

REDFORD UNION SCHOOL DISTRICT #1

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional supplementary information)**

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Redford Union School District #1

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 Redford Union School District #1, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Redford Union School District #1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Redford Union School District #1 as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 13 to the financial statements, Redford Union School District #1 implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Redford Union School District #1's basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020 on our consideration of Redford Union School District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 Redford Union School District #1's 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 Redford Union School District #1's internal control over financial reporting and compliance.

Maney Costeiran PC

November 11, 2020

**REDFORD UNION SCHOOL DISTRICT #1
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2020**

Redford Union School District #1, a K-12 school district located in Wayne County, Michigan.

FINANCIAL HIGHLIGHTS

In 2019-20 the total general fund revenues were approximately \$30.69 million dollars with expenditures of approximately \$33.40 million dollars. In 2018-19 the total general fund revenues were approximately \$33.17 million dollars with expenditures of approximately \$35.34 million dollars. General fund revenues decreased approximately \$2,480,000 from the 2018-19 school year due to a decrease in revenues from state grants due to a shortfall at the state level in response to the COVID-19 pandemic. General fund expenditures decreased by approximately \$1,940,000. This decrease reflects a decrease in spending on instruction and supporting services during the current year, including salaries and benefits for instruction and supporting services staff related to the decrease in blended pupil count.

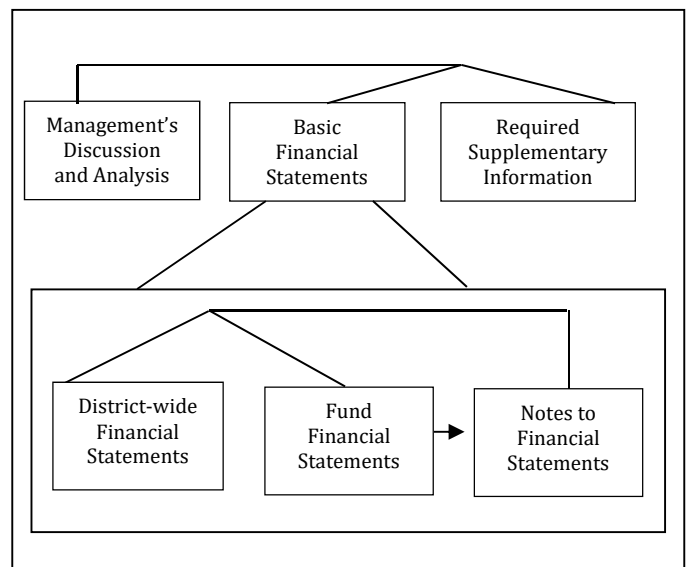
The District continues to participate in short-term borrowing and borrowed \$3,000,000 dollars during the year that was repaid in August 2020. The reliance on short-term borrowings to finance operations during the school year, especially until the first State Aid payment in October and the receipt of property taxes beginning in December will require state aid borrowing in 2020-21, with approximately \$5,500,000 being borrowed to meet cash flow needs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.

**Figure A-1
Organization of Redford Union School District #1's Annual Financial Report**



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

| Figure A-2 Major Features of District-wide and Fund Financial Statements | | |
|---|--|---|
| | District-wide Statements | Fund Financial Statements |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance |
| Required financial statements | * Statement of net position * Statement of activities | * Balance sheet * Statement of revenues, expenditures and changes in fund balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable |

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE FINANCIAL STATEMENTS

All of the District’s assets, deferred outflows of resources, deferred inflows of resources, and liabilities are reported in the District-wide financial statements and are on a full accrual basis that is similar to those used by private-sector companies. For example, capital assets and long-term obligations of the District are reported in the statement of net position of the District-wide financial statements. The difference between the District’s assets, deferred outflows of resources, deferred inflows of resources and liabilities (net position) are one way to measure the District’s financial position. However, you need to consider other non-financial factors such as changes in the District’s property tax base and the condition and age of the school buildings and other facilities.

The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Most of the District's basic services are included here, such as regular and special education, transportation and administration. These activities are financed through the state foundation grant, property taxes and various federal and state programs.

The District's combined restated net position at the beginning of the fiscal year was (\$56,705,894) and on June 30, 2020 it is (\$67,853,390), which represents a decrease of \$11,147,496 as recorded in the statement of activities.

FUND FINANCIAL STATEMENTS

The fund financial statements are reported on a modified accrual basis and consist of all governmental funds. Governmental funds include most of the District's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending on future District programs.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt are not recorded in the fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1
Condensed Statement of Net Position
As of June 30, 2019 and 2020

| | Governmental Activities | |
|------------------------------|-------------------------|------------------------|
| | 2019 | 2020 |
| Assets | | |
| Current Assets | \$ 14,256,354 | \$ 12,852,911 |
| Capital Assets | 16,948,452 | 14,864,878 |
| Total Assets | 31,204,806 | 27,717,789 |
| Deferred Outflows | 38,043,401 | 34,447,507 |
| Liabilities | | |
| Current Liabilities | 10,530,957 | 10,249,065 |
| Long-Term Liabilities | 102,584,706 | 106,612,266 |
| Total Liabilities | 113,115,663 | 116,861,331 |
| Deferred Inflows | 12,941,695 | 13,157,355 |
| Net Position | | |
| Investment in Capital Assets | 5,641,026 | 5,964,878 |
| Restricted | 2,317,652 | 1,784,843 |
| Unrestricted | (64,767,829) | (75,603,111) |
| Total Net Position | \$ (56,809,151) | \$ (67,853,390) |

Table 2
Condensed Change in Net Position from Operations
As of June 30, 2019 and 2020

| | Governmental Activities | |
|--|------------------------------|-------------------------------|
| | 2019 | 2020 |
| Revenues | | |
| Program Revenues | | |
| Charges for Service | \$ 693,007 | \$ 660,687 |
| Operating Grants and Contributions | 24,352,324 | 24,107,353 |
| General Revenues | | |
| Property Taxes | 5,722,345 | 5,899,521 |
| State School Aid-unrestricted | 17,568,836 | 16,155,639 |
| Investment earnings | 64,088 | 48,390 |
| Miscellaneous | 237,610 | 251,153 |
| Total Revenues | 48,638,210 | 47,122,743 |
| Functions/Program Expenses | | |
| Instruction | 28,982,334 | 34,458,450 |
| Supporting services | 16,704,891 | 18,757,068 |
| Community services | 184,222 | 234,639 |
| Food Services | 1,340,796 | 1,561,201 |
| Student/school activities | - | 142,537 |
| Interest on long-term debt | 847,153 | 711,493 |
| Unallocated depreciation | 2,316,630 | 2,404,851 |
| Total Expenses | 50,376,026 | 58,270,239 |
| Increase (Decrease) in Net Position | <u>\$ (1,737,816)</u> | <u>\$ (11,147,496)</u> |

Results of Operations

The following summarizes the revenues and expenses by comparing fiscal year 2020 to 2019 as shown in the previous results of operations.

- Property tax revenue increased due to an increase in taxable values.
- State sources decreased due to decreases in at-risk funding, discretionary payments, and state funds to for special education primarily due to the state response to the COVID-19 pandemic.
- Federal sources showed a slight decrease due to decreases in Title I, Title II, and Title IV revenue in the general fund and decreases in revenue from the Child Nutrition Cluster.
- Expenses increased from \$50.38 million in 2019 to \$58.27 million, an increase of \$7.89 million due to changes to the net pension liability.

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from \$5,214 per student in 1995 to \$8,111 per student in 2019-20. The per student State foundation allowance increased by \$240 from 2018-19. This increase followed the previous year increase in foundation allowance paid to the districts from \$7,631 in 2017-18 to \$7,871 in 2018-19.
- b. The District's non-homestead levy for 2019-20 was 18.0000 mills.

Student Enrollment

Student enrollment decreased from 2,827 in 2018-19 to 2,679 in 2019-20. For the 2020-21 school year it is hopeful that enrollment will be the same as 2019-20 or up slightly.

GENERAL FUND AND BUDGETARY HIGHLIGHTS

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The original 2019-20 budget was approved on June 10, 2019.

The 2019-20 budget was revised throughout the fiscal year, with the final revision approved on June 15, 2020. The final budget revision anticipated lower revenues and expenditures than was expected in June 2019 when the original budget was approved. The decrease in revenues was a result of receiving less state funding than anticipated due to state responses to the COVID-19 pandemic. The decrease in expenses was the result of a lower pupil count than anticipated driving lower instruction and support services.

The 2019-20 revenues were \$723,119 less than the final amended budget and \$4,230,093 less than originally budgeted. The 2019-20 expenditures were \$900,027 less than the final amended budget and \$1,780,307 less than originally budgeted.

SPECIAL EDUCATION CENTER PROGRAM AND BUDGETARY HIGHLIGHTS

Original vs. Final Budget

The 2019-20 revenues were \$160,636 more than the final amended budget and \$424,829 more than originally budgeted. The 2019-20 expenditures were \$304,739 less than the final amended budget and \$182,137 more than originally budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020, the District had invested \$14,864,878 in a broad range of capital assets. See Note 4 for more information.

Table 3
Capital Assets, Net
As of June 30, 2019 and 2020

| | Balance June 30, 2019 | Balance June 30, 2020 |
|--|--------------------------|--------------------------|
| Land | \$ 30,123 | \$ 30,123 |
| Construction in progress | 530,662 | - |
| Buildings and additions | 15,613,671 | 13,664,953 |
| Equipment, furniture, and other assets | 731,845 | 1,132,610 |
| Vehicles | 42,151 | 37,192 |
| Total | \$ 16,948,452 | \$ 14,864,878 |

LONG-TERM DEBT

At the end of this year, the District had \$8,900,000 in debt outstanding. The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. See Note 6 for more information.

Table 4
Outstanding Debt
As of June 30, 2019 and 2020

| | Balance June 30, 2019 | Balance June 30, 2020 |
|-------------------------------|--------------------------|--------------------------|
| 1997 School Improvement Bonds | \$ 5,945,000 | \$ 4,100,000 |
| 2009 School Improvement Bonds | 5,440,000 | 4,800,000 |
| Total | \$ 11,385,000 | \$ 8,900,000 |

FACTORS BEARING ON THE DISTRICT'S FUTURE

Our elected officials and administration considered many factors when setting the District's 2020-2021 fiscal year budget. One of the most important factors affecting the budget is our student count and state foundation revenue. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2020-2021 fiscal year is 25 percent and 75 percent of the February 2020 and September 2020 student counts, respectively. The 2020-2021 budget was adopted in June 2020, based on an estimate of students who will be enrolled in September 2020. Approximately 80 percent of total General Fund revenue is from the foundation allowance. Under state law, the District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2020-2021 school year, we anticipate that the fall student count will be better with the estimates used in creating the 2020-2021 budget. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimated future funding will continue to be in jeopardy of being cut on a per student basis.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions about this report or need any additional information, please contact Central Office, Redford Union School District #1:

17715 Brady Street, Redford, MI 48240
Business Office

Director of Finance
Jennie Li
(Tel) 313-242-6015

BASIC FINANCIAL STATEMENTS

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF NET POSITION
JUNE 30, 2020

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 7,242,438 |
| Accounts receivable | 488,386 |
| Intergovernmental receivables | 5,099,924 |
| Inventory | <u>22,163</u> |
| Total current assets | <u>12,852,911</u> |
| Noncurrent assets | |
| Capital assets not being depreciated | 30,123 |
| Capital assets, net of accumulated depreciation | <u>14,834,755</u> |
| Total noncurrent assets | <u>14,864,878</u> |
| TOTAL ASSETS | <u>27,717,789</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources related to pensions | 27,414,393 |
| Deferred outflows of resources related to OPEB | <u>7,033,114</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>34,447,507</u> |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 1,393,706 |
| Accrued payroll | 2,348,520 |
| Accrued retirement | 659,367 |
| Accrued interest payable | 96,167 |
| Other accrued liabilities | 240,000 |
| Short-term notes payable | 2,599,397 |
| Current portion of compensated absences | 271,908 |
| Current portion of long-term debt | <u>2,640,000</u> |
| Total current liabilities | <u>10,249,065</u> |
| Noncurrent liabilities | |
| Noncurrent portion of compensated absences | 407,861 |
| Noncurrent portion of long-term debt | 6,260,000 |
| Net pension liability | 82,388,174 |
| Net OPEB liability | <u>17,556,231</u> |
| Total noncurrent liabilities | <u>106,612,266</u> |
| TOTAL LIABILITIES | <u>116,861,331</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources related to pensions | 3,053,156 |
| Deferred inflows of resources related to OPEB | 7,415,452 |
| Deferred inflows of resources - related to state aid funding for pensions | <u>2,688,747</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>13,157,355</u> |
| NET POSITION | |
| Net investment in capital assets | 5,964,878 |
| Restricted for debt service | 1,784,843 |
| Unrestricted | <u>(75,603,111)</u> |
| TOTAL NET POSITION | <u>\$ (67,853,390)</u> |

See notes to financial statements.

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u> |
|--|-----------------------------|---------------------------------------|---|--|
| | | <u>Charges for</u> <u>Services</u> | <u>Operating</u> <u>Grants and</u> <u>Contributions</u> | |
| Governmental activities | | | | |
| Instruction | \$ 34,458,450 | \$ 11,889 | \$ 14,079,786 | \$ (20,366,775) |
| Supporting services | 18,757,068 | 584,887 | 8,433,463 | (9,738,718) |
| Community services | 234,639 | - | - | (234,639) |
| Food service | 1,561,201 | 63,911 | 1,487,922 | (9,368) |
| Student/school activities | 142,537 | - | 106,182 | (36,355) |
| Interest on long-term debt | 711,493 | - | - | (711,493) |
| Unallocated depreciation | 2,404,851 | - | - | (2,404,851) |
| TOTAL | <u>\$ 58,270,239</u> | <u>\$ 660,687</u> | <u>\$ 24,107,353</u> | <u>(33,502,199)</u> |
| General revenues | | | | |
| Property taxes, levied for general purposes | | | | 2,770,204 |
| Property taxes, levied for debt service | | | | 3,129,317 |
| State school aid - unrestricted | | | | 16,155,639 |
| Investment earnings | | | | 48,390 |
| Miscellaneous | | | | 251,153 |
| TOTAL GENERAL REVENUES | | | | <u>22,354,703</u> |
| CHANGE IN NET POSITION | | | | (11,147,496) |
| Net position, beginning of year, as restated | | | | <u>(56,705,894)</u> |
| Net position, end of year | | | | <u>\$ (67,853,390)</u> |

REDFORD UNION SCHOOL DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General | Special Education Center Program | 1997 Bond Issue | Nonmajor Governmental Funds | Total |
|--|---------------------|---|---------------------|-----------------------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 5,340,758 | \$ - | \$ 1,807,146 | \$ 94,534 | \$ 7,242,438 |
| Accounts receivable | 54,192 | 373,466 | 60,728 | - | 488,386 |
| Intergovernmental receivables | 4,271,346 | 660,731 | - | 167,847 | 5,099,924 |
| Due from other funds | 189,940 | - | 13,136 | 809,127 | 1,012,203 |
| Inventory | - | - | - | 22,163 | 22,163 |
| TOTAL ASSETS | \$ 9,856,236 | \$ 1,034,197 | \$ 1,881,010 | \$ 1,093,671 | \$ 13,865,114 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,330,528 | \$ 49,426 | \$ - | \$ 13,752 | \$ 1,393,706 |
| Accrued payroll | 2,348,520 | - | - | - | 2,348,520 |
| Accrued retirement | 659,367 | - | - | - | 659,367 |
| Due to other funds | - | 984,771 | - | 27,432 | 1,012,203 |
| Short-term notes payable | 2,599,397 | - | - | - | 2,599,397 |
| TOTAL LIABILITIES | 6,937,812 | 1,034,197 | - | 41,184 | 8,013,193 |
| FUND BALANCES | | | | | |
| Nonspendable | | | | | |
| Inventory | - | - | - | 22,163 | 22,163 |
| Restricted | | | | | |
| Food service | - | - | - | 963,422 | 963,422 |
| Debt service | - | - | 1,881,010 | - | 1,881,010 |
| Committed | | | | | |
| Student/school activity | - | - | - | 66,902 | 66,902 |
| Unassigned | 2,918,424 | - | - | - | 2,918,424 |
| TOTAL FUND BALANCES | 2,918,424 | - | 1,881,010 | 1,052,487 | 5,851,921 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 9,856,236 | \$ 1,034,197 | \$ 1,881,010 | \$ 1,093,671 | \$ 13,865,114 |

See notes to financial statements.

**REDFORD UNION SCHOOL DISTRICT #1
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total fund balances - governmental funds \$ 5,851,921

Amounts reported for the 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 the governmental funds.

| | | |
|-------------------------------|---------------------|------------|
| The cost of capital assets is | \$ 62,374,671 | |
| Accumulated depreciation is | <u>(47,509,793)</u> | |
| Capital assets, net | | 14,864,878 |

Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Pensions contributions subsequent to the measurement date and state aid related to pensions will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension/OPEB plan investment earning will be deferred over time in the government-wide financial statements. These amounts consist of:

| | | |
|--|--------------------|------------|
| Deferred outflows of resources related to pensions | 27,414,393 | |
| Deferred inflows of resources related to pensions | (3,053,156) | |
| Deferred outflows of resources related to OPEB | 7,033,114 | |
| Deferred inflows of resources related to OPEB | (7,415,452) | |
| Deferred inflows of resources related to state aid funding or pensions | <u>(2,688,747)</u> | |
| | | 21,290,152 |

Long-term liabilities 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 and loans payable | (8,900,000) | |
| Accrued interest payable | (96,167) | |
| Incurred but not reported benefit claims | (240,000) | |
| Compensated absences | (679,769) | |
| Net pension liability | (82,388,174) | |
| Net OPEB liability | <u>(17,556,231)</u> | |
| | | <u>(109,860,341)</u> |

Net position of governmental activities \$ (67,853,390)

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

| | General | Special Education Center Program | 1997 Bond Issue | Nonmajor Governmental Funds | Total |
|---|---------------------|---|---------------------|-----------------------------------|---------------------|
| REVENUES | | | | | |
| Local sources | \$ 3,279,062 | \$ - | \$ 3,164,670 | \$ 170,347 | \$ 6,614,079 |
| State sources | 23,145,829 | 3,000,778 | - | 40,027 | 26,186,634 |
| Federal sources | 2,472,444 | 399,999 | 139,316 | 1,447,895 | 4,459,654 |
| Incoming transfers and other transactions | 1,795,736 | 7,960,423 | - | - | 9,756,159 |
| TOTAL REVENUES | 30,693,071 | 11,361,200 | 3,303,986 | 1,658,269 | 47,016,526 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | 20,839,090 | 6,177,796 | - | - | 27,016,886 |
| Supporting services | 12,360,687 | 3,821,984 | - | - | 16,182,671 |
| Community services | 194,428 | - | - | - | 194,428 |
| Food service | - | - | - | 1,350,682 | 1,350,682 |
| Student/school activities | - | - | - | 142,537 | 142,537 |
| Capital outlay | - | - | - | 17,364 | 17,364 |
| Debt service | 11,334 | - | 2,143,000 | 1,065,800 | 3,220,134 |
| TOTAL EXPENDITURES | 33,405,539 | 9,999,780 | 2,143,000 | 2,576,383 | 48,124,702 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (2,712,468) | 1,361,420 | 1,160,986 | (918,114) | (1,108,176) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 1,499,039 | - | - | 1,065,800 | 2,564,839 |
| Transfers out | - | (1,361,420) | (1,065,800) | (137,619) | (2,564,839) |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,499,039 | (1,361,420) | (1,065,800) | 928,181 | - |
| NET CHANGE IN FUND BALANCE | (1,213,429) | - | 95,186 | 10,067 | (1,108,176) |
| Fund balance, beginning of year, as restated | 4,131,853 | - | 1,785,824 | 1,042,420 | 6,960,097 |
| Fund balance, end of year | <u>\$ 2,918,424</u> | <u>\$ -</u> | <u>\$ 1,881,010</u> | <u>\$ 1,052,487</u> | <u>\$ 5,851,921</u> |

See notes to financial statements.

**REDFORD UNION SCHOOL DISTRICT #1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds \$ (1,108,176)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|--|--------------------|-------------|
| Capital outlay | \$ 321,277 | |
| Depreciation expense | <u>(2,404,851)</u> | |
| Excess of depreciation expense over capital outlay | | (2,083,574) |

Items resulting from the repayment of long-term debt and borrowing of long-term debt are reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings and other liabilities increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

| | | |
|------------------------------------|------------------|-----------|
| Bond and loan principal retirement | <u>2,485,000</u> | |
| | | 2,485,000 |

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

| | | |
|--|----------------|---------------------|
| Change in net pension liability | (9,251,331) | |
| Change in deferred outflows of resources related to pensions | (3,905,806) | |
| Change in deferred inflows of resources related to pensions | 2,558,239 | |
| Change in net OPEB liability | 2,587,181 | |
| Change in deferred outflows of resources related to OPEB | 309,912 | |
| Change in deferred inflows of resources related to OPEB | (2,880,116) | |
| Change in state aid funding for pension | 106,217 | |
| Change in incurred but not reported benefit claims | 17,000 | |
| Change in accrued interest payable | 23,641 | |
| Change in compensated absences | <u>(5,683)</u> | |
| | | <u>(10,440,746)</u> |

Change in net position of governmental activities \$ (11,147,496)

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

Reporting Entity

The Redford Union School District #1 (the "District") is governed by the Redford Union School District #1 Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Education Center Program Fund* is used by the District to account for proceeds that are restricted to expenditures within the Special Education Center Program.

The *1997 Bond Issue Fund* is used to account for the financial resources related to the retirement of long-term debt.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Other Nonmajor Funds

The *Special Revenue Funds* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in special revenue funds.

The *Debt Service 2009 Bond Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects 2009 Bond Fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Budgetary Basis of Accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2020. The District does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Cash and Cash Equivalents (continued)

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Short-term Interfund Receivables/Payables

During operations, numerous transactions occur between individual funds for goods provided or services rendered. These transactions are classified "Due from other funds" and "Due to other funds" on the governmental fund balance sheet.

Due from Other Governmental Units

Due from other governmental units consist of various amounts owed to the District for grant programs and State Aid payments.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| | |
|--|---------------|
| Buildings and additions | 20 - 50 years |
| Equipment, furniture, and other assets | 5 - 10 years |
| Buses and vehicles | 6 - 10 years |

Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public 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.

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies (continued)

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

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on most non-primary residency exempt property and \$6.00 per \$1,000 of taxable valuation on commercial personal property for general governmental services. The District also levies \$8.75 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee leaves, resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2020, the District had deposits and investments subject to the following risk:

Custodial Credit risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2020, \$6,325,795 of the District's bank balance of \$6,925,450 was exposed to custodial credit risk because it was uninsured but collateralized. The carrying value on the books for deposits at the end of the year was \$6,785,833.

Custodial Credit Risk - Investments

For an investment, this 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.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

| Investment Type | Fair Value | Weighted Average Maturity |
|--------------------------------------|------------|---------------------------------|
| MILAF External Investment Pool - CMC | \$ 456,605 | N/A |

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

| Investment Type | Fair Value | Rating | Rating Agency |
|--------------------------------------|------------|--------|-------------------|
| MILAF External Investment Pool - CMC | \$ 456,605 | AAAm | Standard & Poor's |

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Fair Value Measurements

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

| | Amortized Cost |
|--------------------------------------|-------------------|
| MILAF External Investment Pool - CMC | \$ 456,605 |

The deposits and investments referred to above have been reported in the cash and cash equivalents caption on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2020:

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 7,242,438 |
|---------------------------|--------------|

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2020 consist of the following:

| | |
|--------------------|--------------|
| Governmental Units | |
| Federal Revenue | \$ 567,518 |
| State Aid | 4,383,231 |
| Local Revenue | 149,175 |
| | \$ 5,099,924 |

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

| | Balance July 1, 2019 | Additions/ Reclassifications | Deletions/ Reclassifications | Balance June 30, 2020 |
|--|-------------------------|---------------------------------|---------------------------------|--------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 30,123 | \$ - | \$ - | \$ 30,123 |
| Construction in progress | 530,662 | - | (530,662) | - |
| Total capital assets not being depreciated | 560,785 | - | (530,662) | 30,123 |
| Capital assets being depreciated | | | | |
| Buildings and additions | 55,288,025 | 300,818 | - | 55,588,843 |
| Equipment, furniture, and other assets | 6,154,995 | 551,121 | - | 6,706,116 |
| Buses and vehicles | 49,589 | - | - | 49,589 |
| Total capital assets being depreciated | 61,492,609 | 851,939 | - | 62,344,548 |
| Less accumulated depreciation for | | | | |
| Buildings and additions | (39,674,354) | (2,249,536) | - | (41,923,890) |
| Equipment, furniture, and other assets | (5,423,150) | (150,356) | - | (5,573,506) |
| Buses and vehicles | (7,438) | (4,959) | - | (12,397) |
| Total accumulated depreciation | (45,104,942) | (2,404,851) | - | (47,509,793) |
| Net capital assets being depreciated | 16,387,667 | (1,552,912) | - | 14,834,755 |
| Capital assets, net | <u>\$ 16,948,452</u> | <u>\$ (1,552,912)</u> | <u>\$ (530,662)</u> | <u>\$ 14,864,878</u> |

Depreciation expense was not allocated to governmental functions. It appears on the Statement of Activities as "unallocated."

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2020, the District has issued state aid anticipation notes payable in the amount of \$3,000,000 which has an interest rate of 1.30% and matures on August 20, 2020. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the state may impose a penalty interest rate, and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2020 is as follows:

| Balance July 1, 2019 | Additions | Payments | Balance June 30, 2020 |
|-------------------------|---------------------|---------------------|--------------------------|
| <u>\$ 3,135,814</u> | <u>\$ 3,000,000</u> | <u>\$ 2,463,583</u> | <u>\$ 2,599,397</u> |

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2020:

| | General Obligation Bonds | Compensated Absences | Total |
|---------------------------|--------------------------------|-------------------------|---------------|
| Balance July 1, 2019 | \$ 11,385,000 | \$ 674,086 | \$ 12,059,086 |
| Additions | - | 5,683 | 5,683 |
| Deletions | (2,485,000) | - | (2,485,000) |
| Balance June 30, 2020 | 8,900,000 | 679,769 | 9,579,769 |
| Due within one year | (2,640,000) | (271,908) | (2,911,908) |
| Due in more than one year | \$ 6,260,000 | \$ 407,861 | \$ 6,667,861 |

Long-term obligations at June 30, 2020 is comprised of the following issues:

General Obligation Bonds

\$35,575,000 1997 Refunding Bonds dated December 1, 1997, due in annual installments ranging from \$1,980,000 to \$2,120,000 through May 1, 2022 with interest of 5.00%, payable semi-annually. \$ 4,100,000

\$12,530,000 2009 Building and Site Bonds dated June 29, 2009, due in annual installments ranging from \$660,000 to \$1,730,000 through May 1, 2024 with interest of 7.75%, payable semi-annually. 4,800,000

\$ 8,900,000

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2020, are as follows:

| Year Ending June 30, | General Obligation Debt | | Compensated Absences | Total |
|-------------------------|-------------------------|---------------------|-------------------------|----------------------|
| | Principal | Interest | | |
| 2021 | \$ 2,640,000 | \$ 577,000 | \$ - | \$ 3,217,000 |
| 2022 | 2,820,000 | 426,850 | - | 3,246,850 |
| 2023 | 1,730,000 | 266,600 | - | 1,996,600 |
| 2024 | 1,710,000 | 132,525 | - | 1,842,525 |
| | 8,900,000 | 1,402,975 | - | 10,302,975 |
| Compensated absences | - | - | 679,769 | 679,769 |
| | <u>\$ 8,900,000</u> | <u>\$ 1,402,975</u> | <u>\$ 679,769</u> | <u>\$ 10,982,744</u> |

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2020, are as follows:

| Receivable Fund | | Payable Fund | |
|-----------------|---------------------|---------------------------|---------------------|
| General | \$ 189,940 | Special education center | \$ 984,771 |
| 1997 bond issue | 13,136 | Student/school activities | 27,432 |
| Food service | 809,127 | | |
| | <u>\$ 1,012,203</u> | | <u>\$ 1,012,203</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 8 - INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

The Special Education Center Program Fund transferred \$1,361,420 to the General Fund for current year indirect costs. The nonmajor governmental funds transferred \$137,619 to the General Fund to transfer out remaining fund balance at the completion of the project. The 1997 Bond Issue Fund transferred \$1,065,800 to the nonmajor governmental funds to ensure that the nonmajor debt service fund had enough cash available to make principal and interest payments as necessary.

**REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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 of the System.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

| <u>Plan Name</u> | <u>Plan Type</u> | <u>Plan Status</u> |
|------------------------------|----------------------|--------------------|
| Basic | Defined Benefit | Closed |
| Member Investment Plan (MIP) | Defined Benefit | Closed |
| Pension Plus | Hybrid | Closed |
| Pension Plus 2 | Hybrid | Open |
| Defined Contribution | Defined Contribution | Open |

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable Defined Contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. 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 health care 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 statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (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.

Retiree Healthcare Reform of 2012

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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last five years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

**REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment Benefits (OPEB). 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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

| | Pension | Other Postemployment Benefit |
|--------------------------------------|-----------------|------------------------------------|
| October 1, 2018 - September 30, 2019 | 13.39% - 19.59% | 7.57% - 7.93% |
| October 1, 2019 - September 30, 2020 | 13.39% - 19.59% | 7.57% - 8.09% |

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were approximately \$6,573,000. Of the total pension contributions approximately \$6,468,000 was contributed to fund the Defined Benefit Plan and approximately \$105,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were approximately \$1,860,000. Of the total OPEB contributions approximately \$1,785,000 was contributed to fund the Defined Benefit Plan and approximately \$75,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| <u>MPERS (Plan) Non-University Employers</u> | <u>September 30, 2019</u> | <u>September 30, 2018</u> |
|--|---------------------------|---------------------------|
| Total Pension Liability | \$ 83,442,507,212 | \$ 79,863,694,444 |
| Plan Fiduciary Net Position | 50,325,869,388 | 49,801,889,205 |
| Net Pension Liability | 33,116,637,824 | 30,061,805,239 |
| Proportionate Share | 0.24878% | 0.24329% |
| Net Pension Liability for the District | \$ 82,388,174 | \$ 73,136,843 |

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

For the year ended June 30, 2020, the District recognized pension expense of \$17,066,008.

At June 30, 2020, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 369,290 | \$ 343,551 |
| Net difference between projected and actual earnings on pension plan investment | - | 2,640,401 |
| Changes of assumptions | 16,131,663 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 4,850,187 | 69,204 |
| Districts contributions subsequent to measurement date | <u>6,063,253</u> | <u>-</u> |
| | <u>\$ 27,414,393</u> | <u>\$ 3,053,156</u> |

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$6,063,253, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|--------------------------------------|---------------|
| 2020 | \$ 7,658,280 |
| 2021 | 5,860,830 |
| 2022 | 3,517,043 |
| 2023 | 1,261,831 |

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

| <u>MPSERS (Plan) Non-University Employers</u> | <u>September 30, 2019</u> | <u>September 30, 2018</u> |
|---|---------------------------|---------------------------|
| Total Other Postemployment Benefit Liability | \$ 13,925,860,688 | \$ 13,932,170,264 |
| Plan Fiduciary Net Position | 6,748,112,668 | 5,983,218,473 |
| Net Other Postemployment Benefit Liability | 7,177,748,020 | 7,948,951,791 |
| Proportionate Share | 0.24459% | 0.25341% |
| Net Other Postemployment Benefit Liability for the District | \$ 17,556,231 | \$ 20,143,412 |

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,767,905.

At June 30, 2020, the Reporting Unit 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 |
|---|--------------------------------------|-------------------------------------|
| Changes in proportion and differences between employer contributions and proportionate share of contributions | \$ 1,616,126 | \$ 668,263 |
| Differences between expected and actual experience | - | 6,441,878 |
| Changes of assumptions | 3,804,080 | - |
| Net differences between projected and actual plan investment earnings | - | 305,311 |
| Reporting unit's contributions subsequent to the measurement date | 1,612,908 | - |
| | \$ 7,033,114 | \$ 7,415,452 |

\$1,612,908 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending September 30, | Amount |
|------------------------------|--------------|
| 2020 | \$ (511,338) |
| 2021 | (511,338) |
| 2022 | (358,426) |
| 2023 | (299,251) |
| 2024 | (314,893) |

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment Rate of Return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75%.

Inflation - 3.0%.

Mortality Assumptions:

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 projection scale MP-2017 from 2006.

Active - RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees - RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. 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 determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - 7.5% for year one and graded to 3.5% in year twelve.

**REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Additional Assumptions for Other Postemployment Benefit Only - Applies to individuals hired before September 4, 2012:

Opt Out Assumption - 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 coverage 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.

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Investment Category</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return*</u> |
|--------------------------------------|--------------------------|--|
| Domestic Equity Pools | 28.0% | 5.5% |
| Private Equity Pools | 18.0% | 8.6% |
| International Equity | 16.0% | 7.3% |
| Fixed Income Pools | 10.5% | 1.2% |
| Real Estate and Infrastructure Pools | 10.0% | 4.2% |
| Absolute Return Pools | 15.5% | 5.4% |
| Short Term Investment Pools | 2.0% | 0.8% |
| | <u>100.0%</u> | |

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

Rate of Return - For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

OPEB Discount Rate - A single discount rate of 6.95% 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 6.95%. 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 school districts 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 Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit'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 than the current rate:

| | Pension | | |
|---|-----------------------|----------------------|----------------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| Reporting Unit's proportionate share of the net pension liability | <u>\$ 107,109,897</u> | <u>\$ 82,388,174</u> | <u>\$ 61,893,014</u> |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate -The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit'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 than the current rate:

| | Other Postemployment Benefit | | |
|--|------------------------------|----------------------|----------------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability | <u>\$ 21,535,356</u> | <u>\$ 17,556,231</u> | <u>\$ 14,214,872</u> |

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | Other Postemployment Benefit | | |
|--|------------------------------|---|----------------------|
| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability | <u>\$ 14,073,213</u> | <u>\$ 17,556,231</u> | <u>\$ 21,534,884</u> |

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District participates in the Metropolitan Association for Improved School Legislation (MAISL) risk pool for claims relating to property loss, torts, errors and omissions; the District is self-insured for workers' compensation and medical claims, up to certain limits but carries stop-loss insurance for excess claims in these areas. The District carries commercial insurance for various other liability exposures.

MAISL is a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 11 - SUBSEQUENT EVENT

In August 2020, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of \$5,500,000 was for the purpose of funding operating expenditures until the fiscal year 2021 State Aid payments resume. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE 12 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2020, the District implemented the following new pronouncement, GASB Statement No. 84, *Fiduciary Activities*.

Summary

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and is effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

The restatement of the beginning of the year fund balances and net position is as follows:

| | Fund Balances | |
|--|---------------------------------|--------------------------------|
| | Student/School Activity Fund | Total Governmental Funds |
| Fund balances as of July 1, 2019, as previously stated | \$ - | \$ 6,856,840 |
| Adoption of GASB Statement 84 | 103,257 | 103,257 |
| Fund balances as of July 1, 2019, as restated | \$ 103,257 | \$ 6,960,097 |
| | Net Position | |
| | Governmental Activities | |
| Net position as of July 1, 2019, as previously stated | \$ (56,809,151) | |
| Adoption of GASB Statement 84 | 103,257 | |
| Net position as of July 1, 2019, as restated | \$ (56,705,894) | |

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - PRIOR PERIOD ADJUSTMENT OF FUND BALANCES

The restatement of the beginning of the year fund balances in the general and food service special revenue funds as a result of correcting excess indirect cost transfers from the food service fund is as follows:

| | Fund Balances | |
|--|---------------|-------------------|
| | General Fund | Food Service Fund |
| Fund balances as of July 1, 2019, as previously stated | \$ 4,164,390 | \$ 829,052 |
| To correct excess indirect cost transfer | (32,537) | 32,537 |
| Fund balances as of July 1, 2019, as restated | \$ 4,131,853 | \$ 861,589 |

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**REDFORD UNION SCHOOL DISTRICT #1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|----------------------------|---------------------|---|
| REVENUES | | | | |
| Local sources | \$ 3,242,295 | \$ 3,268,705 | \$ 3,279,062 | \$ 10,357 |
| State sources | 27,360,377 | 23,483,700 | 23,145,829 | (337,871) |
| Federal sources | 2,859,492 | 2,979,085 | 2,472,444 | (506,641) |
| Incoming transfers and other transactions | 1,461,000 | 1,684,700 | 1,795,736 | 111,036 |
| TOTAL REVENUES | 34,923,164 | 31,416,190 | 30,693,071 | (723,119) |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | | | | |
| Basic programs | 15,431,210 | 14,587,019 | 14,094,853 | 492,166 |
| Added needs | 5,797,759 | 5,646,085 | 5,652,400 | (6,315) |
| Adult and continuing education | 752,156 | 1,110,008 | 1,091,837 | 18,171 |
| Total instruction | 21,981,125 | 21,343,112 | 20,839,090 | 504,022 |
| Supporting services | | | | |
| Pupil | 2,018,322 | 1,765,473 | 1,910,741 | (145,268) |
| Instructional staff | 1,169,924 | 1,581,530 | 1,456,621 | 124,909 |
| General administration | 491,745 | 518,348 | 562,420 | (44,072) |
| School administration | 1,728,903 | 1,649,673 | 1,581,186 | 68,487 |
| Business | 780,634 | 757,631 | 791,182 | (33,551) |
| Operations and maintenance | 3,232,939 | 3,090,870 | 3,156,753 | (65,883) |
| Pupil transportation | 1,443,048 | 1,440,140 | 1,427,222 | 12,918 |
| Central support | 1,733,122 | 1,642,994 | 1,171,501 | 471,493 |
| Athletics | 385,963 | 300,857 | 303,061 | (2,204) |
| Total supporting services | 12,984,600 | 12,747,516 | 12,360,687 | 386,829 |
| Community services | 206,121 | 200,938 | 194,428 | 6,510 |
| Debt service | 14,000 | 14,000 | 11,334 | 2,666 |
| TOTAL EXPENDITURES | 35,185,846 | 34,305,566 | 33,405,539 | 900,027 |
| EXCESS OF REVENUES (UNDER) EXPENDITURES | (262,682) | (2,889,376) | (2,712,468) | 176,908 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 674,662 | 1,118,962 | 1,499,039 | 380,077 |
| NET CHANGE IN FUND BALANCE | 411,980 | (1,770,414) | (1,213,429) | 556,985 |
| Fund balance, beginning of year, as restated | 4,131,853 | 4,131,853 | 4,131,853 | - |
| Fund balance, end of year | \$ 4,543,833 | \$ 2,361,439 | \$ 2,918,424 | \$ 556,985 |

**REDFORD UNION SCHOOL DISTRICT #1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION CENTER PROGRAM FUND
YEAR ENDED JUNE 30, 2020**

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|----------------------------|-------------------|---|
| REVENUES | | | | |
| State sources | \$ 3,238,015 | \$ 3,213,607 | \$ 3,000,778 | \$ (212,829) |
| Federal sources | 336,864 | 400,000 | 399,999 | (1) |
| Incoming transfers and other transactions | 7,361,492 | 7,586,957 | 7,960,423 | 373,466 |
| TOTAL REVENUES | 10,936,371 | 11,200,564 | 11,361,200 | 160,636 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 5,957,861 | 6,127,306 | 6,177,796 | (50,490) |
| Supporting services | 3,859,782 | 4,177,213 | 3,821,984 | 355,229 |
| TOTAL EXPENDITURES | 9,817,643 | 10,304,519 | 9,999,780 | 304,739 |
| EXCESS OF REVENUES OVER EXPENDITURES | 1,118,728 | 896,045 | 1,361,420 | 465,375 |
| OTHER FINANCING (USES) | | | | |
| Transfers out | (1,118,728) | (896,045) | (1,361,420) | (465,375) |
| NET CHANGE IN FUND BALANCE | - | - | - | - |
| Fund balance, beginning of year | - | - | - | - |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST SIX MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of net pension liability (%) | 0.20207% | 0.20230% | 0.21056% | 0.22732% | 0.24329% | 0.24878% |
| District's proportionate share of net pension liability | \$ 44,508,043 | \$ 49,411,722 | \$ 52,533,626 | \$ 58,906,928 | \$ 73,136,843 | \$ 82,388,174 |
| District's covered employee payroll | \$ 17,106,398 | \$ 16,721,314 | \$ 18,098,529 | \$ 19,504,630 | \$ 21,586,306 | \$ 21,341,157 |
| District's proportionate share of net pension liability as a percentage of its covered employee payroll | 260.18% | 295.50% | 290.26% | 302.02% | 338.81% | 386.05% |
| Plan fiduciary net position as a percentage of total pension liability | 66.20% | 63.17% | 63.27% | 64.21% | 62.36% | 60.31% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District presents information for those years for which information is available.

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST SIX FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Statutorily required contributions | \$ 3,777,283 | \$ 4,877,875 | \$ 3,631,814 | \$ 6,722,784 | \$ 8,419,166 | \$ 6,467,110 |
| Contributions in relation to statutorily required contributions | <u>3,777,283</u> | <u>4,877,875</u> | <u>3,631,814</u> | <u>6,722,784</u> | <u>8,419,166</u> | <u>6,467,110</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered employee payroll | \$ 16,813,295 | \$ 16,656,975 | \$ 19,320,577 | \$ 21,188,419 | \$ 21,337,358 | \$ 21,162,639 |
| Contributions as a percentage of covered employee payroll | 22.47% | 29.28% | 18.80% | 31.73% | 39.46% | 30.56% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District presents information for those years for which information is available.

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST THREE MEASUREMENT DATES
(ULTIMATELY TEN MEASUREMENT DATES WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

| | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|---------------|---------------|---------------|
| District's proportion of net OPEB liability (%) | 0.22595% | 0.25341% | 0.24459% |
| District's proportionate share of net OPEB liability | \$ 20,009,292 | \$ 20,143,412 | \$ 17,556,231 |
| District's covered employee payroll | \$ 19,504,630 | \$ 21,586,306 | \$ 21,341,157 |
| District's proportionate share of net OPEB liability as a percentage of its covered employee payroll | 102.59% | 93.32% | 82.26% |
| Plan fiduciary net position as a percentage of total OPEB liability | 36.39% | 42.95% | 48.46% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District presents information for those years for which information is available.

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST THREE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

| | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|------------------|------------------|------------------|
| Statutorily required contributions | \$ 1,630,000 | \$ 2,683,665 | \$ 1,784,881 |
| Contributions in relation to statutorily required contributions | <u>1,630,000</u> | <u>2,683,665</u> | <u>1,784,881</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered employee payroll | \$ 21,188,419 | \$ 21,337,358 | \$ 21,162,639 |
| Contributions as a percentage of covered employee payroll | 7.69% | 12.58% | 8.43% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District presents information for those years for which information is available.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

NOTE 1 - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN

Pension Information

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for decreased to 6.95% from 7.15%.

Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50% Year 1 graded to 3.00% Year 12.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (continued)
YEAR ENDED JUNE 30, 2020

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provide that a local government unit not incur expenditures in excess of that amounts appropriated. The District's budgeted expenditures in the General Fund and Special Education Center Program Fund have been adopted at the functional classification level.

During the year ended June 30, 2020, the District incurred expenditures in excess of appropriations as follows:

| | <u>Amounts Appropriated</u> | <u>Amounts Expended</u> | <u>Variance</u> |
|---------------------------------------|---------------------------------|-----------------------------|-----------------|
| General Fund | | | |
| Current | | | |
| Instruction | | | |
| Added needs | \$ 5,646,085 | \$ 5,652,400 | \$ 6,315 |
| Supporting services | | | |
| Pupil | 1,765,473 | 1,910,741 | 145,268 |
| General administration | 518,348 | 562,420 | 44,072 |
| Business | 757,631 | 791,182 | 33,551 |
| Operations and maintenance | 3,090,870 | 3,156,753 | 65,883 |
| Athletics | 300,857 | 303,061 | 2,204 |
| Special Education Center Program Fund | | | |
| Current | | | |
| Instruction | 6,127,306 | 6,177,796 | 50,490 |
| Transfers out | 896,045 | 1,361,420 | 465,375 |

ADDITIONAL SUPPLEMENTARY INFORMATION

**REDFORD UNION SCHOOL DISTRICT #1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2020**

| | Special Revenue | | Debt Service | Capital Projects | Total |
|--|--------------------|----------------------------------|--------------------|---------------------|---------------------|
| | Food Service | Student/ School Activities | 2009 Bond Issue | 2009 Bond Issue | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 200 | \$ 94,334 | \$ - | \$ - | \$ 94,534 |
| Intergovernmental receivables | 167,847 | - | - | - | 167,847 |
| Due from other funds | 809,127 | - | - | - | 809,127 |
| Inventory | 22,163 | - | - | - | 22,163 |
| TOTAL ASSETS | \$ 999,337 | \$ 94,334 | \$ - | \$ - | \$ 1,093,671 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 13,752 | \$ - | \$ - | \$ - | \$ 13,752 |
| Due to other funds | - | 27,432 | - | - | 27,432 |
| TOTAL LIABILITIES | 13,752 | 27,432 | - | - | 41,184 |
| FUND BALANCES | | | | | |
| Nonspendable | | | | | |
| Inventory | 22,163 | - | - | - | 22,163 |
| Restricted | | | | | |
| Food service | 963,422 | - | - | - | 963,422 |
| Committed | | | | | |
| Student/school activity | - | 66,902 | - | - | 66,902 |
| TOTAL FUND BALANCES | 985,585 | 66,902 | - | - | 1,052,487 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 999,337 | \$ 94,334 | \$ - | \$ - | \$ 1,093,671 |

REDFORD UNION SCHOOL DISTRICT #1
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2020

| | Special Revenue | | Debt Service | Capital Projects | Total |
|---|--------------------|----------------------------------|--------------------|---------------------|---------------------|
| | Food Service | Student/ School Activities | 2009 Bond Issue | 2009 Bond Issue | |
| REVENUES | | | | | |
| Local sources | | | | | |
| Food sales | \$ 63,911 | \$ - | \$ - | \$ - | \$ 63,911 |
| Student/school activity income | - | 106,182 | - | - | 106,182 |
| Investment earnings | - | - | - | 254 | 254 |
| Total local sources | 63,911 | 106,182 | - | 254 | 170,347 |
| State sources | 40,027 | - | - | - | 40,027 |
| Federal sources | 1,447,895 | - | - | - | 1,447,895 |
| TOTAL REVENUES | 1,551,833 | 106,182 | - | 254 | 1,658,269 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Food service | 1,350,682 | - | - | - | 1,350,682 |
| Student/school activities | - | 142,537 | - | - | 142,537 |
| Capital outlay | 17,364 | - | - | - | 17,364 |
| Debt service | | | | | |
| Principal retirement | - | - | 640,000 | - | 640,000 |
| Interest, fiscal, and other charges | - | - | 425,800 | - | 425,800 |
| TOTAL EXPENDITURES | 1,368,046 | 142,537 | 1,065,800 | - | 2,576,383 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 183,787 | (36,355) | (1,065,800) | 254 | (918,114) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | 1,065,800 | - | 1,065,800 |
| Transfers out | (59,791) | - | - | (77,828) | (137,619) |
| TOTAL OTHER FINANCING SOURCES (USES) | (59,791) | - | 1,065,800 | (77,828) | 928,181 |
| NET CHANGE IN FUND BALANCES | 123,996 | (36,355) | - | (77,574) | 10,067 |
| Fund balances, beginning of year, as restated | 861,589 | 103,257 | - | 77,574 | 1,042,420 |
| Fund balances, end of year | <u>\$ 985,585</u> | <u>\$ 66,902</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,052,487</u> |

**REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

| Federal Grantor/Pass-through Grantor Program Title | Federal CFDA Number | Pass-through Grantor's Number | Approved Grant Award Amount | Accrued (unearned) Revenue July 1, 2019 | Prior Year Expenditures (memo only) | Adjustments | Current Year Expenditures | Current Year Cash Receipts | Accrued Revenue June 30, 2020 |
|--|---------------------------|-------------------------------------|--------------------------------|--|---|-------------|------------------------------|-------------------------------|-------------------------------------|
| U.S. Department of Agriculture | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | | |
| Non-Cash Assistance (Donated Foods) | | | | | | | | | |
| National School Lunch Program | 10.555 | N/A | \$ 104,092 | \$ - | \$ - | \$ - | \$ 104,092 | \$ 104,092 | \$ - |
| Cash Assistance | | | | | | | | | |
| National School Lunch Program | 10.555 | 191960, 191980 | 1,031,699 | 46,637 | 923,005 | - | 108,694 | 155,331 | - |
| National School Lunch Program | 10.555 | 201960, 201980 | 691,372 | - | 109,628 | - | 581,744 | 581,744 | - |
| COVID-19 National School Lunch Program | 10.555 | 200902 | 286,550 | - | - | - | 286,550 | 131,594 | 154,956 |
| Total Nation School Lunch Program | | | 2,009,621 | 46,637 | 1,032,633 | - | 976,988 | 868,669 | 154,956 |
| Total CFDA #10.555 | | | 2,113,713 | 46,637 | 1,032,633 | - | 1,081,080 | 972,761 | 154,956 |
| School Breakfast Program | 10.553 | 191970 | 441,751 | 22,462 | 397,756 | - | 43,995 | 66,457 | - |
| School Breakfast Program | 10.553 | 201970 | 256,152 | - | - | - | 256,152 | 256,152 | - |
| Total CFDA #10.553 | | | 697,903 | 22,462 | 397,756 | - | 300,147 | 322,609 | - |
| Summer Food Service Program for Children | 10.559 | 191900 | 50,374 | - | 22,692 | - | 27,682 | 27,682 | - |
| Cash Assistance Subtotal | | | 2,757,898 | 69,099 | 1,453,081 | - | 1,304,817 | 1,218,960 | 154,956 |
| Total Child Nutrition Cluster | | | 2,861,990 | 69,099 | 1,453,081 | - | 1,408,909 | 1,323,052 | 154,956 |
| Child and Adult Care Food Program | 10.558 | 201920, 202010 | 694 | - | - | - | 694 | 694 | - |
| Fresh Fruit and Vegetable Program | 10.582 | 190950 | 18,955 | - | 16,800 | - | 2,155 | 2,155 | - |
| Fresh Fruit and Vegetable Program | 10.582 | 200950 | 36,137 | - | - | - | 36,137 | 36,137 | - |
| Total CFDA #10.582 | | | 55,092 | - | 16,800 | - | 38,292 | 38,292 | - |
| Total U.S. Department of Agriculture | | | 2,862,684 | 69,099 | 1,453,081 | - | 1,447,895 | 1,323,746 | 154,956 |

The accompanying notes are an integral part of this schedule.

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2020

| Federal Grantor/Pass-through Grantor Program Title | Federal CFDA Number | Pass-through Grantor's Number | Approved Grant Award Amount | Accrued (unearned) Revenue July 1, 2019 | Prior Year Expenditures (memo only) | Adjustments | Current Year Expenditures | Current Year Cash Receipts | Accrued Revenue June 30, 2020 |
|--|---------------------------|-------------------------------------|--------------------------------|--|---|-----------------|------------------------------|-------------------------------|-------------------------------------|
| <u>U.S. Department of Education</u> | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 191530 | \$ 1,172,272 | \$ 382,762 | \$ 1,164,833 | \$ (35,820) | \$ 6,363 | \$ 353,305 | \$ - |
| Title I Grants to Local Educational Agencies | 84.010 | 201530 | 1,148,548 | - | - | - | 847,594 | 736,164 | 111,430 |
| Total CFDA #84.010 | | | <u>2,320,820</u> | <u>382,762</u> | <u>1,164,833</u> | <u>(35,820)</u> | <u>853,957</u> | <u>1,089,469</u> | <u>111,430</u> |
| Supporting Effective Instruction State Grants | 84.367 | 190520 | 258,026 | 192,901 | 192,901 | - | 915 | 193,816 | - |
| Supporting Effective Instruction State Grants | 84.367 | 200520 | 241,939 | - | - | - | 160,444 | 133,453 | 26,991 |
| Total CFDA #84.367 | | | <u>499,965</u> | <u>192,901</u> | <u>192,901</u> | <u>-</u> | <u>161,359</u> | <u>327,269</u> | <u>26,991</u> |
| School Improvement Grant | 84.377 | 151763 | 750,000 | 321,614 | 683,724 | - | 66,014 | 387,628 | - |
| School Improvement Grant | 84.377 | 171761 | 500,000 | - | - | - | 399,339 | 399,339 | - |
| Total CFDA #84.377 | | | <u>1,250,000</u> | <u>321,614</u> | <u>683,724</u> | <u>-</u> | <u>465,353</u> | <u>786,967</u> | <u>-</u> |
| Student Support and Academic Enrichment Program | 84.424 | 190750 | 80,705 | 9,665 | 73,933 | 27,375 | - | 37,040 | - |
| Student Support and Academic Enrichment Program | 84.424 | 200750 | 82,638 | - | - | - | 55,852 | 49,755 | 6,097 |
| Total CFDA #84.424 | | | <u>163,343</u> | <u>9,665</u> | <u>73,933</u> | <u>27,375</u> | <u>55,852</u> | <u>86,795</u> | <u>6,097</u> |
| Total passed through Michigan Department of Education | | | <u>4,234,128</u> | <u>906,942</u> | <u>2,115,391</u> | <u>(8,445)</u> | <u>1,536,521</u> | <u>2,290,500</u> | <u>144,518</u> |

The accompanying notes are an integral part of this schedule.

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2020

| Federal Grantor/Pass-through Grantor Program Title | Federal CFDA Number | Pass-through Grantor's Number | Approved Grant Award Amount | Accrued (unearned) Revenue July 1, 2019 | Prior Year Expenditures (memo only) | Adjustments | Current Year Expenditures | Current Year Cash Receipts | Accrued Revenue June 30, 2020 |
|---|---------------------------|-------------------------------------|--------------------------------|--|---|-------------------|------------------------------|-------------------------------|-------------------------------------|
| <u>U.S. Department of Education (continued)</u> | | | | | | | | | |
| Passed through the Michigan Department of Education and Wayne County RESA | | | | | | | | | |
| Special Education Cluster | | | | | | | | | |
| Special Education Grants to States - FT | 84.027 | 190450 | \$ 956,384 | \$ 476,283 | \$ 1,135,340 | \$ - | \$ - | \$ 476,283 | \$ - |
| Special Education Grants to States - FT | 84.027 | 200450 | 892,000 | - | - | - | 892,000 | 783,345 | 108,655 |
| Special Education Grants to States - PBS | 84.027 | 190450 | 4,666 | 4,666 | 4,666 | - | - | 4,666 | - |
| Special Education Grants to States - PBS | 84.027 | 200450 | 2,186 | - | - | - | 2,186 | - | 2,186 |
| Special Education Grants to States - CPO | 84.027 | 190450 | 336,864 | 193,472 | - | - | - | 193,472 | - |
| Special Education Grants to States - CPO | 84.027 | 200450 | 399,999 | - | - | - | 399,999 | 267,891 | 132,108 |
| Total CFDA #84.027 | | | <u>2,592,099</u> | <u>674,421</u> | <u>1,140,006</u> | <u>-</u> | <u>1,294,185</u> | <u>1,725,657</u> | <u>242,949</u> |
| Special Education Preschool Grants | 84.173 | 190460 | 31,819 | 31,819 | 31,819 | - | - | 31,819 | - |
| Special Education Preschool Grants | 84.173 | 200460 | 25,095 | - | - | - | 25,095 | - | 25,095 |
| Total CFDA #84.173 | | | <u>56,914</u> | <u>31,819</u> | <u>31,819</u> | <u>-</u> | <u>25,095</u> | <u>31,819</u> | <u>25,095</u> |
| Total Special Education Cluster | | | <u>2,649,013</u> | <u>706,240</u> | <u>1,171,825</u> | <u>-</u> | <u>1,319,280</u> | <u>1,757,476</u> | <u>268,044</u> |
| Total U.S. Department of Education | | | <u>6,883,141</u> | <u>1,613,182</u> | <u>3,287,216</u> | <u>(8,445)</u> | <u>2,855,801</u> | <u>4,047,976</u> | <u>412,562</u> |
| <u>U.S. Department of Health and Human Services:</u> | | | | | | | | | |
| Passed through the Michigan Department of Community Health and Waynd County RESA | | | | | | | | | |
| Medicaid Cluster: | | | | | | | | | |
| Medical Assistance Program | 93.778 | N/A | 16,642 | - | - | - | 16,642 | 16,642 | - |
| TOTAL FEDERAL AWARDS | | | <u>\$ 9,762,467</u> | <u>\$ 1,682,281</u> | <u>\$ 4,740,297</u> | <u>\$ (8,445)</u> | <u>\$ 4,320,338</u> | <u>\$ 5,388,364</u> | <u>\$ 567,518</u> |

The accompanying notes are an integral part of this schedule.

**REDFORD UNION SCHOOL DISTRICT #1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Redford Union School District #1 under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Redford Union School District #1, it is not intended to and does not present the financial position or changes in net position of Redford Union School District #1.

The District does not qualify for low-risk auditee status. Management has utilized the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Redford Union School District #1 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the financial statements for the year ended June 30, 2020:

| | |
|--|----------------------------|
| Federal revenue per financial statements | \$ 4,459,654 |
| Less Build America Bond revenue not subject to single audit | <u>(139,316)</u> |
| Total expenditures on Schedule of Expenditures of Federal Awards | <u><u>\$ 4,320,338</u></u> |

NOTE 4 - SUBRECIPIENTS

The District did not pass through any federal awards to subrecipients during the year ended June 30, 2020.

**INDEPENDENT AUDITOR'S 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***

To the Board of Education
Redford Union School District #1

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Redford Union School District #1's basic financial statements and have issued our report thereon dated November 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Redford Union School District #1's 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 Redford Union School District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Redford Union School District #1's 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 Redford Union School District #1's financial statements are free from 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

The District's Responses to Findings

Redford Union School District #1's responses to the findings identified in our audit are described in the accompanying corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 District'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

November 11, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Redford Union School District #1

Report on Compliance for Each Major Federal Program

We have audited Redford Union School District #1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Redford Union School District #1's major federal programs for the year ended June 30, 2020. Redford Union School District #1's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Redford Union School District #1's 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* (CFR) 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 Redford Union School District #1's 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 unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Redford Union School District #1's compliance.

Opinion on Each Major Federal Program

In our opinion, Redford Union School District #1 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, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's Responses to Findings

Redford Union School District #1's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

Management of Redford Union School District #1 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 Redford Union School District #1's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 Redford Union School District #1's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 a 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 a 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.

Maney Costerian PC

November 11, 2020

**REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

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 2 CFR 200.516(a)? X Yes _____ No

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|--|--|
| 84.027, 84.173 10.553, 10.555, 10.559 | Special Education Cluster Child Nutrition Cluster |

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

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

2020-001 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated in certain areas within the General Fund and the Special Education Center Program Fund. A similar issue was noted and reported in our prior year audit findings.

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2020

Section II - Financial Statement Findings (continued)

2020-001 UNFAVORABLE BUDGET VARIANCES (continued)

Criteria: The Uniform Budgeting and Accounting Act requires the District to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The District did not sufficiently amend the budget when it became apparent spending was going to exceed the amounts appropriated in the over budget areas.

Effect: The District has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.

Recommendation: We recommend the District continue to monitor budgeted expenditures against actual expenditures to alleviate future unfavorable budget variances and make appropriate budget amendments as needed.

Section III - Federal Award Findings and Questioned Costs

2020-002 EXCESS FUND BALANCE - NONPROFIT FOOD SERVICE FUND

Immaterial Non-Compliance

CFDA# 10.553, 10.555, and 10.559, from U.S. Department of Agriculture, Program award numbers 191970, 201970, 191960, 201960, 191980, 201980, 200902, and 191900 passed through Michigan Department of Education, Special Tests and Provisions.

Condition: During the course of our audit we noted that the District currently has more than the allowable fund balance in the nonprofit food service fund. The District currently has about 6.5 months of expenditures as fund balance. As a result, the District will be required to develop a spending plan for reducing the balance to an acceptable level during the current school year. The plan must be submitted to the Michigan Department of Education for prior approval. Excess funds cannot be transferred to the General Fund. A similar issue was noted and reported in our prior year audit findings.

Questioned Costs: None

Criteria: The U.S. Department of Agriculture requires that the ending fund balance of the nonprofit food service fund does not exceed three months operating expenses (7 CFR Part 210.19(a)(2)).

Cause: Unknown

Effect: The District is not compliance with U.S. Department of Agriculture regulations.

Recommendation: We recommend that the District continue a spending plan to improve the food quality or take other action to improve non-profit food service per applicable federal regulations.



17715 Brady Street, Redford Michigan 48240
Telephone (313) 242-6000
Fax (313) 242-6025

Internet address: <http://www.redfordu.k12.mi.us>

CORRECTIVE ACTION PLAN

November 11, 2020
Michigan Department of Education

Redford Union School District #1 respectfully submits the following corrective action plan for the year ended June 30, 2020.

Auditor: Maner Costerisan
2425 E. Grand River Avenue, Suite 1
Lansing, MI 48912

Audit Period: Year ended June 30, 2020

Finding - Financial Statement Audit:

2020-001 UNFAVORABLE BUDGET VARIANCES

Recommendation: The District should continue to monitor budgeted expenditures against actual expenditures to alleviate future unfavorable budget variances and make appropriate budget amendments as needed.

Action to be taken: Amendment budget will be done in February and June 2021.

Anticipated completion date: February and June 2021

Responsible party: Assistant Superintendent of Business and Operations

Finding - Federal Award:

2020-002 EXCESS FUND BALANCE - NONPROFIT FOOD SERVICE FUND

Recommendation: The District should continue a spending plan to improve the food quality or take other action to improve non-profit food service per applicable federal regulations.

Action to be taken: The business office will continue to submit spending down plan to MDE for board approval.

Anticipated completion date: June 2021

Responsible party: Assistant Superintendent of Business and Operations

November 11, 2020

To the Board of Education
Redford Union School District #1

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Redford Union School District #1 are described in Note 1 to the financial statements. During fiscal year 2020, the District implemented Governmental Accounting Standard No. 84, *Fiduciary Activities*. The application of existing policies was not changed during fiscal year 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability:

We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

**REDFORD UNION SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FINDINGS/NONCOMPLIANCE

Control Deficiencies Related to Internal Controls Over the Financial Statements.

2019-001 UNFAVORABLE BUDGET VARIANCES

Condition: Expenditures exceeded the amounts appropriated in certain areas within the General Fund and the Special Education Center Program Fund.

Resolution: This issue is evaluated separately each year; however, a similar issue was noted this year.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with the Uniform Guidance.

2019-002 EXCESS FUND BALANCE - NONPROFIT FOOD SERVICE FUND

Condition: Fund balance in the Food Service Fund exceeded the maximum allowed under federal regulations.

Resolution: This issue is evaluated separately each year; however, a similar issue was noted this year.

Management’s estimate in calculating the liability for employee compensated absences:

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 11, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Redford Union School District #1 and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC