REDFORD UNION SCHOOL DISTRICT #1

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

YEAR ENDED JUNE 30, 2019

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Redford Union School District #1

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Redford Union School District #1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Redford Union School District #1 as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Redford Union School District #1's basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 25, 2019 on our consideration of Redford Union School District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Redford Union School District #1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Redford Union School District #1's internal control over financial reporting and compliance.

Maner Costerisan PC

October 25, 2019

REDFORD UNION SCHOOL DISTRICT #1
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2019

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

FINANCIAL HIGHLIGHTS

In 2018-19 the total general fund revenues were approximately $33.17 million dollars with expenditures of approximately $35.34 million dollars. In 2017-18 the total general fund revenues were $32.63 million dollars with expenditures approximately $34.62 million dollars. General fund revenues increased from the 2017-18 school year due to an increase in revenues from state grants and property taxes. General fund expenditures increased by approximately $723,000. This increase reflects an increase in spending on supporting services during the current year, including salaries and benefits for supporting services staff. The State Legislature also allocated additional funds to school districts to put more funds into the school employee pension plan to address the underfunded balance of the retirement fund which also increased expenses and revenues.

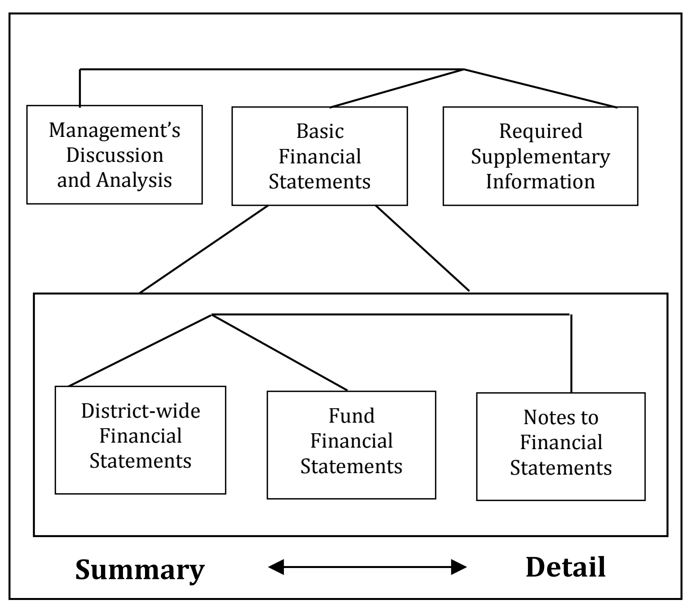
The District continues to participate in short-term borrowing and borrowed $3,500,000 dollars during the year that was repaid in August 2019. The reliance on short-term borrowings to finance operations during the school year, especially until the first State Aid payment in October and the receipt of property taxes beginning in December will require state aid borrowing in 2019-20, with approximately $3,000,000 being borrowed to meet cash flow needs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

Figure A-2
Major Features of District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements: Governmental Funds	Fund Financial Statements: Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

DISTRICT-WIDE FINANCIAL STATEMENTS

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

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

The District's combined net position at the beginning of the fiscal year was ($55,071,335) and on June 30, 2019 it is ($56,809,151), which represents a decrease of $1,737,816 as recorded in the statement of activities.

FUND FINANCIAL STATEMENTS

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

Fiduciary funds are for assets that belong to others, such as the scholarship fund and the student activities fund where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations, but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch and athletics.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net deficit improved as of June 30, 2019.

Table 1
Condensed Statement of Net Position
As of June 30, 2018 and 2019

	Governmental Activities	
	2018	2019
Assets		
Current Assets	$ 15,136,119	$ 14,256,354
Capital Assets	17,564,250	16,948,452
Total Assets	**32,700,369**	**31,204,806**
Deferred Outflows	**19,227,151**	**38,043,401**
Liabilities		
Current Liabilities	9,828,993	10,530,957
Long-Term Liabilities	90,511,806	102,584,706
Total Liabilities	**100,340,799**	**113,115,663**
Deferred Inflows	**6,658,056**	**12,941,695**
Net Position		
Investment in Capital Assets	3,909,877	5,641,026
Restricted	2,493,623	2,317,652
Unrestricted	(61,474,835)	(64,767,829)
Total Net Position	**$ (55,071,335)**	**$ (56,809,151)**

Table 2
Change in Net Position from Operations
As of June 30, 2018 and 2019

	Governmental Activities	
	2018	2019
Revenues		
Program Revenues		
Charges for Service	$ 727,462	$ 693,007
Operating Grants	21,591,392	24,352,324
General Revenues		
Property Taxes	5,611,247	5,722,345
State School Aid-unrestricted	19,452,267	17,568,836
Investment earnings	51,809	64,088
Miscellaneous	255,702	237,610
Total Revenues	**47,689,879**	**48,638,210**
Functions/Program Expenses		
Instruction	29,040,077	28,982,334
Supporting services	15,827,823	16,704,891
Community services	166,452	184,222
Food Services	1,359,303	1,340,796
Interest on long-term debt	989,420	847,153
Unallocated depreciation	2,272,731	2,316,630
Total Expenses	**49,655,806**	**50,376,026**
Increase (Decrease) in Net Position	**$ (1,965,927)**	**$ (1,737,816)**

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

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

a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from $5,214 per student in 1995 to $7,871 per student in 2018-19. The per student State foundation allowance increased by $120 from 2016-17. This increase followed the previous year increase in foundation allowance paid to the districts from $7,511 in 2016-17 to $7,631 in 2017-18.

b. The District's non-homestead levy for 2018-19 was 18.0000 mills.

Student Enrollment

Student enrollment decreased from 3,168 in 2017-18 to 2,827 in 2018-19. For the 2019-20 school year it is hopeful that enrollment will be the same as 2018-19 or up slightly.

GOVERNMENTAL FUNDS

Results of Operations:

The following summarizes the revenues and expenses by comparing fiscal year 2019 to 2018 as shown in the previous results of operations.

- Property tax revenue increased due to an increase in taxable values
- State sources decreased due to decreases in at-risk funding, discretionary payments, and state funds to help fund the employee pension plan.
- Federal sources showed a slight increase due to increases in Title I and Title II revenue being partially offset by an increase in revenue from the Child Nutrition Cluster.
- Expenses increased from $49.7 million in 2018 to $50.4 million, an increase of $0.7 million.

GENERAL FUND AND BUDGETARY HIGHLIGHTS

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The original 2018-19 budget was approved on June 11, 2018.

The 2018-19 budget was revised throughout the fiscal year, with the final revision approved on June 10, 2019. The final budget revision anticipated lower revenues and expenses than was expected in June 2018 when the original budget was approved. The decrease in revenues was a result of receiving less state funding than anticipated. The increase in expenses was the result of the additional basic programs and adult and continuing education expenses incurred during the current year as well as higher than originally expected instructional costs.

The 2018-19 revenues were $127,073 more than the final amended budget and $1,002,999 less than originally budgeted. The 2018-19 expenditures were $732,703 less than the final amended budget and $231,748 more than originally budgeted.

SPECIAL EDUCATION CENTER PROGRAM AND BUDGETARY HIGHLIGHTS

Original vs. Final Budget

The 2018-19 revenues were $463,240 less than the final amended budget and $131,711 more than originally budgeted. The 2018-19 expenditures were $166,794 less than the final amended budget and $383,872 more than originally budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, the District had invested $16,948,452 in a broad range of capital assets. See Note 4 for more information.

Table 3
Capital Assets, Net
As of June 30, 2018 and 2019

	Balance June 30, 2018	Balance June 30, 2019
Land	$ 30,123	$ 30,123
Construction in progress	56,830	530,662
Buildings and additions	16,710,895	15,613,671
Equipment and furniture	719,292	731,845
Vehicles	47,110	42,151
Total	**$ 17,564,250**	**$ 16,948,452**

LONG-TERM DEBT

At the end of this year, the District had $11,385,000 in debt outstanding. The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. See Note 6 for more information.

Table 4
Outstanding Debt
As of June 30, 2018 and 2019

	Balance June 30, 2018	Balance June 30, 2019
1997 School Improvement Bonds	$ 7,660,000	$ 5,945,000
2009 School Improvement Bonds	6,070,000	5,440,000
Installment Loans	13,801	-
Total	**$ 13,743,801**	**$ 11,385,000**

FACTORS BEARING ON THE DISTRICT'S FUTURE

Our elected officials and administration considered many factors when setting the District's 2019-2020 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 2019-2020 fiscal year is 10 percent and 90 percent of the February 2019 and September 2019 student counts, respectively. The 2019-2020 budget was adopted in June 2019, based on an estimate of students who will be enrolled in September 2019. 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 2019-2020 school year, we anticipate that the fall student count will be better with the estimates used in creating the 2019-2020 budget. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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Business Office

Asst. Supt. of Business
Greg McIntyre
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Jennie Li
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BASIC FINANCIAL STATEMENTS

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 6,887,934
Accounts receivable	84,138
Intergovernmental receivables	7,258,124
Inventory	26,158
Total current assets	14,256,354
Noncurrent assets	
Capital assets not being depreciated	560,785
Capital assets, net of accumulated depreciation	16,387,667
Total noncurrent assets	16,948,452
TOTAL ASSETS	31,204,806
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	31,320,199
Deferred outflows of resources related to OPEB	6,723,202
TOTAL DEFERRED OUTFLOWS OF RESOURCES	38,043,401
LIABILITIES	
Current liabilities	
Accounts payable	1,491,091
Accrued payroll	2,129,821
Accrued retirement	642,788
Accrued interest payable	119,808
Other accrued liabilities	257,000
Short-term notes payable	3,135,814
Current portion of compensated absences	269,635
Current portion of long-term debt	2,485,000
Total current liabilities	10,530,957
Noncurrent liabilities	
Noncurrent portion of compensated absences	404,451
Noncurrent portion of long-term debt	8,900,000
Net pension liability	73,136,843
Net OPEB liability	20,143,412
Total noncurrent liabilities	102,584,706
TOTAL LIABILITIES	113,115,663
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	5,611,395
Deferred inflows of resources related to OPEB	4,535,336
Deferred inflows of resources - related to state aid funding for pensions	2,794,964
TOTAL DEFERRED INFLOWS OF RESOURCES	12,941,695
NET POSITION	
Net investment in capital assets	5,641,026
Restricted for food service	651,636
Restricted for debt service	1,666,016
Unrestricted	(64,767,829)
TOTAL NET POSITION	$ (56,809,151)

See notes to financial statements.

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

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	$ 28,982,334	$ 17,084	$ 21,880,594	$ (7,084,656)
Supporting services	16,704,891	601,625	784,752	(15,318,514)
Community services	184,222	-	-	(184,222)
Food service	1,340,796	74,298	1,686,978	420,480
Interest on long-term debt	847,153	-	-	(847,153)
Unallocated depreciation	2,316,630	-	-	(2,316,630)
TOTAL	$ 50,376,026	$ 693,007	$ 24,352,324	(25,330,695)
General revenues				
Property taxes, levied for general purposes				2,684,150
Property taxes, levied for debt service				3,038,195
State school aid - unrestricted				17,568,836
Investment earnings				64,088
Miscellaneous				237,610
TOTAL GENERAL REVENUES				23,592,879
CHANGE IN NET POSITION				(1,737,816)
Net position, beginning of year				(55,071,335)
Net position, end of year				$ (56,809,151)

See notes to financial statements.

REDFORD UNION SCHOOL DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Special Education Center Program	1997 Bond Issue	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 5,484,706	$ -	$ 1,298,109	$ 105,119	$ 6,887,934
Accounts receivable	23,410	-	60,728	-	84,138
Intergovernmental receivables	6,222,960	742,886	210,292	81,986	7,258,124
Due from other funds	-	-	216,695	693,607	910,302
Inventory	-	-	-	26,158	26,158
TOTAL ASSETS	$ 11,731,076	$ 742,886	$ 1,785,824	$ 906,870	$ 15,166,656
LIABILITIES					
Accounts payable	$ 1,476,930	$ 13,917	$ -	$ 244	$ 1,491,091
Accrued payroll	2,129,821	-	-	-	2,129,821
Accrued retirement	642,788	-	-	-	642,788
Due to other funds	181,333	728,969	-	-	910,302
Short-term notes payable	3,135,814	-	-	-	3,135,814
TOTAL LIABILITIES	7,566,686	742,886	-	244	8,309,816
FUND BALANCES					
Nonspendable					
Inventory	-	-	-	26,158	26,158
Restricted					
Food service	-	-	-	802,894	802,894
Debt service	-	-	1,785,824	-	1,785,824
Capital projects	-	-	-	77,574	77,574
Unassigned	4,164,390	-	-	-	4,164,390
TOTAL FUND BALANCES	4,164,390	-	1,785,824	906,626	6,856,840
TOTAL LIABILITIES AND FUND BALANCES	$ 11,731,076	$ 742,886	$ 1,785,824	$ 906,870	$ 15,166,656

See notes to financial statements.

REDFORD UNION SCHOOL DISTRICT #1
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - governmental funds		$ 6,856,840
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 62,053,394	
Accumulated depreciation is	(45,104,942)	
Capital assets, net		16,948,452
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	31,320,199	
Deferred inflows of resources related to pensions	(5,611,395)	
Deferred outflows of resources related to OPEB	6,723,202	
Deferred inflows of resources related to OPEB	(4,535,336)	
Deferred inflows of resources related to state aid funding for pensions	(2,794,964)	
		25,101,706
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	(11,385,000)	
Accrued interest payable	(119,808)	
Incurred but not reported benefit claims	(257,000)	
Compensated absences	(674,086)	
Net pension liability	(73,136,843)	
Net OPEB liability	(20,143,412)	
		(105,716,149)
Net position of governmental activities		$ (56,809,151)

See notes to financial statements.

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General	Special Education Center Program	1997 Bond Issue	Nonmajor Governmental Funds	Total
REVENUES					
Local sources	$ 3,253,510	$ -	$ 3,077,729	$ 75,913	$ 6,407,152
State sources	24,898,441	3,240,540	-	43,896	28,182,877
Federal sources	3,281,242	336,864	155,172	1,643,082	5,416,360
Incoming transfers and other transactions	1,736,094	6,895,727	-	-	8,631,821
TOTAL REVENUES	33,169,287	10,473,131	3,232,901	1,762,891	48,638,210
EXPENDITURES					
Current					
Instruction	22,631,764	5,788,058	-	-	28,419,822
Supporting services	12,517,961	3,862,791	-	-	16,380,752
Community services	177,194	-	-	-	177,194
Food service	-	-	-	1,289,199	1,289,199
Capital outlay	-	-	-	670,543	670,543
Debt service	14,000	-	2,098,790	1,102,125	3,214,915
TOTAL EXPENDITURES	35,340,919	9,650,849	2,098,790	3,061,867	50,152,425
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,171,632)	822,282	1,134,111	(1,298,976)	(1,514,215)
OTHER FINANCING SOURCES (USES)					
Transfers in	833,907	-	-	1,102,125	1,936,032
Transfers out	-	(822,282)	(1,102,125)	(11,625)	(1,936,032)
TOTAL OTHER FINANCING SOURCES (USES)	833,907	(822,282)	(1,102,125)	1,090,500	-
NET CHANGE IN FUND BALANCE	(1,337,725)	-	31,986	(208,476)	(1,514,215)
Fund balance, beginning of year	5,502,115	-	1,753,838	1,115,102	8,371,055
Fund balance, end of year	$ 4,164,390	$ -	$ 1,785,824	$ 906,626	$ 6,856,840

See notes to financial statements.

REDFORD UNION SCHOOL DISTRICT #1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds		$ (1,514,215)
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	$ 1,700,832	
Depreciation expense	(2,316,630)	
Excess of depreciation expense over capital outlay		(615,798)
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	(13,469)	
Bond and loan principal retirement	2,358,801	
		2,345,332
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	(14,229,915)	
Change in deferred outflows of resources related to pensions	13,629,993	
Change in deferred inflows of resources related to pensions	(2,459,642)	
Change in net OPEB liability	(134,120)	
Change in deferred outflows of resources related to OPEB	5,199,726	
Change in deferred inflows of resources related to OPEB	(3,855,362)	
Change in state aid funding for pension	31,365	
Change in incurred but not reported benefit claims	165,500	
Change in accrued interest payable	22,430	
Change in compensated absences	(323,110)	
		(1,953,135)
Change in net position of governmental activities		$ (1,737,816)

See notes to financial statements.

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 103,257
LIABILITIES	
Due to individuals and others	$ 103,257

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Other Nonmajor Funds

The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue fund.

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

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

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

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

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

Measurement Focus and Basis of Accounting

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

Budgetary Information

Budgetary Basis of Accounting:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

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

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

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2019. The District does not consider these amendments to be significant.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

Short-term Interfund Receivables/Payables

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

Due from Other Governmental Units

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

Defined Benefit Plans

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

Deferred Outflows

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies (continued)

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

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

The District levies taxes of $18.00 per $1,000 of taxable valuation on most non-primary residency exempt property and $6.00 per $1,000 of taxable valuation on commercial personal property for general governmental services. The District also levies $8.90 per $1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained.

Compensated Absences

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

Long-Term Obligations

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-Term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

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:

a. 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.

b. 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.

c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

d. Securities issued or guaranteed by agencies or instrumentalities of the United States government.

e. United States government or federal agency obligation repurchase agreements.

f. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.

g. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.

h. 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.

In accordance with Michigan Public Act 20 of 1943, Section 129.97, the private purpose trust fund is authorized to invest surplus funds in stock, government, and corporate securities, mortgages, real estate and various other financial instruments.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Deposits

There is a 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, 2019, the carrying amount of the District's deposits was $6,519,669 and the bank balance was $6,739,295, of which $732,908 covered by the Federal Depository Insurance Corporation, and the remaining $6,006,387 was uninsured and uncollateralized.

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

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 levels of inputs that may be used to measure fair value:

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risks, and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices of obsolete 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 voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures. As of June 30, 2019, the District had a book value of $470,023 invested with MILAF.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issue by nationally recognized statistical rating organizations (NRSRO'S). As of June 30, 2019, the rating information on the District's investments is presented above.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

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 the Board approved policy.

As of June 30, 2019, the deposits and investments referred to above have been reported in the cash and cash equivalents captions in the basic financial statements as follows:

	Governmental Activities	Fiduciary Fund	Total
Cash and cash equivalents	$ 6,887,934	$ 103,257	$ 6,991,191

The District had $1,499 of cash on hand as of June 30, 2019.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2019 consist of the following:

	Government-Wide
State Aid	$ 4,990,018
Federal Revenue	1,709,655
Local Revenue	558,451
	$ 7,258,124

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	$ 30,123	$ -	$ -	$ 30,123
Construction in progress	56,830	1,561,944	(1,088,112)	530,662
Total capital assets not being depreciated	86,953	1,561,944	(1,088,112)	560,785
Capital assets being depreciated				
Buildings and additions	54,175,925	1,112,100	-	55,288,025
Equipment, furniture, and other assets	6,040,095	114,900	-	6,154,995
Buses and vehicles	49,589	-	-	49,589
Total capital assets being depreciated	60,265,609	1,227,000	-	61,492,609
Less accumulated depreciation for				
Buildings and additions	(37,465,030)	(2,209,324)	-	(39,674,354)
Equipment, furniture, and other assets	(5,320,803)	(102,347)	-	(5,423,150)
Buses and vehicles	(2,479)	(4,959)	-	(7,438)
Total accumulated depreciation	(42,788,312)	(2,316,630)	-	(45,104,942)
Net capital assets being depreciated	17,477,297	(1,089,630)	-	16,387,667
Capital assets, net	$ 17,564,250	$ 472,314	$ (1,088,112)	$ 16,948,452

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

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2019, the District has issued state aid anticipation notes payable in the amount of $3,500,000 which has interest rates ranging from 1.75-2.50% and matures on August 20, 2019. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the state may impose a penalty interest rate, and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2019 is as follows:

Balance July 1, 2018	Additions	Payments	Balance June 30, 2019
$ 3,000,000	$ 3,500,000	$ 3,364,186	$ 3,135,814

NOTE 6 - LONG-TERM OBLIGATIONS

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

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance July 1, 2018	$ 13,730,000	$ 13,801	$ 350,976	$ 14,094,777
Additions	-	-	367,161	367,161
Deletions	(2,345,000)	(13,801)	(44,051)	(2,402,852)
Balance June 30, 2019	11,385,000	-	674,086	12,059,086
Due within one year	(2,485,000)	-	(269,635)	(2,754,635)
Due in more than one year	$ 8,900,000	$ -	$ 404,451	$ 9,304,451

Long-term obligations at June 30, 2019 is comprised of the following:

General Obligation Bonds

$35,575,000 1997 Refunding Bonds dated December 1, 1997, due in annual installments ranging from $1,845,000 to $2,120,000 through May 1, 2022 with interest of 5.00%, payable semi-annually.	$ 5,945,000
$12,530,000 2009 Building and Site Bonds dated June 29, 2009, due in annual installments ranging from $640,000 to $1,730,000 through May 1, 2024 with interest of 7.75%, payable semi-annually.	5,440,000
	$ 11,385,000

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

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2019, are as follows:

Year Ending	General Obligation Debt	
June 30,	Principal	Interest
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
	$ 11,385,000	$ 2,121,825

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 $674,086.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2019 are as follows:

Due to 1997 Bond Issue Fund from	
Special Education Center Program Fund	$ 216,695
Due to nonmajor governmental funds from	
General Fund	$ 181,333
Special Education Center Program Fund	512,274
	$ 693,607

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

NOTE 8 - INTERFUND TRANSFERS

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

Transfer to General Fund from	
Special Education Center Program Fund	$ 822,282
Nonmajor governmental fund	11,625
	$ 833,907
Transfer to nonmajor governmental funds from	
1997 Bond Issue Fund	$ 1,102,125

The transfers from the Special Education Center Program Fund and the nonmajor governmental funds 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.

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/ors schools.

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

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

Benefits Provided - Overall

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

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

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the Defined Benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (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 they terminate public school employment.

- Basic plan members: 4% contribution

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

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their 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 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

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

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

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

Pension Reform of 2017

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

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

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

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

	Pension	Other Postemployment Benefit
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately $8,551,337, with $8,419,166 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately $2,794,398, with $2,683,665 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 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

At June 30, 2019, the District reported a liability of $73,136,843 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 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. At September 30, 2018 and September 30, 2017, the District's proportion was 0.24329% and 0.22731%, respectively.

MPSERS (Plan) Non-University Employers	September 30, 2018	September 30, 2017
Total Pension Liability	$ 79,863,694,444	$ 72,407,218,688
Plan Fiduciary Net Position	49,801,889,205	46,492,967,561
Net Pension Liability	30,061,805,239	25,914,251,127
Proportionate Share	0.24329%	0.22731%
Net Pension Liability for the District	$ 73,136,843	$ 58,906,928

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

For the year ended June 30, 2019, the District recognized pension expense of $11,345,735.

At June 30, 2019, the Reporting Unit 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	$ 339,369	$ 531,473
Net difference between projected and actual earnings on pension plan investment	-	5,000,701
Changes of assumptions	16,938,433	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,983,213	79,221
Districts contributions subsequent to measurement date	8,059,184	-
	$ 31,320,199	$ 5,611,395

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

$8,059,184, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2019	$ 6,947,896
2020	5,519,421
2021	3,746,557
2022	1,435,746

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

OPEB Liabilities

At June 30, 2019, the District reported a liability of $20,143,412 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 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. At September 30, 2018 and September 30, 2017, the District's proportion was 0.25341% and 0.22595%, respectively.

MPSERS (Plan) Non-University Employers	September 30, 2018	September 30, 2017
Total Other Postemployment Benefit Liability	$ 13,932,170,264	$ 13,920,945,991
Plan Fiduciary Net Position	5,983,218,473	5,065,474,936
Net Other Postemployment Benefit Liability	7,948,951,791	8,855,471,055
Proportionate Share	0.25341%	0.22595%
Net Other Postemployment Benefit Liability for the District	$ 20,143,412	$ 20,009,292

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)</u>

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

For the year ended June 30, 2019, the District recognized OPEB expense of $1,429,189.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 2,064,825	$ 11,971
Differences between expected and actual experience	-	3,749,206
Changes of assumptions	2,133,198	-
Net differences between projected and actual plan investment earnings	-	774,159
Reporting unit's contributions subsequent to the measurement date	2,525,179	-
	$ 6,723,202	$ 4,535,336

$2,525,179 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
2019	$ (144,368)
2020	(144,368)
2021	(144,368)
2022	14,042
2023	81,749

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

<u>Actuarial Assumptions</u>

Investment Rate of Return for Pension - 7.05% 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 - 7.15% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%.

Mortality Assumptions:

Retirees - RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for morality improvements using projection scale MP-2017 from 2006.

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2017. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, 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 3.0% in year twelve.

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	3.9%
Absolute Return Pools	15.5%	5.2%
Short Term Investment Pools	2.0%	0.0%
	100.0%	

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

Pension Discount Rate - A single discount rate of 7.05% was used to measure the total pension liability (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 96,023,026	$ 73,136,843	$ 54,122,145

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 24,181,756	$ 20,143,412	$ 16,746,671

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 16,567,734	$ 20,143,412	$ 24,245,444

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2018 Comprehensive Annual Financial Report.

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

NOTE 10 - RISK MANAGEMENT

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

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

NOTE 11 - SUBSEQUENT EVENT

In August 2019, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of $3,000,000 was for the purpose of funding operating expenditures until the fiscal year 2020 State Aid payments resume. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE 12 - CONTINGENT LIABILITIES

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

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

REDFORD UNION SCHOOL DISTRICT #1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 3,232,253	$ 3,230,336	$ 3,253,510	$ 23,174
State sources	26,224,433	24,833,228	24,898,441	65,213
Federal sources	3,337,483	3,427,544	3,281,242	(146,302)
Incoming transfers and other transactions	1,378,117	1,551,106	1,736,094	184,988
TOTAL REVENUES	34,172,286	33,042,214	33,169,287	127,073
EXPENDITURES				
Current				
Instruction				
Basic programs	15,811,566	16,849,636	16,380,262	469,374
Added needs	5,695,947	5,534,541	5,531,781	2,760
Adult and continuing education	552,519	731,344	719,721	11,623
Total instruction	22,060,032	23,115,521	22,631,764	483,757
Supporting services				
Pupil	2,102,242	1,961,722	1,879,949	81,773
Instructional staff	1,377,269	1,556,974	1,581,076	(24,102)
General administration	527,189	467,068	495,662	(28,594)
School administration	1,546,520	1,484,315	1,533,209	(48,894)
Business	711,156	771,735	733,353	38,382
Operations and maintenance	3,009,434	3,031,883	3,008,399	23,484
Pupil transportation	1,398,291	1,451,717	1,421,663	30,054
Central support	1,845,903	1,632,112	1,519,059	113,053
Athletics	333,008	383,009	345,591	37,418
Total supporting services	12,851,012	12,740,535	12,517,961	222,574
Community services	184,127	203,566	177,194	26,372
Debt service	14,000	14,000	14,000	-
TOTAL EXPENDITURES	35,109,171	36,073,622	35,340,919	732,703
EXCESS OF REVENUES (UNDER) EXPENDITURES	(936,885)	(3,031,408)	(2,171,632)	859,776
OTHER FINANCING SOURCES				
Transfers in	936,885	660,662	833,907	173,245
NET CHANGE IN FUND BALANCE	-	(2,370,746)	(1,337,725)	1,033,021
Fund balance, beginning of year	5,502,115	5,502,115	5,502,115	-
Fund balance, end of year	$ 5,502,115	$ 3,131,369	$ 4,164,390	$ 1,033,021

REDFORD UNION SCHOOL DISTRICT #1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION CENTER PROGRAM FUND
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
State sources	$ 3,124,207	$ 3,238,015	$ 3,240,540	$ 2,525
Federal sources	350,981	336,864	336,864	-
Incoming transfers and other transactions	6,866,232	7,361,492	6,895,727	(465,765)
TOTAL REVENUES	10,341,420	10,936,371	10,473,131	(463,240)
EXPENDITURES				
Current				
Instruction	5,629,806	5,970,777	5,788,058	182,719
Supporting services	3,637,171	3,846,866	3,862,791	(15,925)
TOTAL EXPENDITURES	9,266,977	9,817,643	9,650,849	166,794
EXCESS OF REVENUES OVER EXPENDITURES	1,074,443	1,118,728	822,282	(296,446)
OTHER FINANCING (USES)				
Transfers out	(1,074,443)	(1,118,728)	(822,282)	296,446
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

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

	2014	2015	2016	2017	2018
District's proportion of net pension liability (%)	0.2020700%	0.20229956%	0.21056252%	0.22731480%	0.24328830%
District's proportionate share of net pension liability	$ 44,508,043	$ 49,411,722	$ 52,533,626	$ 58,906,928	$ 73,136,843
District's covered employee payroll	$ 17,106,398	$ 16,721,314	$ 18,098,529	$ 19,504,630	$ 21,586,306
District's proportionate share of net pension liability as a percentage of its covered employee payroll	260.18%	295.50%	290.26%	302.02%	338.81%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%	63.27%	64.21%	62.36%

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

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

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

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

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

	2017	2018
District's proportion of net OPEB liability (%)	0.225954%	0.2534097%
District's proportionate share of net OPEB liability	$ 20,009,292	$ 20,143,412
District's covered employee payroll	$ 19,504,630	$ 21,586,306
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll	102.59%	93.32%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%	42.95%

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

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

	2018	2019
Statutorily required contributions	$ 1,630,000	$ 2,683,665
Contributions in relation to statutorily required contributions	1,630,000	2,683,665
Contribution deficiency (excess)	$ -	$ -
District's covered employee payroll	$ 21,188,419	$ 21,337,358
Contributions as a percentage of covered employee payroll	7.69%	12.58%

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

NOTE 1 - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN

Pension Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50%-12.30%, including wage inflation of 3.50%.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate decreased to 7.15% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50%-12.30%, including wage inflation of 3.50%.

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

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

During the year ended June 30, 2019, the District incurred expenditures in excess of appropriations as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Current			
Supporting services			
Instructional staff	$ 1,556,974	$ 1,581,076	$ 24,102
General administration	467,068	495,662	28,594
School administration	1,484,315	1,533,209	48,894
Special Education Center Program Fund			
Current			
Supporting services	3,846,866	3,862,791	15,925

ADDITIONAL SUPPLEMENTARY INFORMATION

REDFORD UNION SCHOOL DISTRICT #1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2019

	Special Revenue	Debt Service	Capital Projects	
	Food Service	2009 Bond Issue	2009 Bond Issue	Total
ASSETS				
Cash and cash equivalents	$ 27,545	$ -	$ 77,574	$ 105,119
Intergovernmental receivables	81,986	-	-	81,986
Due from other funds	693,607	-	-	693,607
Inventory	26,158	-	-	26,158
TOTAL ASSETS	$ 829,296	$ -	$ 77,574	$ 906,870
LIABILITIES				
Accounts payable	$ 244	$ -	$ -	$ 244
FUND BALANCES				
Nonspendable				
Inventory	26,158	-	-	26,158
Restricted				
Food service	802,894	-	-	802,894
Capital projects	-	-	77,574	77,574
TOTAL FUND BALANCES	829,052	-	77,574	906,626
TOTAL LIABILITIES AND FUND BALANCES	$ 829,296	$ -	$ 77,574	$ 906,870

REDFORD UNION SCHOOL DISTRICT #1
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2019

	Special Revenue	Debt Service	Capital Projects	
	Food Service	2009 Bond Issue	2009 Bond Issue	Total
REVENUES				
Local sources	$ 74,298	$ -	$ 1,615	$ 75,913
State sources	43,896	-	-	43,896
Federal sources	1,643,082	-	-	1,643,082
TOTAL REVENUES	1,761,276	-	1,615	1,762,891
EXPENDITURES				
Current				
Food service	1,289,199	-	-	1,289,199
Debt service				
Principal retirement	-	630,000	-	630,000
Interest, fiscal, and other charges	-	472,125	-	472,125
Capital outlay	670,543	-	-	670,543
TOTAL EXPENDITURES	1,959,742	1,102,125	-	3,061,867
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(198,466)	(1,102,125)	1,615	(1,298,976)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,102,125	-	1,102,125
Transfers out	(11,625)	-	-	(11,625)
TOTAL OTHER FINANCING SOURCES (USES)	(11,625)	1,102,125	-	1,090,500
NET CHANGE IN FUND BALANCES	(210,091)	-	1,615	(208,476)
Fund balances, beginning of year	1,039,143	-	75,959	1,115,102
Fund balances, end of year	$ 829,052	$ -	$ 77,574	$ 906,626

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Prior Years' Expenditures	Balance July 1, 2018 Accrued or (Unearned) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2019 Accrued or (Unearned) Revenue
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through the Michigan Department of Education								
Child Nutrition Cluster								
School Breakfast Program	10.553							
2017-18 - cash assistance		181970	$ 417,260	$ 372,697	$ 24,140	$ 68,703	$ 44,563	$ -
2018-19 - cash assistance		191970	397,756	-	-	375,294	397,756	22,462
			815,016	372,697	24,140	443,997	442,319	22,462
National School Lunch Program	10.555							
2018-19 Noncash assistance - entitlement commodities		82110	125,575	-	-	125,575	125,575	-
2017-18 - cash assistance		181960,181980	988,132	878,504	44,591	154,219	109,628	-
2018-19 - cash assistance		191960,191981	923,005	-	-	876,368	923,005	46,637
			2,036,712	878,504	44,591	1,156,162	1,158,208	46,637
Summer Food Service Program	10.559							
2018-19		190900,191900	22,692	-	-	22,692	22,692	-
2017-18		180900,181900	5,968	5,968	5,968	5,968	-	-
			28,660	5,968	5,968	28,660	22,692	-
Total Child Nutrition Cluster			2,880,388	1,257,169	74,699	1,628,819	1,623,219	69,099
Child Nutrition Discretionary Grant Limited Availability	10.579							
2018-19		171991EAG2019	3,063	-	-	3,063	3,063	-
Fresh Fruit and Vegetable Program	10.582							
2018-19		190950	16,800	-	-	16,800	16,800	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,900,251	1,257,169	74,699	1,648,682	1,643,082	69,099

The accompanying notes are an integral part of this schedule.

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Prior Years' Expenditures	Balance July 1, 2018 Accrued or (Unearned) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2019 Accrued or (Unearned) Revenue
U.S. DEPARTMENT OF EDUCATION								
Passed Through the Michigan Department of Education								
Title I, Part A	84.010							
2017-18		181530	$ 1,241,196	$ 1,241,196	$ 60,946	$ 60,946	$ -	$ -
2018-19		191530	1,172,272	-	-	782,071	1,164,833	382,762
			2,413,468	1,241,196	60,946	843,017	1,164,833	382,762
Title II, Part A	84.367							
2017-18		180520	196,059	167,039	23,723	30,443	6,720	-
2018-19		190520	192,901	-	-	-	192,901	192,901
			388,960	167,039	23,723	30,443	199,621	192,901
School Improvement Grant	84.377							
2017-18		151762	850,196	700,578	80,999	230,617	149,618	-
2018-19		151763	750,000	-	-	362,110	683,724	321,614
			1,600,196	700,578	80,999	592,727	833,342	321,614
Title IV, Part A SSAE	84.424							
2017-18		180750	14,729	9,665	9,665	10,736	1,071	-
2018-19		190750	77,536	-	-	36,894	73,933	37,039
			92,265	9,665	9,665	47,630	75,004	37,039
Passed Through the Michigan Department of Education and Wayne County RESA								
Special Education Cluster								
IDEA - Flowthrough	84.027							
2017-18 Regular		180450	897,272	897,272	578,518	578,518	-	-
2018-19 Regular		190450	956,384	-	-	480,101	956,384	476,283
2017-18 PBS		180450	4,920	4,920	4,920	4,920	-	-
2018-19 PBS		190450	4,666	-	-	-	4,666	4,666
2017-18 CPO		180450	345,982	345,982	345,982	345,982	-	-
2018-19 CPO		190450	336,864	-	-	143,392	336,864	193,472
			2,546,088	1,248,174	929,420	1,552,913	1,297,914	674,421

The accompanying notes are an integral part of this schedule.

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Prior Years' Expenditures	Balance July 1, 2018 Accrued or (Unearned) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2019 Accrued or (Unearned) Revenue
U.S. DEPARTMENT OF EDUCATION (continued)								
Passed Through the Michigan Department of Education and Wayne County RESA (continued)								
Special Education Cluster (continued)								
IDEA - Preschool Incentive	84.173							
2017-18		180460	$ 24,718	$ 24,718	$ 257	$ 257	$ -	$ -
2018-19		190460	31,819	-	-	-	31,819	31,819
			56,537	24,718	257	257	31,819	31,819
Total Special Education Cluster			2,602,625	1,272,892	929,677	1,553,170	1,329,733	706,240
TOTAL U.S. DEPARTMENT OF EDUCATION			7,097,514	3,391,370	1,105,010	3,066,987	3,602,533	1,640,556
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed Through the Michigan Department of Community Health and Wayne County RESA								
Medicaid outreach	93.778	N/A	15,573	-	-	15,573	15,573	-
TOTAL FEDERAL AWARDS			$ 10,013,338	$ 4,648,539	$ 1,179,709	$ 4,731,242	$ 5,261,188	$ 1,709,655

The accompanying notes are an integral part of this schedule.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Redford Union School District #1 under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Redford Union School District #1, it is not intended to and does not present the financial position or changes in net position of Redford Union School District #1.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the financial statements for the year ended June 30, 2019:

Federal revenue per financial statements	$ 5,416,360
Less Build America Bond revenue not subject to Single Audit	(155,172)
Total expenditures on Schedule of Expenditures of Federal Awards	$ 5,261,188

NOTE 4 - SUBRECIPIENTS

The District did not pass through any federal awards to subrecipients during the year ended June 30, 2019.

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

To the Board of Education
Redford Union School District #1

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Redford Union School District #1's basic financial statements and have issued our report thereon dated October 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Redford Union School District #1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Redford Union School District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Redford Union School District #1's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redford Union School District #1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

The District's Responses to Findings

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

Purpose of this Report

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

Maner Costerisan PC

October 25, 2019

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

To the Board of Education
Redford Union School District #1

Report on Compliance for Each Major Federal Program

We have audited Redford Union School District #1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Redford Union School District #1's major federal programs for the year ended June 30, 2019. Redford Union School District #1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Redford Union School District #1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Redford Union School District #1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Redford Union School District #1's compliance.

Opinion on Each Major Federal Program

In our opinion, Redford Union School District #1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's Responses to Findings

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

Report on Internal Control over Compliance

Management of Redford Union School District #1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Redford Union School District #1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Redford Union School District #1's internal control over compliance.

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

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

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

Maner Costerisan PC

October 25, 2019

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	*Unmodified*			
Internal control over financial reporting:				
➢ Material weakness(es) identified?		Yes	x	No
➢ Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
➢ Material weakness(es) identified?		Yes	X	No
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es)?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X	Yes		No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster
84.377	School Improvement Grant

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II - Financial Statement Findings

2019-001 UNFAVORABLE BUDGET VARIANCES

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

Section II - Financial Statement Findings (continued)

2019-001 UNFAVORABLE BUDGET VARIANCES (continued)

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

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

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

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

Section III - Federal Award Findings and Questioned Costs

2019-002 EXCESS FUND BALANCE - NONPROFIT FOOD SERVICE FUND

Immaterial Non-Compliance

CFDA# 10.553, 10.555, and 10.559, from U.S. Department of Agriculture, Program award numbers 171970, 181970, 171960, 181960, 170900, 171900, 180900, 181900, 171980, and 181980 passed through Michigan Department of Education, Special Tests and Provisions.

Condition: During the course of our audit we noted that the District currently has more than the allowable fund balance in the nonprofit food service fund. The District currently has about 5.8 months of expenditures as fund balance. As a result, the District will be required to develop a spending plan for reducing the balance to an acceptable level during the current school year. The plan must be submitted to the Michigan Department of Education for prior approval. Excess funds cannot be transferred to the General Fund. A similar issue was noted and reported in our prior year audit findings.

Questioned Costs: None

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

Cause: Unknown

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

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

Redford Union Schools
Tradition AND Excellence
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Corrective Action Plan:

2019-001 Unfavorable Budget Variances

Amendment Budget will be done in February and June 2020

Anticipated completion date: February and June 2020

Responsible Party: Assistant Superintendent of Business and Operation

2019-002 Excess Fund Balance – Nonprofit Food Service fund

The business office will continue to submit spending down plan to MDE & board for approval.

Anticipated completion date: June 2020

Responsible Party: Assistant Superintendent of Business Operation

REDFORD UNION SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

FINDINGS/NONCOMPLIANCE

Control Deficiencies Related to Internal Controls Over the Financial Statements.

2018-001 MATERIAL JOURNAL ENTRY PROPOSED BY AUDITORS

Condition: Material journal entries were proposed by the prior auditor to adjust the food service fund.

Resolution: This issue is evaluated separately each year. We consider this issue resolved for the year ended June 30, 2019.

2018-002 UNFAVORABLE BUDGET VARIANCES

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

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

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

2018-003 EXCESS FUND BALANCE - NONPROFIT FOOD SERVICE FUND

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 (the District) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 15, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's calculation of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets.
>
> Management's calculation for the current and noncurrent compensated absence liability amounts were based on an estimate of the percentage of employees' use of compensated absences.
>
> The calculation of the net pension liability is based on an actuarial study which utilized certain actuarial assumptions.
>
> The calculation of the net other postemployment benefit liability is based on an actuarial study which utilized certain actuarial assumptions.

The most sensitive estimate affecting the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information was:

> Investments are carried at amortized cost, which approximates fair value, which is defined as the amount that the District could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

A separate management letter was not issued.

Restriction on Use

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

Maner Costerisan PC

October 25, 2019