,794,263	1,600,646
Vocational education	-	377,778	-	-	377,778	305,181
Employee benefits	2,649,512	-	-	-	2,649,512	2,469,940
Total instruction	25,861,084	1,489,493	468,911	302,175	28,121,663	28,689,302
Supporting services						
Pupil services						
Guidance services	395,934	15,817	-	-	411,751	372,310
Health services	20,776	137,628	25,733	-	184,137	139,894
Psychological services	47,293	115,860	7,303	-	170,456	181,530
Speech pathology	180,034	554,524	3,437	-	737,995	633,421
Social work services	606,874	211	2,183	-	609,268	577,791
Other pupil services	482,598	86,433	-	-	569,031	555,353
Employee benefits	964,107	-	-	-	964,107	940,216
Instructional staff						
Improvement of instruction	210,813	556,378	32,218	17,150	816,559	1,055,632
Educational media	465,981	12,591	50,583	-	529,155	280,916
Instruction related technology	141,756	61,136	2,776	12,721	218,389	346,145
Supervision instructional staff	359,709	29,037	4,307	805	393,858	387,291
Other instructional staff	10,184	37,776	21,872	-	69,832	59,864
Employee benefits	724,466	-	-	-	724,466	724,215
General administration						
Board of education	6,660	104,078	536	24,292	135,566	458,830
Executive administration	211,919	16,275	2,852	1,817	232,863	230,649
Employee benefits	133,725	-	-	-	133,725	122,087
School administration						
Office of the principal	1,936,581	14,334	29,936	7,590	1,988,441	1,886,653
Other school administration	-	-	-	19,128	19,128	18,709
Employee benefits	1,190,607	-	-	-	1,190,607	1,160,179
Business services						
Fiscal services	220,355	23,451	4,345	51,928	300,079	265,754
Other business services	-	9,643	14,693	51,283	75,619	254,028
Employee benefits	155,571	-	-	-	155,571	177,990
Operations & maintenance						
Operation & maintenance	1,606,817	1,519,035	1,333,232	89,145	4,548,229	4,165,143
Employee benefits	1,211,246	-	-	-	1,211,246	1,213,204
Pupil transportation						
Pupil transportation services	2,051,201	177,808	341,892	892,623	3,463,524	3,819,858
Employee benefits	1,722,642	-	-	-	1,722,642	1,653,530

(continued)

VAN BUREN PUBLIC SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Salaries & Benefits	Purchased Services	Supplies & Materials	Capital Outlay & Other Expenses	June 30, 2019	June 30, 2018
Central services						
Communication services	\$ 545,887	\$ 257,686	\$ 29,135	\$ 7,832	\$ 840,540	\$ 832,623
Employee benefits	383,603	-	-	-	383,603	361,893
Athletics						
Athletic programs	253,404	186,508	34,038	5,881	479,831	444,956
Employee benefits	134,535	-	-	-	134,535	146,456
Total support services	16,375,278	3,916,209	1,941,071	1,182,195	23,414,753	23,467,120
Community services						
Civic activities	7,268	5,026	962		13,256	10,563
Employee benefits	2,265	-	-	-	2,265	3,596
Total community services	9,533	5,026	962	-	15,521	14,159
Facilities Acquisition						
Other Services	-	-	-	250,032	250,032	90,000
Total Facilities Acquisition	-	-	-	250,032	250,032	90,000
Total expenditures	42,245,895	5,410,728	2,410,944	1,734,402	51,801,969	52,260,581
Other financing uses						
Operating transfers	-	-	-	27,391	27,391	45,547
Total other financing uses	-	-	-	27,391	27,391	45,547
Total expenditures and other financing uses	\$ 42,245,895	\$ 5,410,728	\$ 2,410,944	\$ 1,761,793	\$ 51,829,360	\$ 52,306,128

(concluded)

VAN BUREN PUBLIC SCHOOLS
 DETAIL OF BONDED DEBT
 2019 REFUNDING BONDS
 JUNE 30, 2019

Amount: \$56,890,000

Date Issued: February 19, 2019

Purpose: To advance refund the 2009
 building and site bonds

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
11/01/19	4.00%	\$ 2,395,000	1,591,581	3,986,581
05/01/20	4.00%	-	1,088,944	1,088,944
11/01/20	4.00%	1,955,000	1,088,944	3,043,944
05/01/21	4.00%	-	1,049,844	1,049,844
11/01/21	4.00%	2,035,000	1,049,843	3,084,843
05/01/22	4.00%	-	1,009,144	1,009,144
11/01/22	4.00%	2,120,000	1,009,143	3,129,143
05/01/23	4.00%	-	966,744	966,744
11/01/23	4.00%	2,205,000	966,744	3,171,744
05/01/24	4.00%	-	922,644	922,644
11/01/24	4.00%	2,295,000	922,643	3,217,643
05/01/25	4.00%	-	876,744	876,744
11/01/25	4.00%	2,390,000	876,743	3,266,743
05/01/26	4.00%	-	828,944	828,944
11/01/26	4.00%	2,485,000	828,944	3,313,944
05/01/27	4.00%	-	779,244	779,244
11/01/27	4.00%	2,585,000	779,243	3,364,243
05/01/28	4.00%	-	727,544	727,544
11/01/28	4.00%	2,695,000	727,543	3,422,543
05/01/29	4.00%	-	673,644	673,644
11/01/29	5.00%	2,305,000	673,644	2,978,644
05/01/30	3.00%	500,000	616,019	1,116,019
11/01/30	3.00%	2,415,000	608,518	3,023,518
05/01/31	5.00%	500,000	572,294	1,072,294
11/01/31	5.00%	2,540,000	559,794	3,099,794
05/01/32	3.00%	500,000	496,294	996,294
11/01/32	3.00%	2,655,000	488,793	3,143,793
05/01/33	5.00%	500,000	448,969	948,969
11/01/33	5.00%	2,790,000	436,468	3,226,468
05/01/34	3.25%	500,000	366,719	866,719
11/01/34	3.25%	2,925,000	358,593	3,283,593
05/01/35	4.00%	500,000	311,063	811,063
11/01/35	4.00%	3,050,000	301,063	3,351,063
05/01/36	4.00%	500,000	240,063	740,063
11/01/36	4.00%	3,195,000	230,062	3,425,062
05/01/37	4.00%	500,000	166,163	666,163
11/01/37	4.00%	3,350,000	156,163	3,506,163
05/01/38	4.00%	500,000	89,163	589,163
11/01/38	4.00%	3,505,000	79,162	3,584,162
05/01/39	3.63%	500,000	9,063	509,063
Total		\$ 56,890,000	\$ 25,972,881	\$ 82,862,881

UNIFORM GUIDANCE INFORMATION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 8, 2019

Board of Education
Van Buren Public Schools

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Van Buren Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Van Buren Public Schools' basic financial statements, and have issued our report thereon dated October 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Van Buren Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Van Buren Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Van Buren Public Schools' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Van Buren Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PORGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 8, 2019

Board of Education
Van Buren Public Schools

Report on Compliance for Each Major Federal Program

We have audited Van Buren Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Van Buren Public Schools' major federal programs for the year ended June 30, 2019. Van Buren Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Van Buren Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Van Buren Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Van Buren Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Van Buren Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Van Buren Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Van Buren Public Schools' internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Van Buren Public Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

VAN BUREN PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Program Title/Project Number/Subrecipient Name	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued/ (Deferred) Revenue at July 1, 2018	Adjustments and Transfers	Current Year Receipts	Current Year Expenditures	Accrued/ (Deferred) Revenue at June 30, 2019
U.S. Department of Agriculture - Passed through the Michigan Department of Education								
Child Nutrition Cluster:								
National School Breakfast Program - 2018-2019	10.553	280,321	-	-	-	280,321	280,321	-
National School Lunch Program - 2018-2019	10.555	946,430	-	-	-	946,430	946,430	-
Child and Adult Care Food Program - 2017-2018	10.558	27,519	27,519	959	-	959	-	-
Child and Adult Care Food Program - 2018-2019	10.558	28,038	-	-	-	28,038	28,038	-
Summer School Lunch Program - 2017-2018	10.559	880	880	880	-	880	-	-
Summer School Lunch Program - 2018-2019	10.559	2,477	-	-	-	2,477	2,477	-
		<u>1,285,665</u>	<u>28,399</u>	<u>1,839</u>	<u>-</u>	<u>1,259,105</u>	<u>1,257,266</u>	<u>-</u>
Entitlement commodities - 2018-2019	10.550	122,630	-	-	-	122,630	122,630	-
Total U.S. Department of Agriculture		1,408,295	28,399	1,839	-	1,381,735	1,379,896	-
U.S. Department of Education - Passed through the Wayne County RESA								
Special Education Cluster:								
Project number IDEA Flow 17-18	84.027	1,142,501	1,142,401	578,395	-	578,395	-	-
Project number IDEA CPE 17-18		87,446	87,446	27,621	-	27,621	-	-
Project number IDEA Flow 18-19		1,190,640	-	-	-	641,123	1,190,640	549,517
Project number IDEA CPE 18-19		100,672	-	-	-	59,950	100,672	40,722
Total IDEA		<u>2,521,259</u>	<u>1,229,847</u>	<u>606,016</u>	<u>-</u>	<u>1,307,089</u>	<u>1,291,312</u>	<u>590,239</u>
Preschool Incentive:								
Project number 070460 17-18	84.173	49,436	49,436	25,755	-	25,755	-	-
Project number 070460 18-19		64,315	-	-	-	28,264	64,315	36,051
Total Preschool		<u>113,751</u>	<u>49,436</u>	<u>25,755</u>	<u>-</u>	<u>54,019</u>	<u>64,315</u>	<u>36,051</u>
Perkins II:								
Project number 2017-18	84.048	67,992	67,992	31,275	-	31,275	-	-
Project number 2018-19		73,675	-	-	-	56,026	73,675	17,649
Total Perkins II		<u>141,667</u>	<u>67,992</u>	<u>31,275</u>	<u>-</u>	<u>87,301</u>	<u>73,675</u>	<u>17,649</u>
Title III								
Project number 2017-18	84.365A	5,500	328	328	-	328	-	-
Project number 2018-19		1,303	-	-	-	-	750	750
Total Title III		<u>6,803</u>	<u>328</u>	<u>328</u>	<u>-</u>	<u>328</u>	<u>750</u>	<u>750</u>
Total U.S. Department of Education		2,783,480	1,347,603	663,374	-	1,448,737	1,430,052	644,689

(continued)

VAN BUREN PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Program Title/Project Number/Subrecipient Name	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued/ (Deferred) Revenue at July 1, 2018	Adjustments and Transfers	Current Year Receipts	Current Year Expenditures	Accrued/ (Deferred) Revenue at June 30, 2019
U.S. Department of Health and Human								
Services - Passed through Wayne County RESA -	93.778							
Medicaid Outreach - Project number 18-19		6,576	-	-	-	6,576	6,576	-
Total Medicaid Outreach		<u>6,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,576</u>	<u>6,576</u>	<u>-</u>
Total U.S. Department of Health and Human Services		6,576	-	-	-	6,576	6,576	-
US Department of Education								
Passed through the Michigan Department of Education								
Title I Cluster:	84.010							
Project number 181530-17-18		1,347,561	1,347,561	382,728	-	382,728	-	-
Project number 191530-18-19		1,223,095	-	-	-	454,720	1,038,658	583,938
Total Title I		<u>2,570,656</u>	<u>1,347,561</u>	<u>382,728</u>	<u>-</u>	<u>837,448</u>	<u>1,038,658</u>	<u>583,938</u>
Improving Teacher Quality Title IIA:	84.367							
Project number 180520-1718		257,106	257,106	57,771	-	57,771	-	-
Project number 190520-1819		349,456	-	-	-	86,195	170,772	84,577
Total Improving Teacher Quality Title IIA		<u>606,562</u>	<u>257,106</u>	<u>57,771</u>	<u>-</u>	<u>143,966</u>	<u>170,772</u>	<u>84,577</u>
School Leader Reservation Grant Title IIA	84.367							
Project number 180532-1819		42,089	-	-	-	-	35,044	35,044
Total School Leader Reservation Grant Title IIA		<u>42,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,044</u>	<u>35,044</u>
Student Support and Academic Enrichment Title IVA:	84.424							
Project number 180750-1718		18,085	18,085	18,085	-	18,085	-	-
Project number 190750-1819		85,831	-	-	-	29,633	71,437	41,804
Total Student Support and Acad. Enrich. Title IVA		<u>103,916</u>	<u>18,085</u>	<u>18,085</u>	<u>-</u>	<u>47,718</u>	<u>71,437</u>	<u>41,804</u>
Total passed through the MDE		<u>3,323,223</u>	<u>1,622,752</u>	<u>458,584</u>	<u>-</u>	<u>1,029,132</u>	<u>1,315,911</u>	<u>745,363</u>
Total federal awards		<u>\$ 7,521,574</u>	<u>\$ 2,998,754</u>	<u>\$ 1,123,797</u>	<u>\$ -</u>	<u>\$ 3,866,180</u>	<u>\$ 4,132,435</u>	<u>\$ 1,390,052</u>

VAN BUREN PUBLIC SCHOOLS
 NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	\$ <u>4,132,435</u>
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS PURPOSE	
General Fund	\$ 2,651,867
Special Revenue Funds	1,480,568
Debt Funds	1,061,394
Less: Federal Interest Subsidy	<u>(1,061,394)</u>
TOTAL	\$ <u>4,132,435</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor Report have been reconciled in the attached reconciliation.

VAN BUREN PUBLIC SCHOOLS
RECONCILIATION OF "GRANT AUDITOR REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Current Payments Per the Grant Auditor Report	\$ 2,037,841
<u>Add:</u>	
Grants passed through the Wayne County RESA	1,455,313
Entitlement Commodities (CFDA 10.550)	122,630
<u>Subtract:</u>	
Amounts received in current year but recorded on prior year Grant Auditor Report	<u>250,396</u>
TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	<u>\$ 3,866,180</u>

VAN BUREN PUBLIC SCHOOLS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	<i>No</i>
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<i>No</i>
Noncompliance material to financial statements noted?	<i>No</i>

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<i>No</i>
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<i>No</i>

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? *No*

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program of Cluster</i>
<i>84.010</i>	<i>Title I</i>

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? *Yes*

VAN BUREN PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Section II - Financial Statement Findings

None

There were no findings published for the audit of the year ended June 30, 2019.

Section III - Federal Award Findings and Questioned Costs

None

There were no findings published for the audit of the year ended June 30, 2019.