Redford Union School District #1
Redford, Michigan

FINANCIAL STATEMENTS

June 30, 2018

Redford Union School District #1

Redford, Michigan

June 30, 2018

BOARD OF EDUCATION AND ADMINISTRATION

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Redford Union School District #1

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Redford Union School District #1
Redford, Michigan

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 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1, as of June 30, 2018, 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.

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Emphasis of Matter - Change in Accounting Principles

As discussed in Note J to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

As also discussed in Note J to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. Our opinions are 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, budgetary comparison information, schedules of proportionate share of net pension liability and contributions, and schedules of proportionate share of net OPEB liability and contributions, 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 the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018, on our consideration of the District'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

October 26, 2018

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Redford Union School District #1 financially as a whole. The district-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant fund - the General Fund - with all other funds presented in one column as other nonmajor governmental funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

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

Basic Financial Statements

District-wide Financial Statements *Fund Financial Statements*

Notes to the Basic Financial Statements

(Required Supplementary Information)
Budgetary Information for Major Funds

Other Supplementary Information

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

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

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

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

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

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

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

The District as Trustee - Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2017 and 2018:

Table 1
Condensed Statement of Net Position
As of June 30, 2017 and 2018

	Governmental Activities	
	2017	2018
Assets		
Current Assets	$ 16,899,393	$ 15,136,119
Capital Assets	19,507,211	17,564,250
Total Assets	**36,406,604**	**32,700,369**
Deferred Outflows	**9,035,002**	**19,227,151**
Liabilities		
Current Liabilities	8,304,350	9,828,993
Long-Term Liabilities	69,008,102	90,511,806
Total Liabilities	**77,312,452**	**100,340,799**
Deferred Inflows	**1,797,206**	**6,658,056**
Net Position		
Investment in Capital Assets	3,634,186	3,909,877
Restricted	2,416,268	2,493,623
Unrestricted	(39,718,506)	(61,474,835)
Total Net Position	**$ (33,668,052)**	**$ (55,071,335)**

The above analysis focuses on the net position. The change in net position of the District's governmental activities is discussed below. The District's net position was ($33,668,052) and ($55,071,335) at June 30, 2017 and 2018, respectively. By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions. Net investment in capital assets totaling $3,634,186 and $3,909,877 at June 30, 2017 and 2018, respectively, compares the original cost, less depreciation of the District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net position for day-to-day operations. Net position restricted was $2,416,268 and $2,493,623 at June 30, 2017 and 2018, respectively. The remaining amount of net position, ($39,718,506) and ($61,474,835) at June 30, 2017 and 2018, respectively, was unrestricted.

The ($61,474,835) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position shows how the District is able to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the changes in net position for fiscal years 2017 and 2018.

Table 2
Change in Net Position from Operations
As of June 30, 2017 and 2018

	Governmental Activities	
	2017	2018
Revenues		
Program Revenues		
Charges for Service	$ 826,967	$ 727,462
Operating Grants	20,713,849	21,591,392
General Revenues		
Property Taxes	5,991,700	5,611,247
State School Aid-unrestricted	19,888,904	19,452,267
Investment earnings	74,993	51,809
Miscellaneous	252,408	255,702
Total Revenues	**47,748,821**	**47,689,879**
Functions/Program Expenses		
Instruction	27,848,336	29,040,077
Supporting services	15,502,244	15,827,823
Community services	162,852	166,452
Food Services	1,236,343	1,359,303
Interest on long-term debt	1,114,495	989,420
Unallocated depreciation	-	2,272,731
Total Expenses	**45,864,270**	**49,655,806**
Increase (Decrease) in Net Position	**$ 1,884,551**	**$ (1,965,927)**

As reported in the statement of activities, the cost of all of our governmental activities this year was $49,655,807. Certain activities were partially funded from those who benefited from the programs ($727,462) or by other governments and organizations that subsidized certain programs with grants and contributions ($21,591,392). We paid for the remaining "public benefit" portion of our governmental activities with $5,611,247 in taxes, $19,452,267 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The District experienced a decrease in net position of ($1,965,927). Key reasons for the change in net position in 2017-2018 include an increase in local revenue from employee donations and an increase in state revenue due to increased enrollment.

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

The District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of $8,371,055, which is a decrease of ($531,516) from last year. The primary reasons for the change are as follows:

In the General Fund, our principal operating fund, the fund balance decreased from $6,141,460 to $5,502,115. The change is due mainly to an increase in expenditures of approximately $2.7 million compared to the prior year.

General Fund Budgetary Highlights

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

There were revisions made to the 2017-2018 General Fund original budget. Budgeted revenues and other financing sources were decreased by approximately $3.7 million.

Budgeted expenditures and other financing uses were decreased by approximately $3.0 million.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the District had $17,564,250 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions and depreciation) of $1,942,961, or 11.0 percent, from last year.

Table 3
Capital Assets, Net
Years Ended 2018

	Balance June 30, 2017	Balance June 30, 2018
Land	$ 30,123	$ 30,123
Construction in progress	-	56,830
Buildings and additions	18,818,431	16,710,895
Equipment and furniture	658,657	719,292
Vehicles	-	47,110
Total	**$ 19,507,211**	**$ 17,564,250**

This year's additions of $272,940 consisted mainly of building improvements, vehicles, and equipment. No additional debt was issued for these additions.

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the District had $13,743,801 in debt outstanding versus $16,002,801 in the previous year - a change of 14.4 percent. Those bonds consisted of the following:

Table 4
Outstanding Debt
Years Ended June 30, 2017 and 2018

	Balance June 30, 2017	Balance June 30, 2018
1997 School Improvement Bonds	$ 7,660,000	$ 7,660,000
2007 School Improvement Bonds	605,000	-
2009 School Improvement Bonds	7,710,000	6,070,000
Installment Loans	27,801	13,801
Total	**$ 16,002,801**	**$ 13,743,801**

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. If the District issues "qualified debt", i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District's outstanding unqualified general obligation debt of $13,743,801 is below the statutorily imposed limit.

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

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the District's 2018-2019 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 2018-2019 fiscal year is 10 percent and 90 percent of the February 2018 and September 2018 student counts, respectively. The 2018-2019 budget was adopted in June 2018, based on an estimate of students who will be enrolled in September 2018. 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 2018-2019 school year, we anticipate that the fall student count will be better with the estimates used in creating the 2018-2019 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 Management

This report is designed to give an overview of the financial conditions of the Redford Union School District #1. Additional financial information can be obtained by contacting Central Office, Redford Union School District #1:

17715 Brady Street, Redford, MI 48240
Business office

Asst. Supt. of Business
Greg McIntyre
(Tel) 313-242-6009

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

BASIC FINANCIAL STATEMENTS

Redford Union School District #1

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 7,898,025
Accounts receivable	44,245
Due from other governmental units	7,169,719
Inventory	18,087
Prepaids	6,043
Total current assets	15,136,119
Noncurrent assets	
Capital assets not being depreciated	86,953
Capital assets, net of accumulated depreciation	17,477,297
Total noncurrent assets	17,564,250
TOTAL ASSETS	32,700,369
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	13,469
Deferred outflows of resources related to pensions	17,690,206
Deferred outflows of resources related to OPEB	1,523,476
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,227,151
LIABILITIES	
Current liabilities	
Accounts payable	1,206,625
Accrued payroll	2,856,302
Accrued interest payable	142,238
Other accrued liabilities	422,500
Unearned revenue	99,692
Short-term notes payable	2,602,445
Current portion of compensated absences	140,390
Current portion of long-term debt	2,358,801
Total current liabilities	9,828,993
Noncurrent liabilities	
Noncurrent portion of compensated absences	210,586
Noncurrent portion of long-term debt	11,385,000
Net pension liability	58,906,928
Net OPEB liability	20,009,292
Total noncurrent liabilities	90,511,806
TOTAL LIABILITIES	100,340,799
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	5,978,082
Deferred inflows of resources related to OPEB	679,974
TOTAL DEFERRED INFLOWS OF RESOURCES	6,658,056
NET POSITION	
Net investment in capital assets	3,909,877
Restricted for food service	882,023
Restricted for debt service	1,611,600
Unrestricted	(61,474,835)
TOTAL NET POSITION	$ (55,071,335)

See accompanying notes to financial statements.

Redford Union School District #1

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 29,040,077	$ 92,230	$ 19,073,427	$ (9,874,420)
Supporting services	15,827,823	543,539	904,854	(14,379,430)
Community services	166,452	-	-	(166,452)
Food service	1,359,303	91,693	1,613,111	345,501
Interest on long-term debt	989,420	-	-	(989,420)
Unallocated depreciation	2,272,731	-	-	(2,272,731)
TOTAL	$ 49,655,806	$ 727,462	$ 21,591,392	(27,336,952)
General revenues				
Property taxes, levied for general purposes				2,549,034
Property taxes, levied for debt service				3,062,213
State school aid - unrestricted				19,452,267
Investment earnings				51,809
Miscellaneous				255,702
TOTAL GENERAL REVENUES				25,371,025
CHANGE IN NET POSITION				(1,965,927)
Restated net position, beginning of year				(53,105,408)
Net position, end of year				$ (55,071,335)

See accompanying notes to financial statements.

Redford Union School District #1

Governmental Funds

BALANCE SHEET

June 30, 2018

	General	Special Education Center Program	1997 Bond Issue	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 6,268,620	$ -	$ 1,542,216	$ 87,189	$ 7,898,025
Accounts receivable	41,645	-	-	2,600	44,245
Due from other governmental units	5,968,058	875,619	242,973	83,069	7,169,719
Due from other funds	-	-	-	925,069	925,069
Inventory	-	-	-	18,087	18,087
Prepaids	6,043	-	-	-	6,043
TOTAL ASSETS	$ 12,284,366	$ 875,619	$ 1,785,189	$ 1,116,014	$ 16,061,188
LIABILITIES					
Accounts payable	$ 1,200,936	$ 4,823	$ -	$ 866	$ 1,206,625
Accrued payroll	2,856,302	-	-	-	2,856,302
Due to other funds	22,922	870,796	31,351	-	925,069
Unearned revenue	99,646	-	-	46	99,692
Short-term notes payable	2,602,445	-	-	-	2,602,445
TOTAL LIABILITIES	6,782,251	875,619	31,351	912	7,690,133
FUND BALANCES					
Nonspendable					
Prepaids	6,043	-	-	-	6,043
Restricted					
Food service	-	-	-	1,039,143	1,039,143
Debt service	-	-	1,753,838	-	1,753,838
Capital projects	-	-	-	75,959	75,959
Unassigned	5,496,072	-	-	-	5,496,072
TOTAL FUND BALANCES	5,502,115	-0-	1,753,838	1,115,102	8,371,055
TOTAL LIABILITIES AND FUND BALANCES	$ 12,284,366	$ 875,619	$ 1,785,189	$ 1,116,014	$ 16,061,188

See accompanying notes to financial statements.

Redford Union School District #1

Governmental Funds

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2018

Total fund balances - governmental funds		$ 8,371,055
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	$ 60,352,562	
Accumulated depreciation is	(42,788,312)	
Capital assets, net		17,564,250
Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:		
Deferred charges on refunding		13,469
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	17,690,206	
Deferred inflows of resources related to pensions	(5,978,082)	
Deferred outflows of resources related to OPEB	1,523,476	
Deferred inflows of resources related to OPEB	(679,974)	
		12,555,626
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	(13,743,801)	
Accrued interest payable	(142,238)	
Incurred but not reported benefit claims	(422,500)	
Compensated absences	(350,976)	
Net pension liability	(58,906,928)	
Net OPEB liability	(20,009,292)	
		(93,575,735)
Net position of governmental activities		$ (55,071,335)

See accompanying notes to financial statements.

Redford Union School District #1

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	General	Special Education Center Program	1997 Bond Issue	Nonmajor Governmental Funds	Total
REVENUES					
Local sources	$ 3,319,551	$ -	$ 3,102,454	$ 101,612	$ 6,523,617
State sources	26,180,418	3,051,642	-	39,524	29,271,584
Federal sources	3,133,057	345,982	191,003	1,573,587	5,243,629
TOTAL REVENUES	32,633,026	3,397,624	3,293,457	1,714,723	41,038,830
EXPENDITURES					
Current					
Instruction	22,680,318	6,103,831	-	-	28,784,149
Supporting services	11,759,137	3,929,171	-	-	15,688,308
Community services	164,951	-	-	-	164,951
Food service	-	-	-	1,347,080	1,347,080
Capital outlay	-	-	-	292,485	292,485
Debt service	14,000	-	384,499	2,856,025	3,254,524
TOTAL EXPENDITURES	34,618,406	10,033,002	384,499	4,495,590	49,531,497
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,985,380)	(6,635,378)	2,908,958	(2,780,867)	(8,492,667)
OTHER FINANCING SOURCES (USES)					
Payments from other districts	1,684,367	6,276,784	-	-	7,961,151
Transfers in	20,262	358,594	-	2,856,025	3,234,881
Transfers out	(358,594)	-	(2,856,025)	(20,262)	(3,234,881)
TOTAL OTHER FINANCING SOURCES (USES)	1,346,035	6,635,378	(2,856,025)	2,835,763	7,961,151
NET CHANGE IN FUND BALANCE	(639,345)	-0-	52,933	54,896	(531,516)
Fund balance, beginning of year	6,141,460	-	1,700,905	1,060,206	8,902,571
Fund balance, end of year	$ 5,502,115	$ -0-	$ 1,753,838	$ 1,115,102	$ 8,371,055

See accompanying notes to financial statements.

Redford Union School District #1

Governmental Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Net change in fund balances - total governmental funds		$ (531,516)
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	$ 329,770	
Depreciation expense	(2,272,731)	
Excess of depreciation expense over capital outlay		(1,942,961)
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:		
Amortization of deferred charge on refunding	(13,466)	
Bond and loan principal retirement	2,259,000	
		2,245,534
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue		(126,780)
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	(6,373,302)	
Change in deferred outflows of resources related to pensions	8,682,139	
Change in deferred inflows of resources related to pensions	(4,180,876)	
Change in net OPEB liability	1,096,078	
Change in deferred outflows of resources related to OPEB	(144,538)	
Change in deferred inflows of resources related to OPEB	(679,974)	
Change in incurred but not reported benefit claims	(150,000)	
Change in accrued interest payable	19,570	
Change in compensated absences	120,699	
		(1,610,204)
Change in net position of governmental activities		$ (1,965,927)

See accompanying notes to financial statements.

Redford Union School District #1

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2018

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 122,295
LIABILITIES	
Due to individuals and others	$ 122,295

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Redford Union School District #1 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; these financial statements present the financial activities of Redford Union School District #1. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the district as a whole. All nonfiduciary activities of the district are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for the major funds on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. Fiduciary funds are reported by type.

The major funds of the District are:

a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

b. Special Education Center Program 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.

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports unearned revenue on its governmental funds balance sheet. Unearned or unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty (60) days of year-end. Unearned revenues arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for unearned or unavailable revenue is removed from the balance sheet and revenue is recognized.

If/when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. All annual appropriations lapse at fiscal year end.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

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 for financing them.

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 (P.A. 621 of 1978). 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 not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.

d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.

e. The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.

f. Formal budgetary integration is employed as a management control device during the year for the General fund and all Special Revenue funds.

g. The budget, as presented, has been amended in a legally permissible manner.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts, pooled investment funds, and imprest cash. Cash equivalents are recorded at amortized cost.

7. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” on the governmental funds balance sheet.

8. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The Food Service Fund inventory consists of food and paper goods. Inventory that will be sold, rather than used in providing services (i.e., food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as “nonspendable” but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54.

9. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan’s funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2018, to be paid in July and August 2018. Of the total amount of $7,163,750 due from other governmental units, $5,147,697 consists of State Aid and the remaining $2,016,053 is from other governmental grants.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets

Capital assets include land, construction in progress, buildings and additions, equipment, furniture, and other assets, and buses and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of $5,000 or more and an estimated useful life of more than five years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

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

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

12. 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 three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. 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.

13. 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 qualifies for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit 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.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year the District paid off the short-term note that was outstanding at the beginning of the year and subsequently borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in July 2018, and anticipated State Aid is expected to be sufficient to cover this commitment.

15. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide financial statements. Accrued interest payable is due within one year and is reported as a current liability.

16. 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.

17. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

18. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and are due upon receipt of the billing by the taxpayer. The actual due date is September 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of $18.00 per $1,000 of taxable valuation on most nonprimary residence exempt property (2017 value $148,435,198) and $6.00 per $1,000 of taxable valuation on commercial personal property for general governmental services (2017 value $7,170,200) and $9.25 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. Total 2017 taxable value of the District was $341,786,531.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. 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 year ended June 30, 2018, the foundation allowance was based on the average of pupil membership counts taken in September 2017 and February 2017. The average calculation was weighted 90% for the September 2017 count and 10% for the February 2017 count. The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

20. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

21. Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

22. Restrictions of Net Position

Restrictions of net position shown in the district-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

23. Federal Programs

Federal programs are accounted for in the specific governmental funds to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

24. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

25. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or National bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or Federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

Deposits

There is custodial credit risk as it relates to 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, 2018, the carrying amount of the District's deposits was $7,548,176 and the bank balance was $7,822,613 of which $717,203 was covered by Federal depository insurance. The balance of $7,105,410 was uninsured, but collateralized.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical securities.

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Fair Value Measurements - continued

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 quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Investments

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The District participates in the Michigan Liquid Asset Fund Plus (MILAF+), the portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. It is MILAF+'s policy to compare amortized cost and fair values of the securities periodically throughout each month and as of the last business day of each month. Fair value is determined by reference to quoted market prices. MILAF+'s annual financial statement may be obtained at www.milaf.org. As of June 30, 2018, the District had a book value of $470,645 invested with MILAF+.

MILAF+ portfolio investments are assigned a level based upon the observability of the inputs which are indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost, as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by the MILAF+ Portfolio are categorized as Level 2.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2018, the District's investments in the uncategorized pooled investment (the Michigan Liquid Asset Fund Plus) are rated AAAm according to Standard & Poor's and had a weighted average maturity (WAM) of < 60 days.

Interest Rate Risk

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.

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.

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Custodial Credit Risk

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 authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with Board approved policy.

As of June 30, 2018, the District's deposits and investments were reported in the financial statements in the following categories:

	Governmental Activities	Fiduciary Fund	Total
Cash and cash equivalents	$ 7,898,025	$ 122,295	$ 8,020,320

The District had $1,499 of cash on hand as of June 30, 2018.

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash and cash equivalents decreased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	$ 30,123	$ -	$ -	$ 30,123
Construction in progress	-	56,830	-	56,830
Total capital assets not being depreciated	30,123	56,830	-0-	86,953
Capital assets being depreciated				
Buildings and additions	54,112,591	63,334	-	54,175,925
Equipment, furniture, and other assets	5,880,078	160,017	-	6,040,095
Buses and vehicles	43,650	49,589	(43,650)	49,589
Total capital assets being depreciated	60,036,319	272,940	(43,650)	60,265,609
Less accumulated depreciation for:				
Buildings and additions	(35,294,160)	(2,170,870)	-	(37,465,030)
Equipment, furniture, and other assets	(5,221,421)	(99,382)	-	(5,320,803)
Buses and vehicles	(43,650)	(2,479)	43,650	(2,479)
Total accumulated depreciation	(40,559,231)	(2,272,731)	43,650	(42,788,312)
Net capital assets being depreciated	19,477,088	(1,999,791)	-0-	17,477,297
Capital assets, net	$ 19,507,211	$ (1,942,961)	$ -0-	$ 17,564,250

NOTE C: CAPITAL ASSETS - CONTINUED

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

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2018.

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
1997 Refunding Bonds	$ 7,660,000	$ -	$ -	$ 7,660,000	$ 1,715,000
2007 Refunding Bonds	605,000	-	(605,000)	-0-	-
2009 Building and Site Bonds	7,710,000	-	(1,640,000)	6,070,000	630,000
Installment Loans	27,801	-	(14,000)	13,801	13,801
Compensated Absences	471,675	120,864	(241,563)	350,976	140,390
	$ 16,474,476	$ 120,864	$ (2,500,563)	$ 14,094,777	$ 2,499,191

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

$35,575,000 1997 Refunding Bonds dated December 1, 1997, due in annual installments ranging from $1,715,000 to $2,120,000 through May 1, 2022 with interest ranging from 5.00 to 5.125 percent, payable semi-annually.	$ 7,660,000
$12,530,000 2009 Building and Site Bonds dated June 29, 2009, due in annual installments ranging from $630,000 to $1,730,000 through May 1, 2024 with interest ranging from 7.00 to 7.75 percent, payable semi-annually.	6,070,000
	$ 13,730,000

Installment Loans

$108,301 2011 Installment Agreement dated July 29, 2011, due in quarterly installments ranging from $3,301 to $3,500, through April 1, 2019.	$ 13,801

Compensated Absences

Sick Leave - In recognition of services to the District, a sick leave payment will be made upon termination to eligible employees according to their respective employment contracts or past practice.

Vacation Payable - In recognition of services to the District, any accumulated unused vacation days payment will be made upon termination to eligible employees according to past practice. This payment will be paid on all unused vacation days at the employee's rate of pay at the time of termination.

The sick and vacation liabilities, including the related payroll taxes, have been recorded in the district-wide financial statements as compensated absences in the amount of $350,976.

NOTE D: LONG-TERM DEBT - CONTINUED

Annual Requirements for Bonded and Installment Loan Debt

The annual requirements to pay the debt principal and interest outstanding for the Long-Term Debt are as follows:

Year Ending	General Obligation Debt		Installment Loan Debt	
June 30,	Principal	Interest	Principal	Interest
2019	$ 2,345,000	$ 853,425	$ 13,801	$ -
2020	2,485,000	718,850	-	-
2021	2,640,000	577,000	-	-
2022	2,820,000	426,850	-	-
2023	1,730,000	266,600	-	-
2024	1,710,000	132,525	-	-
	$ 13,730,000	$ 2,975,250	$ 13,801	$ -0-

Advance Refunding - Prior

The District has issued various refunding bonds to defease bonded debt. These refunding’s were accomplished by establishing irrevocable trusts with escrow agents composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The various refunding bonds were used to fund escrow amounts, pay the cost of issuance of the refunding bonds, and to pay the remaining balances of the defeased obligations. Accordingly, the various trust account assets and liabilities for the defeased bonds are not included in the District’s financial statements.

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfunds receivables and payables at June 30, 2018 is as follows:

Due to nonmajor governmental funds from:	
General Fund	$ 22,922
Special Education Center Program Fund	870,796
1997 Bond Issue Fund	31,351
	$ 925,069

Amounts appearing as interfunds payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE F: 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.

Transfer to General Fund from:	
Nonmajor governmental fund	$ 20,262

NOTE F: INTERFUND TRANSFERS - CONTINUED

Transfer to Special Education Center Program Fund from:	
General Fund	$ 358,954
Transfer to nonmajor governmental funds from:	
1997 Bond Issue Fund	$ 2,856,025

The transfers from the nonmajor governmental fund to the General Fund were to cover indirect costs. The transfers to the nonmajor governmental funds were to ensure that the various debt service funds had enough cash available to make principal and interest payments as necessary. The transfer to the Special Education Center Program Fund was to fund current programs.

NOTE G: RETIREMENT AND POST EMPLOYMENT 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/mpsers-cafr.

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:

Plan Name	Plan Type	Plan Status
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

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%. 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%.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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 (MPSERS) who became a member of MPSERS 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 terminate public school employment.

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

Option 2: Members voluntarily elected to increase their contribution to the pension fund as stated in Potion 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 transient 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 199% 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).

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Pension Reform 2012 - continued

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 (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.

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.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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 5 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.

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 Post-Employment 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, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

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, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $6,775,239, with $6,722,784 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately $1,693,170, with $1,630,000 specifically for the Defined Benefit 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).

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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

Pension Liabilities

At June 30, 2018, the District reported a liability of $58,906,928 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 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.

MPSERS (Plan) Non-University Employers	September 30, 2017
Total Pension Liability	$ 72,407,218,688
Plan Fiduciary Net Position	46,492,967,573
Net Pension Liability	118,900,186,261
Proportionate Share	0.22731%
Net Pension Liability for the District	$ 58,906,928

For the year ended June 30, 2018, the District recognized pension expense of $7,441,893.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 511,941	$ 289,044
Net difference between projected and actual earnings on pension plan investment	-	2,816,139
Changes of assumptions	6,453,722	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	4,344,760	46,570
State aid related to pensions	-	2,826,329
Districts contributions subsequent to measurement date	6,379,783	-
	$ 17,690,206	$ 5,978,082

$6,379,783, 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. $2,826,329 reported as deferred inflows of resources under the caption "State aid related to pensions" will be recognized as an increase to State Aid revenue during the year ending June 30, 2019.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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

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

Year Ending September 30,	Amount
2018	$ 2,409,253
2019	3,382,233
2020	2,034,280
2021	332,904

Defined Contribution Pension Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contributions for the year ended June 30, 2018 was $52,455.

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of $20,009,292 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 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.

MPSERS (Plan) Non-University Employers	September 30, 2017
Total Other Postemployment Benefit Liability	$ 13,920,945,991
Plan Fiduciary Net Position	5,065,474,936
Net Other Postemployment Benefit Liability	8,855,471,055
Proportionate Share	0.22595%
Net Other Postemployment Benefit Liability for the District	$ 20,009,292

For the year ended June 30, 2018, the District recognized OPEB expense of $1,337,588.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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

OPEB Liabilities - continued

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ -	$ 3,514
Differences between expected and actual experience	-	213,040
Net differences between projected and actual plan investment earnings	-	463,420
Reporting unit's contributions subsequent to the measurement date	1,523,476	-
	$ 1,523,476	$ 679,974

$1,523,476, 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
2018	$ (164,253)
2019	(164,253)
2020	(164,253)
2021	(164,253)
2022	(22,962)

Defined Contribution OPEB Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee’s contributions up to 1% of an employee’s salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contributions for the year ended June 30, 2018, was $63,170.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions

Investment rate of return for Pension: 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB: 7.5% a year, compounded annually net of investment and administrative expenses.

Salary increases: The rate of pay increase used for individual members is 3.5%.

Inflation: 3.0%

Mortality assumptions: RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience Study: The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments: The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, 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 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% to year twelve.

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.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - continued

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
Private Equity Pools	18.0%	8.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	(0.1)%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	2.0%	(0.9)%
	100.0%	

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

Pension Discount rate: The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan members 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.

OPEB Discount Rate: The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. 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 project 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 District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease (6.5% / 6.0%)	Discount Rate (7.5% / 7.0%)	1% Increase (8.5% / 8.0%)
Reporting Unit's proportionate share of the net pension liability	$ 76,736,134	$ 58,906,928	$ 43,895,872

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 23,436,664	$ 20,009,292	$ 17,100,526

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the District'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 District'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 (6.5% decreasing to 2.5%)	Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 16,945,181	$ 20,009,292	$ 23,488,377

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 2017 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).

Other Information

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Clams judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately $554 million (including interest), was posted as a liability on the plan's CAFR report.

NOTE H: 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 I: SUBSEQUENT EVENT

In August 2018, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of $3,500,000 was for the purpose of funding operating expenditures until the fiscal year 2019 State Aid payments resume. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE J: NEW ACCOUNTING STANDARDS

For the year ended June 30, 2018, the District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Summary

GASB Statement No. 75 requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

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

	Governmental Activities
Net position as previously stated July 1, 2017	$ (33,668,052)
Adoption of GASB Statement 75	
Net other postemployment benefit liability	(21,105,370)
Deferred outflows of resources related to subsequent OPEB contributions	1,668,014
Net position as restated July 1, 2017	$ (53,105,408)

NOTE J: NEW ACCOUNTING STANDARDS - CONTINUED

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, was implemented during the year. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, Redford Union School District #1's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment has not been determined by Redford Union School District #1.

For assigned fund balance, Redford Union School District #1 has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Education.

The District has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

NOTE L: CONTINGENT LIABILITIES

Under the terms of various Federal and State grants, periodic compliance audits are required, and certain costs may be questioned, allowed, or disallowed, which could result in funds being returned and/or received from grantor agencies.

NOTE M: SHORT-TERM NOTES

The District issued short-term State School Aid Anticipation Notes in the amount of $4,600,000 for the purpose of funding operating expenditures until the 2017 State Aid payments resumed. These short-term notes, which had a net outstanding balance of $4,168,645 (principal and accrued interest payable) at June 30, 2017, were paid in full during the year ended June 30, 2018.

On August 21, 2017, the District issued short-term State School Aid Anticipation Notes in the amount of $3,000,000 for the purpose of funding operating expenditures until the 2018 State Aid payments resumed. These short-term notes had an interest rate ranging from 1.27% to 1.49%. These short-term notes, which have a net outstanding balance of $2,602,445 (principal and accrued interest payable) at June 30, 2018, are reported in the financial statements under the heading short-term notes payable. The outstanding balance was paid in July and August 2018.

NOTE N: BONDED CONSTRUCTION FUNDS

The Capital Projects 2009 Bond Fund of the District includes the capital project activities funded by the 2009 School Improvement Bonds. For the projects recorded in this fund, the District has complied with the applicable provisions of Section 1351 (a) of the Revised School Code in the current year.

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases.* The Statement increases 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. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018-2019 fiscal year.

NOTE P: CONTRACTUAL COMMITMENTS

The District has entered into contracts for $623,000 for renovations to the high school that were not completed at June 30, 2018. The District's fund balance, along with future anticipated revenues, are expected to be sufficient to cover these commitments.

REQUIRED SUPPLEMENTARY INFORMATION

Redford Union School District #1

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 3,494,728	$ 3,232,252	$ 3,319,551	$ 87,299
State sources	29,823,089	26,029,703	26,180,418	150,715
Federal sources	2,886,142	3,231,394	3,133,057	(98,337)
TOTAL REVENUES	36,203,959	32,493,349	32,633,026	139,677
EXPENDITURES				
Current				
Instruction				
Basic programs	16,745,227	15,882,386	16,124,063	(241,677)
Added needs	5,343,453	6,416,533	6,265,619	150,914
Adult and continuing education	3,138,686	260,651	290,636	(29,985)
Total instruction	25,227,366	22,559,570	22,680,318	(120,748)
Supporting services				
Pupil	2,203,766	2,114,892	2,022,312	92,580
Instructional staff	1,258,500	1,324,613	1,235,268	89,345
General administration	577,973	523,427	492,254	31,173
School administration	1,410,948	1,529,794	1,581,335	(51,541)
Business	691,385	808,813	819,910	(11,097)
Operations and maintenance	3,172,864	2,794,614	2,761,740	32,874
Pupil transportation	1,399,336	1,375,153	1,365,852	9,301
Central support	1,223,746	1,121,388	1,166,202	(44,814)
Athletics	386,472	393,119	314,264	78,855
Total supporting services	12,324,990	11,985,813	11,759,137	226,676
Community services	148,015	183,783	164,951	18,832
Debt service	53,872	14,000	14,000	-0-
TOTAL EXPENDITURES	37,754,243	34,743,166	34,618,406	124,760
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,550,284)	(2,249,817)	(1,985,380)	264,437

Redford Union School District #1

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2018

	Original Budget	Final Amended Budget	Actual	Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Payments from other districts	$ 1,651,996	$ 1,455,574	$ 1,684,367	$ 228,793
Transfers in	910,182	1,217,026	20,262	(1,196,764)
Transfers out	(52,647)	(414,254)	(358,594)	55,660
TOTAL OTHER FINANCING SOURCES (USES)	2,509,531	2,258,346	1,346,035	(912,311)
NET CHANGE IN FUND BALANCE	959,247	8,529	(639,345)	(647,874)
Fund balance, beginning of year	6,141,460	6,141,460	6,141,460	-0-
Fund balance, end of year	$ 7,100,707	$ 6,149,989	$ 5,502,115	$ (647,874)

Redford Union School District #1

Special Education Center Program Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
State sources	$ 2,600,000	$ 3,124,207	$ 3,051,642	$ (72,565)
Federal sources	351,540	345,981	345,982	1
TOTAL REVENUES	2,951,540	3,470,188	3,397,624	(72,564)
EXPENDITURES				
Current				
Instruction	5,515,716	5,614,791	6,103,831	(489,040)
Supporting services	3,872,163	3,632,412	3,929,171	(296,759)
TOTAL EXPENDITURES	9,387,879	9,247,203	10,033,002	(785,799)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(6,436,339)	(5,777,015)	(6,635,378)	(858,363)
OTHER FINANCING SOURCES (USES)				
Payments from other districts	6,594,073	6,866,232	6,276,784	(589,448)
Transfers in	-	-	358,594	358,594
Transfers out	(157,734)	(1,089,217)	-	1,089,217
TOTAL OTHER FINANCING SOURCES (USES)	6,436,339	5,777,015	6,635,378	858,363
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	$ -0-	$ -0-	$ -0-	$ -0-

Redford Union School District #1

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Four Measurement Dates (ultimately ten years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2014	2015	2016	2017
District's proportion of net pension liability (%)	0.2020700%	0.20229956%	0.21056252%	0.22731480%
District's proportionate share of net pension liability	$ 44,508,043	$ 49,411,722	$ 52,533,626	$ 58,906,928
District's covered employee payroll	$ 17,106,398	$ 16,721,314	$ 18,098,529	$ 19,504,630
District's proportionate share of net pension liability as a percentage of its covered employee payroll	260.18%	295.50%	290.26%	302.02%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%	63.27%	64.21%

Redford Union School District #1

SCHEDULE OF PENSION CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Four Fiscal Years (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2015	2016	2017	2018
Statutorily required contributions	$ 3,777,283	$ 4,877,875	$ 3,631,814	$ 6,722,784
Contributions in relation to statutorily required contributions	3,777,283	4,877,875	3,631,814	6,722,784
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-
District's covered employee payroll	$ 16,813,295	$ 16,656,975	$ 19,320,577	$ 21,188,419
Contributions as a percentage of covered employee payroll	22.47%	29.28%	18.80%	31.73%

Redford Union School District #1

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY

Michigan Public School Employee Retirement Plan

Last Measurement Date (ultimately ten measurement dates will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2017
District's proportion of net OPEB liability (%)	0.225954%
District's proportionate share of net OPEB liability	$ 20,009,292
District's covered employee payroll	19,504,630
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll	102.59%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

Redford Union School District #1

SCHEDULE OF OPEB CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2018
Statutorily required contributions	$ 1,630,000
Contributions in relation to statutorily required contributions	1,630,000
Contribution deficiency (excess)	$ -0-
District's covered employee payroll	$ 21,188,419
Contributions as a percentage of covered employee payroll	7.69%

NOTE A: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

Changes of benefit terms: There were no changes of benefit terms in 2017.

Changes of assumptions: There were no changes of assumptions in 2017.

NOTE B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the 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 year ended June 30, 2018, the District incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Current			
Instruction			
Basic programs	$ 15,882,386	$ 16,124,063	$ 241,677
Adult and continuing education	260,651	290,636	29,985
Supporting services			
School administration	1,529,794	1,581,335	51,541
Business	808,813	819,910	11,097
Central support	1,121,388	1,166,202	44,814
Special Education Center Program Fund			
Current			
Instruction	5,614,791	6,103,831	489,040
Supporting services	3,632,412	3,929,171	296,759

OTHER SUPPLEMENTARY INFORMATION

Redford Union School District #1

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2018

	Special Revenue	Debt Service		Capital Projects	
	Food Service	2007 Refunding Issue	2009 Bond Issue	2009 Bond Issue	Total
ASSETS					
Cash and cash equivalents	$ 11,230	$ -	$ -	$ 75,959	$ 87,189
Accounts receivable	2,600	-	-	-	2,600
Due from other governmental units	83,069	-	-	-	83,069
Due from other funds	925,069	-	-	-	925,069
Inventory	18,087	-	-	-	18,087
TOTAL ASSETS	$ 1,040,055	$ -0-	$ -0-	$ 75,959	$ 1,116,014
LIABILITIES					
Accounts payable	$ 866	$ -	$ -	$ -	$ 866
Unearned revenue	46	-	-	-	46
TOTAL LIABILITIES	912	-0-	-0-	-0-	912
Restricted					
Food service	1,039,143	-	-	-	1,039,143
Capital projects	-	-	-	75,959	75,959
TOTAL FUND BALANCES	1,039,143	-0-	-0-	75,959	1,115,102
TOTAL LIABILITIES AND FUND BALANCES	$ 1,040,055	$ -0-	$ -0-	$ 75,959	$ 1,116,014

Redford Union School District #1

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	Special Revenue	Debt Service		Capital Projects	
	Food Service	2007 Refunding Issue	2009 Bond Issue	2009 Bond Issue	Total
REVENUES					
Local sources	$ 100,693	$ -	$ -	$ 919	$ 101,612
State sources	39,524	-	-	-	39,524
Federal sources	1,573,587	-	-	-	1,573,587
TOTAL REVENUES	1,713,804	-0-	-0-	919	1,714,723
EXPENDITURES					
Current					
Food service	1,347,080	-	-	-	1,347,080
Debt service					
Principal retirement	-	605,000	1,640,000	-	2,245,000
Interest, fiscal, and other charges	-	24,200	586,825	-	611,025
Capital outlay	292,485	-	-	-	292,485
TOTAL EXPENDITURES	1,639,565	629,200	2,226,825	-0-	4,495,590
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	74,239	(629,200)	(2,226,825)	919	(2,780,867)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	629,200	2,226,825	-	2,856,025
Transfers out	(20,262)	-	-	-	(20,262)
TOTAL OTHER FINANCING SOURCES (USES)	(20,262)	629,200	2,226,825	-0-	2,835,763
NET CHANGE IN FUND BALANCES	53,977	-0-	-0-	919	54,896
Fund balances, beginning of year	985,166	-	-	75,040	1,060,206
Fund balances, end of year	$ 1,039,143	$ -0-	$ -0-	$ 75,959	$ 1,115,102