

Ypsilanti
Community
Schools
Ypsilanti, Michigan



For the Year
Ended June 30,
2019

Financial
Statements and
Single Audit Act
Compliance

YPSILANTI COMMUNITY SCHOOLS

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation - Fund Balances of Governmental Funds to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation - Net Change in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	24
Budget and Actual - Food Service Fund	26
Statement of Fiduciary Assets and Liabilities	27
Notes to Financial Statements	29
Required Supplementary Information	
MPERS Cost-Sharing Multiple-Employer Plan:	
Schedule of the District's Proportionate Share of the Net Pension Liability	56
Schedule of the District's Pension Contributions	57
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability	58
Schedule of the District's Other Postemployment Benefit Contributions	59
Combining Fund Financial Statements	
Combining Balance Sheet - Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	63
Single Audit Act Compliance	
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	67
Schedule of Expenditures of Federal Awards	70

YPSILANTI COMMUNITY SCHOOLS

Table of Contents

	<u>Page</u>
Notes to Schedule of Expenditures of Federal Awards	74
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	77
Schedule of Findings and Questioned Costs	81
Summary Schedule of Prior Audit Findings	89



INDEPENDENT AUDITORS' REPORT

November 1, 2019

Board of Education
Ypsilanti Community Schools
Ypsilanti, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Ypsilanti Community Schools* (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Ypsilanti Community Schools as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and food service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

This page intentionally left blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

As management of Ypsilanti Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

Financial Highlights

· Total net position	\$ (139,738,822)
· Change in total net position	1,329,309
· Fund balances, governmental funds	8,799,923
· Change in fund balances, governmental funds	126,918
· Unassigned fund balance, general fund	5,859,314
· Change in fund balance, general fund	(562,530)
· Investment in school improvements	2,621,557

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, athletics, food service and community services. The District has no business-type activities as of and for the year ending June 30, 2019.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, food service fund and the Willow Run debt service fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue fund. A budgetary comparison statement has been provided for the general fund and the food service fund herein to demonstrate compliance with that budget.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$139,738,822 at the close of the most recent fiscal year.

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

A portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, and buses and other vehicles); less any related debt used to acquire those assets that is still outstanding, which is \$(12,418,430) at June 30, 2019. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	Governmental Activities	
	2019	2018
Assets		
Current and other assets	\$ 19,422,099	\$ 18,859,322
Capital assets, net	64,207,674	66,493,475
Total assets	83,629,773	85,352,797
Deferred outflows of resources	32,952,798	20,292,181
Liabilities		
Current and other liabilities	114,574,260	104,862,483
Long-term debt outstanding	129,058,358	135,194,996
Total liabilities	243,632,618	240,057,479
Deferred inflows of resources	12,688,775	6,655,630
Net position		
Net investment in capital assets	(12,418,430)	(14,191,297)
Restricted	867,914	1,169,684
Unrestricted (deficit)	(128,188,306)	(128,046,518)
Total net position	\$ (139,738,822)	\$ (141,068,131)

Total net position as of June 30, 2019 consists of \$867,914 restricted for food service and debt service. The District also reported a deficit of \$128,188,306 as unrestricted net position. The negative balance is mainly related to the District's proportionate share of the MPSERS net pension and other postemployment benefit liabilities and the District's general obligation bonded debt.

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

The results of this year's operation for the District as a whole are reported in the statement of activities, which shows the changes in net position for the fiscal year 2019 compared to the changes in net position for fiscal year 2018.

	Net Position	
	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	\$ 1,057,901	\$ 928,659
Operating grants and contributions	25,841,961	25,411,963
General revenues:		
Property taxes	21,301,769	20,539,372
Unrestricted state school aid	23,756,342	24,298,032
Gain on sale of capital assets	69,708	-
Other	376,973	238,934
Total revenues	72,404,654	71,416,960
Expenses		
Instruction	32,242,686	28,656,737
Supporting services	25,899,387	24,225,028
Athletics	182,820	544,499
Food service	3,459,188	3,279,038
Community services	160,073	415,538
Unallocated depreciation	4,632,431	4,881,688
Interest on long-term debt	4,498,760	4,841,408
Total expenses	71,075,345	66,843,936
Change in net position	1,329,309	4,573,024
Net position, beginning of year	(141,068,131)	(145,641,155)
Net position, end of year	\$ (139,738,822)	\$ (141,068,131)

Governmental Activities. Governmental activities increased the District's net position by \$1,329,309. Key elements of this increase are as follows:

- Total expense increased from the prior year by \$4,231,409. This was primarily due to the Union contracts for YCEA were ratified for the period of July 1, 2017 through June 30, 2020 and for YCSESPA for the period of July 1, 2018 through June 30, 2021. These contracts include step increase, pay raises and additional employer paid health insurance benefits to both groups.
- Total revenue increased from the prior year by \$987,694 primarily due to the carryover of the federal grants from Washtenaw Intermediate School District ("WISD").

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$8,799,923. Of this total amount, \$134,926 constitutes nonspendable fund balance to indicate that is not available for new spending because the underlying assets are included in inventory and prepaids, while \$2,805,683 is restricted for debt service, food service, and capital projects. The remaining component is unassigned fund balance of \$5,859,314.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$5,859,314 while total fund balance was \$5,994,240. Total fund balance is 10.23% of total general fund expenditures.

The fund balance of the District's general fund decreased by \$562,530 during the current fiscal year. The decrease was primarily due to the District's proportionate share of the MPERS net pension and other postemployment benefit liabilities as well as a transfer made to the food service fund.

At the end of the current fiscal year, the restricted fund balance of the District's food service fund was \$5,684, a decrease of \$108,661 over the prior year. This decrease was primarily due to the purchase of much needed equipment and the contractually approved increase in the Food Service Management Company's per meal cost reimbursement rates.

At the end of the current fiscal year, the restricted fund balance of the District's Willow Run debt service fund was \$398,928, a decrease of (\$229) over the prior year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted before the 2018-19 year end. A statement showing the District's original and final budget amounts compared with amounts actually recorded as revenue and expenditures is provided in the accompanying basic financial statements.

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

During the year, the budget was amended in a legally permissible manner. Amendments to the original budget were made during the fiscal year as more information became known. For the year ended June 30, 2019, total actual expenditures were more than the total final budget amount by \$35,522. Also general fund actual revenues were less than final amended budget revenue.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2019, amounted to \$64,207,674 (net of accumulated depreciation). This investment in capital assets includes land and improvements, constructions in progress, buildings and improvements, furniture and equipment, and vehicles.

The major capital asset project undertook during the 2018-19 school year, a performance contract with Schneider Electric for energy improvements, which included all new LED lighting district wide and change of new high efficiency boilers to address the old inefficient and failing boilers.

	Capital Assets (Net of Depreciation)	
	2019	2018
Land	\$ 811,830	\$ 811,830
Construction in progress	2,550,140	-
Land improvements	4,018,112	4,313,984
Buildings and improvements	55,821,871	60,278,636
Furniture and equipment	984,248	1,043,836
Vehicles	21,473	45,189
Total capital assets, net	\$ 64,207,674	\$ 66,493,475

For the current year, the District incurred depreciation expense in excess of capital assets purchased or constructed of approximately \$2.3 million.

Additional information on the District's capital assets is found in notes to the financial statements.

Long-term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$113,120,000. Those bonds consisted of the following:

	Bonded Debt Outstanding	
	2019	2018
General obligation bonds	\$ 113,120,000	\$ 127,565,000

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

During the year ended June 30, 2019, the District borrowed \$5,538,550 from the Michigan School Loan Revolving Fund to supplement tax revenue in order to service certain bond payments. Additional information on the District's long-term debt is found in notes to the financial statements.

Factors Bearing on the District's Future

The following factors were also considered in preparing the District's budget for the 2019-20 fiscal year:

- Our elected officials and administration consider many factors when setting the school district's fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count of the 2019-20 fiscal year was 90% of the October 2018 count and 10% of the February 2019 count. The 2019-20 budget was built on a reduction of 50 students for the blended count and a modest increase of \$201 per student for foundation allowance.
- Union contracts for YCEA were ratified for the period of July 1, 2017 through June 30, 2020 and for YCSE for the period of July 1, 2018 through June 30, 2021. These contracts are giving pay raises and additional employer paid health insurance benefits to both groups
- Approximately 57% of the General Fund revenue is from state aid. Under state law, the school district cannot access 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 2019-20 fiscal year, we anticipate that the fall student count will exceed the estimated blended count used in the development of the 2019-20 budget.
- Since the District's revenue is heavily dependent on state funding and on the health of the State's School Aid fund, the actual revenue received depends on the State's ability to fund its appropriation to school districts.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Business and Finance, 1885 Packard Road, Ypsilanti, MI 48197.

BASIC FINANCIAL STATEMENTS

YPSILANTI COMMUNITY SCHOOLS

Statement of Net Position

June 30, 2019

	Governmental Activities
Assets	
Cash and investments	\$ 4,913,003
Receivables	14,374,170
Inventories	10,768
Prepaid items	124,158
Capital assets not being depreciated	3,361,970
Capital assets being depreciated, net	<u>60,845,704</u>
Total assets	<u>83,629,773</u>
Deferred outflows of resources	
Deferred pension amounts	26,813,802
Deferred other postemployment benefit amounts	4,254,001
Deferred charge on refundings	<u>1,884,995</u>
Total deferred outflows of resources	<u>32,952,798</u>
Liabilities	
Accounts payable and accrued liabilities	7,817,844
State aid notes payable	3,162,214
Unearned revenue	516,279
Long-term liabilities:	
Due within one year	15,535,792
Due in more than one year	113,522,566
Net pension liability (due in more than one year)	81,331,496
Net other postemployment benefit liability (due in more than one year)	<u>21,746,427</u>
Total liabilities	<u>243,632,618</u>
Deferred inflows of resources	
Deferred pension amounts	7,724,859
Deferred other postemployment benefit amounts	<u>4,963,916</u>
Total deferred inflows of resources	<u>12,688,775</u>
Net position	
Net investment in capital assets	(12,418,430)
Restricted for food service	5,684
Restricted for debt service	862,230
Unrestricted (deficit)	<u>(128,188,306)</u>
Total net position	<u><u>\$ (139,738,822)</u></u>

The accompanying notes are an integral part of these financial statements.

YPSILANTI COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 32,242,686	\$ 763,116	\$ 18,603,663	\$ (12,875,907)
Supporting services	25,899,387	-	4,392,087	(21,507,300)
Athletics	182,820	150,268	-	(32,552)
Food service	3,459,188	144,517	2,846,211	(468,460)
Community services	160,073	-	-	(160,073)
Unallocated depreciation	4,632,431	-	-	(4,632,431)
Interest on long-term debt	4,498,760	-	-	(4,498,760)
Total governmental activities	\$ 71,075,345	\$ 1,057,901	\$ 25,841,961	(44,175,483)
General revenues				
Property taxes				21,301,769
Unrestricted state aid				23,756,342
Gain on sale of capital assets				69,708
Unrestricted investment earnings				376,973
Total general revenues				45,504,792
Change in net position				1,329,309
Net position, beginning of year				(141,068,131)
Net position, end of year				\$ (139,738,822)

The accompanying notes are an integral part of these financial statements.

YPSILANTI COMMUNITY SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2019

	General Fund	Food Service Fund	Willow Run Debt Service Fund
Assets			
Cash and investments	\$ -	\$ 1,560,366	\$ 417,251
Accounts receivable	3,881,528	2,835	12,879
Due from other governments	10,138,151	334,368	-
Due from other funds	3,797,513	408,696	630,034
Interfund receivable	-	1,698,191	-
Inventory	10,768	-	-
Prepaid items	124,158	-	-
Total assets	\$ 17,952,118	\$ 4,004,456	\$ 1,060,164
Liabilities			
Accounts payable	\$ 1,053,079	\$ 315,324	\$ 75
Salaries payable	5,289,081	31,035	-
State aid anticipation note	3,162,214	-	-
Due to other funds	250,000	3,652,413	650,195
Interfund payable	1,698,191	-	-
Unearned revenue	505,313	-	10,966
Total liabilities	11,957,878	3,998,772	661,236
Fund balances			
Nonspendable	134,926	-	-
Restricted for:			
Debt service	-	-	398,928
Food service	-	5,684	-
Capital projects	-	-	-
Unassigned	5,859,314	-	-
Total fund balances	5,994,240	5,684	398,928
Total liabilities and fund balances	\$ 17,952,118	\$ 4,004,456	\$ 1,060,164

The accompanying notes are an integral part of these financial statements.



Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,935,386	\$ 4,913,003
4,409	3,901,651
-	10,472,519
764,799	5,601,042
-	1,698,191
-	10,768
-	124,158
<hr/>	<hr/>
\$ 3,704,594	\$ 26,721,332
<hr/> <hr/>	<hr/> <hr/>
\$ 255,089	\$ 1,623,567
-	5,320,116
-	3,162,214
1,048,434	5,601,042
-	1,698,191
-	516,279
<hr/>	<hr/>
1,303,523	17,921,409
<hr/>	<hr/>
-	134,926
1,337,463	1,736,391
-	5,684
1,063,608	1,063,608
-	5,859,314
<hr/>	<hr/>
2,401,071	8,799,923
<hr/>	<hr/>
\$ 3,704,594	\$ 26,721,332
<hr/> <hr/>	<hr/> <hr/>

This page intentionally left blank.

YPSILANTI COMMUNITY SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2019

Fund balances - total governmental funds \$ 8,799,923

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	3,361,970
Capital assets being depreciated	171,690,422
Accumulated depreciation	(110,844,718)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds, capital lease and installment loan payable	(116,747,296)
School loan revolving fund debt	(6,093,058)
Unamortized bond premium	(6,240,935)
Unamortized bond discount	98,524
Unamortized deferred charge on refundings	1,884,995
Accrued interest on bonds payable	(874,161)
Compensated absences	(75,593)

Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net other postemployment benefit liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(81,331,496)
Net other postemployment benefit liability	(21,746,427)
Deferred outflows related to the net pension liability	26,813,802
Deferred inflows related to the net pension liability	(7,724,859)
Deferred outflows related to the net other postemployment benefit liability	4,254,001
Deferred inflows related to the net other postemployment benefit liability	(4,963,916)

Net position of governmental activities \$ (139,738,822)

The accompanying notes are an integral part of these financial statements.

YPSILANTI COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General Fund	Food Service Fund	Willow Run Debt Service Fund
Revenues			
Local sources:			
Property taxes	\$ 10,033,689	\$ -	\$ 4,552,570
Other local revenue	1,516,436	-	-
Food sales	-	144,517	-
Interest revenue	-	-	60,501
State sources	31,752,341	107,256	-
Federal sources	5,682,003	2,738,955	-
Interdistrict sources	8,962,516	-	-
Total revenues	57,946,985	2,990,728	4,613,071
Expenditures			
Current:			
Instructional services	30,322,636	-	-
Supporting services	24,914,299	-	-
Athletics	592,575	-	-
Food service	-	3,349,389	-
Community services	370,964	-	-
Debt service:			
Principal	1,578,716	-	8,270,000
Interest	824,960	-	1,827,710
Bond issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	58,604,150	3,349,389	10,097,710
Revenues under expenditures	(657,165)	(358,661)	(5,484,639)
Other financing sources (uses)			
Issuance of long-term debt	-	-	5,484,410
Proceeds from sale of capital assets	344,635	-	-
Transfers in	-	250,000	-
Transfers out	(250,000)	-	-
Total other financing sources (uses)	94,635	250,000	5,484,410
Net change in fund balances	(562,530)	(108,661)	(229)
Fund balances, beginning of year	6,556,770	114,345	399,157
Fund balances, end of year	\$ 5,994,240	\$ 5,684	\$ 398,928

The accompanying notes are an integral part of these financial statements.



Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,715,510	\$ 21,301,769
-	1,516,436
-	144,517
68,652	129,153
-	31,859,597
-	8,420,958
-	8,962,516
<hr/>	<hr/>
6,784,162	72,334,946
<hr/>	<hr/>
-	30,322,636
-	24,914,299
-	592,575
-	3,349,389
-	370,964
4,770,000	14,618,716
2,258,891	4,911,561
54,057	54,057
2,550,140	2,550,140
<hr/>	<hr/>
9,633,088	81,684,337
<hr/>	<hr/>
(2,848,926)	(9,349,391)
<hr/>	<hr/>
3,647,264	9,131,674
-	344,635
-	250,000
-	(250,000)
<hr/>	<hr/>
3,647,264	9,476,309
<hr/>	<hr/>
798,338	126,918
1,602,733	8,673,005
<hr/>	<hr/>
\$ 2,401,071	\$ 8,799,923
<hr/>	<hr/>

This page intentionally left blank.

YPSILANTI COMMUNITY SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ 126,918
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Purchase of capital assets	2,621,557
Depreciation expense	(4,632,431)
Proceeds from sale of capital assets	(344,635)
Gain on sale of capital assets	69,708
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	
Issuance of long-term debt	(9,131,674)
Principal payments on bonds, capital leases and installment loan	14,618,716
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Amortization of bond premium	721,927
Amortization of bond discount	(8,210)
Amortization of deferred charge on refundings	(265,109)
Change in the net pension liability and related deferred amounts	(3,166,186)
Change in net other postemployment benefit liability and related deferred amounts	710,459
Change in accrued interest payable on bonds	18,250
Change in compensated absences	(9,981)
Change in net position of governmental activities	<u>\$ 1,329,309</u>

The accompanying notes are an integral part of these financial statements.

YPSILANTI COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 10,726,700	\$ 10,468,423	\$ 11,550,125	\$ 1,081,702
State sources	31,086,004	31,477,321	31,752,341	275,020
Federal sources	5,397,810	8,560,500	5,682,003	(2,878,497)
Interdistrict sources	8,250,000	8,001,964	8,962,516	960,552
Total revenues	55,460,514	58,508,208	57,946,985	(561,223)
Expenditures				
Current:				
Instructional services:				
Basic program	24,205,366	24,357,822	23,123,466	(1,234,356)
Added needs	7,286,083	6,543,968	7,199,170	655,202
Total instructional services	31,491,449	30,901,790	30,322,636	(579,154)
Supporting services:				
Pupil	6,556,282	6,325,627	6,478,134	152,507
Instructional staff	2,258,322	2,363,884	2,105,815	(258,069)
General administration	825,440	776,879	749,629	(27,250)
School administration	2,758,603	2,681,207	2,644,335	(36,872)
Business services	720,055	827,055	597,366	(229,689)
Transportation and maintenance	9,548,088	9,855,078	11,010,872	1,155,794
Central services	1,665,133	1,600,883	1,328,148	(272,735)
Total supporting services	24,331,923	24,430,613	24,914,299	483,686
Athletics	651,035	651,165	592,575	(58,590)
Community services	378,134	359,866	370,964	11,098
Debt service:				
Principal	1,578,716	1,578,716	1,578,716	-
Interest	631,784	524,784	824,960	300,176
Total debt service	2,210,500	2,103,500	2,403,676	300,176
Total expenditures	59,063,041	58,446,934	58,604,150	157,216
Revenues over (under) expenditures	(3,602,527)	61,274	(657,165)	(718,439)

continued...

YPSILANTI COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ 500,000	\$ 344,635	\$ 344,635	\$ -
Transfers out	-	(45,000)	(250,000)	205,000
Total other financing sources (uses)	500,000	299,635	94,635	205,000
Net change in fund balance	(3,102,527)	360,909	(562,530)	(923,439)
Fund balance, beginning of year	6,556,770	6,556,770	6,556,770	-
Fund balance, end of year	\$ 3,454,243	\$ 6,917,679	\$ 5,994,240	\$ (923,439)

concluded.

The accompanying notes are an integral part of these financial statements.

YPSILANTI COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Food Service Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 163,500	\$ 163,500	\$ 144,517	\$ (18,983)
State sources	110,000	110,000	107,256	(2,744)
Federal sources	2,770,000	2,770,000	2,738,955	(31,045)
Total revenues	3,043,500	3,043,500	2,990,728	(52,772)
Expenditures				
Current -				
Food service	3,230,172	3,230,172	3,349,389	119,217
Revenues under expenditures	(186,672)	(186,672)	(358,661)	(171,989)
Other financing sources (uses)				
Transfers in	-	-	250,000	250,000
Transfers out	(175,000)	(175,000)	-	(175,000)
Total other financing sources (uses)	(175,000)	(175,000)	250,000	425,000
Net change in fund balance	(361,672)	(361,672)	(108,661)	253,011
Fund balance, beginning of year	114,345	114,345	114,345	-
Fund balance, end of year	\$ (247,327)	\$ (247,327)	\$ 5,684	\$ 253,011

The accompanying notes are an integral part of these financial statements.

YPSILANTI COMMUNITY SCHOOLS

Statement of Fiduciary Assets and Liabilities

June 30, 2019

	Agency Fund
Assets	
Cash and investments	<u>\$ 207,258</u>
Liabilities	
Due to student groups	<u>\$ 207,258</u>

The accompanying notes are an integral part of these financial statements.

This page intentionally left blank.

NOTES TO FINANCIAL STATEMENTS

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Ypsilanti Community Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund 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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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, except for the agency funds, which do not have a measurement focus. 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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. 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, are recorded only when payment is due.

Property taxes, intergovernmental revenue 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *food service special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for food service.

The *Willow Run debt service fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest, the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of debt related to the Ypsilanti School District prior to consolidation in 2013.

Additionally, the District reports the following fund types:

The *debt service fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest, the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of debt.

The *capital projects fund* accounts for financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets for the bond issue.

The *agency fund* accounts for the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

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

Investments consist of participation in an external investment pool. In accordance with GASB 79, the District's shares are recorded at amortized cost, which approximates fair value.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans).

Inventory and Prepaid Items

Inventory is valued at cost on a first in, first out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings and improvements	20-50
Land improvements	20-50
Furniture and other equipment	5-20
Vehicles	5-10

Deferred Outflows of Resources

In addition to assets, the statement of financial 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items which qualify for reporting in this category. The first is the deferred charge on refundings reported in the government-wide statement of net position. A deferred charge on refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Compensated Absences

Employees are compensated for unused vacation time upon termination; accordingly, a liability is recorded at fiscal year end for such unused time. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

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, when incurred.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds may also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources are related to pension and other postemployment benefit liabilities.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District, when applicable, reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund. The District reported no committed or assigned fund balances.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability and net other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue fund. All annual appropriations lapse at fiscal year end.

The general and special revenue fund are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue fund are adopted on a functional basis.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year, the District incurred expenditures in the general and food service fund, which were in excess of amounts budgeted, as follows:

	Final Budget	Actual	Over Budget
General fund			
Supporting services:			
Pupil	\$ 6,325,627	\$ 6,478,134	\$ 152,507
Transportation and maintenance	9,855,078	11,010,872	1,155,794
Community services	359,866	370,964	11,098
Debt service -			
Interest	524,784	824,960	300,176
Transfers out	45,000	250,000	205,000
Food service fund			
Current -			
Food service	3,230,172	3,349,389	119,217

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities follows:

Statement of Net Position	
Cash and investments	\$ 4,913,003
Statement of Fiduciary Assets and Liabilities	
Cash and investments	<u>207,258</u>
Total	<u>\$ 5,120,261</u>
Deposits and investments	
Bank deposits -	
Checking and savings account	\$ 1,525,878
Investments in external investment pool	3,594,145
Cash on hand	<u>238</u>
Total	<u>\$ 5,120,261</u>

Statutory Authority

State statutes authorize the District to invest in:

- 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. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit insured 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 or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Investments

The District chooses to disclose its investments by specific identification. As of year-end, the District had the following investments.

Investment	Maturity	Amortized Cost	Rating
Michigan Liquid Asset Fund	n/a	<u>\$ 3,594,145</u>	S&P - AAAm

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$1,567,835, of the District’s bank balance of \$2,015,100 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The investments listed above are not subject to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

5. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor fund in the aggregate, are as follows:

	General Fund	Food Service Fund	Willow Run Debt Service Fund	Nonmajor Funds	Total
Receivables					
Accounts receivable	\$ 3,881,528	\$ 2,835	\$ 12,879	\$ 4,409	\$ 3,901,651
Due from other governments	10,138,151	334,368	-	-	10,472,519
Total	\$ 14,019,679	\$ 337,203	\$ 12,879	\$ 4,409	\$ 14,374,170

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 811,830	\$ -	\$ -	\$ 811,830
Construction in progress	-	2,550,140	-	2,550,140
	<u>811,830</u>	<u>2,550,140</u>	<u>-</u>	<u>3,361,970</u>
Capital assets being depreciated:				
Land improvements	5,928,059	-	-	5,928,059
Buildings and improvements	160,745,523	-	374,900	160,370,623
Furniture and equipment	1,906,677	71,417	-	1,978,094
Vehicles	3,413,646	-	-	3,413,646
	<u>171,993,905</u>	<u>71,417</u>	<u>374,900</u>	<u>171,690,422</u>
Less accumulated depreciation for:				
Land improvements	1,614,075	295,872	-	1,909,947
Buildings and improvements	100,466,887	4,181,838	99,973	104,548,752
Furniture and equipment	862,841	131,005	-	993,846
Vehicles	3,368,457	23,716	-	3,392,173
	<u>106,312,260</u>	<u>4,632,431</u>	<u>99,973</u>	<u>110,844,718</u>
Capital assets being depreciated, net	<u>65,681,645</u>	<u>(4,561,014)</u>	<u>274,927</u>	<u>60,845,704</u>
Governmental activities capital assets, net	<u>\$ 66,493,475</u>	<u>\$ (2,010,874)</u>	<u>\$ 274,927</u>	<u>\$ 64,207,674</u>

Depreciation expense of \$4,632,431 was reported as unallocated depreciation and not charged to specific functions.

At June 30, 2019, the District had outstanding commitments through construction contracts of \$1,400,000.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2019, interfund receivables and payables consisted of the following:

	Due From	Due To
General fund	\$ 3,797,513	\$ 250,000
Food service fund	408,696	3,652,413
Willow Run debt service fund	630,034	650,195
Nonmajor governmental funds	764,799	1,048,434
	<u>\$ 5,601,042</u>	<u>\$ 5,601,042</u>

The District often reports interfund balances between many of its funds. These interfund balances result primarily 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.

For the year ending June 30, 2019, interfund transfers consisted of the following:

	Transfers Out	Transfers In
General fund	\$ 250,000	\$ -
Food service fund	<u>-</u>	<u>250,000</u>
	<u>\$ 250,000</u>	<u>\$ 250,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. For the year ended June 30, 2019, a transfer from the general fund to the food service fund was made to cover the deficit fund balance at the end of the year.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

8. LONG-TERM DEBT

Long-term debt and other obligations of the District at June 30, 2019, are summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 127,565,000	\$ -	\$ (14,445,000)	\$ 113,120,000	\$ 14,545,000
School loan revolving fund	554,508	5,538,550	-	6,093,058	-
Unamortized bond premium	6,962,862	-	(721,927)	6,240,935	684,082
Unamortized bond discount	(106,734)	-	8,210	(98,524)	(8,210)
Capital leases	153,748	-	(34,652)	119,096	36,527
Notes from direct borrowings and direct placements	-	3,647,264	(139,064)	3,508,200	202,800
Compensated absences	65,612	230,626	(220,645)	75,593	75,593
	<u>\$135,194,996</u>	<u>\$ 9,416,440</u>	<u>\$ (15,553,078)</u>	<u>\$129,058,358</u>	<u>\$ 15,535,792</u>

Compensated absences are generally expected to be liquidated by the general fund when due.

Bonds payable consist of the following issues:

General obligation bonds

\$23,360,000 2009 YPS serial and term bonds due in annual installments of \$1760,000 to \$2,270,000 through year 2020; interest at 4.0% to 5.0%.	\$ 2,220,000
\$12,800,000 2015 YPS refunding bonds due in annual installments of \$2,080,000 to \$2,220,000 through year 2026; interest at 2.25% to 5.0%.	12,800,000
\$22,785,000, 2011 WRCS Refunding Bonds payable in annual installments of \$2,025,000 to \$2,125,000 through the year 2031; interest at 3.5% to 5.0%.	22,785,000
\$18,615,000, 2013 Revenue Bonds payable in annual installments of \$695,000 to \$2,010,000 through the year 2026; interest at 3.0% to 5.0%.	12,595,000
\$9,315,000, 2015 WRCS Refunding Bonds payable in annual installments of \$1,720,000 to \$1,930,000 through the year 2020; interest at 4.0%.	1,900,000
\$33,745,000, 2016 Series A YCS Refunding Bonds payable in annual installments of \$1,800,000 to \$2,645,000 through the year 2032; interest at 4.0% to 5.0%.	30,100,000
\$5,285,000, 2016 Series B YCS Refunding Bonds payable in annual installments of \$510,000 to \$1,235,000 through the year 2023; interest at 1.5% to 2.62%.	4,105,000
\$32,965,000, 2016 Series C YCS Refunding Bonds payable in annual installments of \$6,350,000 to \$6,765,000 through the year 2023; interest at 1.81% to 2.62%.	<u>26,615,000</u>
Total general obligation bonds	<u>\$ 113,120,000</u>

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

The issues with "YPS" and "WRCS" descriptions above refer to Ypsilanti Public Schools and Willow Run Community Schools which issued the respective debt prior to consolidation as Ypsilanti Community Schools (YCS).

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 14,545,000	\$ 4,270,689	\$ 18,815,689
2021	15,005,000	3,821,222	18,826,222
2022	15,465,000	3,341,506	18,806,506
2023	15,770,000	2,798,707	18,568,707
2024	8,175,000	2,282,300	10,457,300
2025-2029	32,290,000	6,508,063	38,798,063
2030-2032	11,870,000	1,053,625	12,923,625
Totals	\$ 113,120,000	\$ 24,076,112	\$ 137,196,112

School Loan Revolving Fund

The School Bond Loan Fund represents amounts borrowed from the State of Michigan School Loan Revolving Fund program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes in principal and interest were as follows:

	Principal	Interest	Total
Beginning balance	\$ 548,983	\$ 5,525	\$ 554,508
Additions	5,484,410	54,140	5,538,550
Reductions	-	-	-
Ending balance	\$ 6,033,393	\$ 59,665	\$ 6,093,058

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Advance Refundings

In prior years, the Ypsilanti Public Schools defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net position. At June 30, 2019, the balance of the bonds considered to be defeased is \$2,200,000.

In prior years, the Willow Run Community Schools defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net position. At June 30, 2019, the balance of the bonds considered to be defeased is \$21,825,000.

Capital Leases

The District entered into a lease agreement during a prior year for financing the purchase of copiers. This lease agreement qualifies as a capital lease for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, are as follows:

Year Ending June 30,	Amount
2020	\$ 41,940
2021	41,939
2022	41,940
2023	<u>3,496</u>
	129,315
Less amount representing interest	<u>(10,219)</u>
Total	<u>\$ 119,096</u>

The assets acquired through the capital lease are summarized as follows:

Equipment	\$ 183,948
Less accumulated depreciation	<u>(46,600)</u>
	<u>\$ 137,348</u>

Notes from Direct Borrowings and Direct Placements

The District entered into an installment loan during the year for financing the purchase of equipment for the Schneider Electric Project in the amount of \$3,647,264. The loan is due in annual installments of \$63,800 to \$191,100 through 2034 with interest at 4.22%.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Annual debt service requirements to maturity for the installment loan is as follows:

Year Ending June 30,	Principal Amount	Interest Amount	Total
2020	\$ 202,800	\$ 145,113	\$ 347,913
2021	134,400	138,142	272,542
2022	148,400	132,327	280,727
2023	163,300	125,912	289,212
2024	179,000	118,861	297,861
2025-2029	1,165,100	463,544	1,628,644
2030-2034	1,515,200	167,739	1,682,939
Totals	<u>\$ 3,508,200</u>	<u>\$ 1,291,638</u>	<u>\$ 4,799,838</u>

9. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2019, net investment in capital assets was comprised of the following:

Investment in capital assets:	
Capital assets not being depreciated	\$ 3,361,970
Capital assets being depreciated, net	60,845,704
Less related debt:	
Bonds payable	(113,120,000)
Capital lease	(119,096)
Installment loan	(3,508,200)
Deferred charge on refunding	1,884,995
Bond premium	(6,240,935)
Bond discount	98,524
Unexpended loan proceeds	1,063,608
Revenue bond (non-capital debt)	12,595,000
School loan revolving fund refunding bonds (non-capital debt)	<u>30,720,000</u>
Net investment in capital assets	<u>\$ (12,418,430)</u>

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for employee health and accident insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past fiscal year.

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

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

11. PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied on July 1 by taxing jurisdictions whose boundaries include property within the District. Delinquent real taxes are advanced to the District by the Revolving Tax Funds of Washtenaw County.

12. TAX ABATEMENTS

The District received reduced property tax revenues during 2019 as a result of industrial facilities tax exemptions (IFT's) entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements amounted to approximately \$418,000 in reduced District tax revenues for 2019.

13. SHORT TERM DEBT

During the year, the District financed certain of its operations through the issuance of State Aid Anticipation Notes. These notes were issued for terms of less than one year, and are accordingly recorded as a liability in the general fund. The District borrowed \$610,500 through State Aid Note, Series 2018A-1, at an interest rate of 1.75%. The District also borrowed \$3,075,000 through State Aid Note, Series 2018A-2, at an interest rate of 2.50%. These notes were issued on August 20, 2018 and mature on August 20, 2019. Changes in short-term state aid notes for the year ended June 30, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
State aid notes	\$ 3,123,864	\$ 3,685,500	\$ (3,647,150)	\$ 3,162,214

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

14. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

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

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

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

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. 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.

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

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

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 healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

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

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

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 18.25%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 18.25%
Pension Plus	3.00% - 6.40%	16.46% - 16.61%
Pension Plus 2	6.20%	19.59% - 19.74%
Defined Contribution	0.00%	13.39% - 13.54%

For the year ended June 30, 2019, required and actual contributions from the District to the pension plan were \$7,243,676, which included \$3,040,816, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 7.93%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 7.57%

For the year ended June 30, 2019, required and actual contributions from the District to the OPEB plan were \$1,890,235.

The table below summarizes defined contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2019, required and actual contributions from the District for those members with a defined contribution benefit were \$349,928.

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

At June 30, 2019, the District reported a liability of \$81,331,496 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.27055%, which was an increase of 0.00115% from its proportion measured as of September 30, 2017.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2019, the District recognized pension expense of \$10,223,795. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 377,393	\$ 591,022	\$ (213,629)
Changes in assumptions	18,836,307	-	18,836,307
Net difference between projected and actual earnings on pension plan investments	-	5,561,007	(5,561,007)
Changes in proportion and differences between employer contributions and proportionate share of contributions	802,466	1,572,830	(770,364)
	<u>20,016,166</u>	<u>7,724,859</u>	<u>12,291,307</u>
District contributions subsequent to the measurement date	6,797,636	-	6,797,636
	<u>6,797,636</u>	<u>-</u>	<u>6,797,636</u>
Total	<u>\$ 26,813,802</u>	<u>\$ 7,724,859</u>	<u>\$ 19,088,943</u>

The \$6,797,636 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 5,123,889
2021	3,407,234
2022	2,654,989
2023	<u>1,105,195</u>
Total	<u>\$ 12,291,307</u>

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

At June 30, 2019, the District reported a liability of \$21,746,427 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.27358% which was an increase of 0.00350% from its proportion measured as of September 30, 2017.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,100,647. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 4,047,569	\$ (4,047,569)
Changes in assumptions	2,302,958	-	2,302,958
Net difference between projected and actual earnings on OPEB plan investments	-	835,767	(835,767)
Changes in proportion and differences between employer contributions and proportionate share of contributions	263,230	80,580	182,650
	<u>2,566,188</u>	<u>4,963,916</u>	<u>(2,397,728)</u>
District contributions subsequent to the measurement date	1,687,813	-	1,687,813
	<u>1,687,813</u>	<u>-</u>	<u>1,687,813</u>
Total	<u>\$ 4,254,001</u>	<u>\$ 4,963,916</u>	<u>\$ (709,915)</u>

The \$1,687,813 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ (598,134)
2021	(598,134)
2022	(598,134)
2023	(426,322)
2024	<u>(177,004)</u>
Total	<u>\$ (2,397,728)</u>

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2017 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.05%
Pension Plus plan (hybrid)	7.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	7.15%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.0% Year 12
Mortality	RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Long-term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.66%
Inflation			2.30%
Risk adjustment			<u>-0.91%</u>
Investment rate of return			<u>7.05%</u>

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Private equity pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.66%
Inflation			2.30%
Risk adjustment			<u>-0.81%</u>
Investment rate of return			<u>7.15%</u>

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 7.15%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
District's proportionate share of the net pension liability	\$ 106,781,972	\$ 81,331,496	\$ 60,186,287

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net OPEB liability	\$ 26,106,143	\$ 21,746,427	\$ 18,079,373

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

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

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 17,886,196	\$ 21,746,427	\$ 26,174,899

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Payable to the Pension Plan

At June 30, 2019, the District reported a payable of \$1,322,176 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

Payable to the OPEB Plan

At June 30, 2019, the District reported a payable of \$211,211 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2019.

15. COMMITMENTS AND CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving various matters. The outcome of these lawsuits is not presently determinable, and the District and its legal counsel is contesting these claims vigorously. No provision for potential claims has been recorded in the underlying financial statements in case of an adverse settlement.

16. SUBSEQUENT EVENTS

State Aid Notes

The District borrowed \$4,100,000 through State Aid Note, Series 2019 A-2, at an interest rate of 1.30%. This note was issued on August 20, 2019 and matures on August 20, 2020.



This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

YPSILANTI COMMUNITY SCHOOLS

Required Supplementary Information
 MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,				
	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 81,331,496	\$ 69,813,122	\$ 67,821,267	\$ 69,278,931	\$ 58,879,966
District's proportion of the net pension liability	0.27055%	0.26940%	0.27184%	0.28364%	0.26731%
District's covered payroll	\$ 23,432,410	\$ 22,767,911	\$ 22,743,743	\$ 25,191,176	\$ 28,132,146
District's proportionate share of the net pension liability as a percentage of its covered payroll	347.09%	306.63%	298.20%	275.01%	209.30%
Plan fiduciary net position as a percentage of the total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

YPSILANTI COMMUNITY SCHOOLS

Required Supplementary Information
 MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Pension Contributions

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 7,243,676	\$ 7,382,158	\$ 6,305,977	\$ 6,298,756	\$ 5,333,181
Contributions in relation to the statutorily required contribution	(7,243,676)	(7,382,158)	(6,305,977)	(6,298,756)	(5,333,181)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 24,403,657	\$ 23,260,441	\$ 22,724,710	\$ 22,777,776	\$ 23,937,241
Contributions as a percentage of covered payroll	29.68%	31.74%	27.75%	27.65%	22.28%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

YPSILANTI COMMUNITY SCHOOLS

Required Supplementary Information
 MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended June 30,	
	2019	2018
District's proportionate share of the net OPEB liability	\$ 21,746,427	\$ 23,916,493
District's proportion of the net OPEB liability	0.27358%	0.27008%
District's covered payroll	\$ 23,432,410	\$ 22,767,911
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	92.80%	105.04%
Plan fiduciary net position as a percentage of the total OPEB liability	42.95%	36.39%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

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

YPSILANTI COMMUNITY SCHOOLS

Required Supplementary Information
 MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,	
	2019	2018
Statutorily required contribution	\$ 1,890,235	\$ 1,717,090
Contributions in relation to the statutorily required contribution	(1,890,235)	(1,717,090)
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	\$ 24,403,657	\$ 23,260,441
Contributions as a percentage of covered payroll	7.75%	7.38%

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

This page intentionally left blank.

**COMBINING FUND
FINANCIAL STATEMENTS**

YPSILANTI COMMUNITY SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2019

	Debt Service	Capital Projects	Nonmajor Governmental Funds
	Ypsilanti Fund	Lighting Project	
Assets			
Cash and investments	\$ 1,616,764	\$ 1,318,622	\$ 2,935,386
Accounts receivable	4,409	-	4,409
Due from other funds	764,799	-	764,799
Total assets	\$ 2,385,972	\$ 1,318,622	\$ 3,704,594
Liabilities			
Accounts payable	\$ 75	\$ 255,014	\$ 255,089
Due to other funds	1,048,434	-	1,048,434
Total liabilities	1,048,509	255,014	1,303,523
Fund balances			
Restricted for:			
Debt service	1,337,463	-	1,337,463
Capital projects	-	1,063,608	1,063,608
Total fund balances	1,337,463	1,063,608	2,401,071
Total liabilities and fund balances	\$ 2,385,972	\$ 1,318,622	\$ 3,704,594

YPSILANTI COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended June 30, 2019

	Debt Service	Capital Projects	Nonmajor Governmental Funds
	Ypsilanti Fund	Lighting Project	
Revenues			
Local sources:			
Property taxes	\$ 6,715,510	\$ -	\$ 6,715,510
Interest revenue	48,111	20,541	68,652
Total revenues	<u>6,763,621</u>	<u>20,541</u>	<u>6,784,162</u>
Expenditures			
Debt service:			
Principal	4,770,000	-	4,770,000
Interest	2,258,891	-	2,258,891
Bond issuance costs	-	54,057	54,057
Capital outlay	-	2,550,140	2,550,140
Total expenditures	<u>7,028,891</u>	<u>2,604,197</u>	<u>9,633,088</u>
Revenues under expenditures	(265,270)	(2,583,656)	(2,848,926)
Other financing sources			
Issuance of long-term debt	-	3,647,264	3,647,264
Net change in fund balances	(265,270)	1,063,608	798,338
Fund balances, beginning of year	<u>1,602,733</u>	<u>-</u>	<u>1,602,733</u>
Fund balances, end of year	<u>\$ 1,337,463</u>	<u>\$ 1,063,608</u>	<u>\$ 2,401,071</u>

This page intentionally left blank.

SINGLE AUDIT ACT COMPLIANCE

This page intentionally left blank.

**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

November 1, 2019

Board of Education
Ypsilanti Community Schools
Ypsilanti, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Ypsilanti Community Schools* (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 1, 2019, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the basic financial statements. Such 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Robson LLC

This page intentionally left blank.

This page intentionally left blank.

YPSILANTI COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
National School Breakfast Program:				
2017-2018 School Breakfast	10.553	MDE	181970	\$ 723,335
2018-2019 School Breakfast	10.553	MDE	191970	633,707
Entitlement commodities	10.555	MDE	n/a	185,713
National School Lunch Program:				
2017 - 2018 School Lunch - Section 4	10.555	MDE	181960	1,665,710
2018 - 2019 School Lunch - Section 4	10.555	MDE	191960	1,304,102
National School Snack Program:				
2017-2018 School Snack	10.555	MDE	181980	21,220
2018-2019 School Snack	10.555	MDE	191980	20,630
Summer Food Service Program:				
2018 Summer Food Service	10.559	MDE	180900	17,532
2019 Summer Food Service	10.559	MDE	181900	85,070
Total Child Nutrition Cluster				
Child and Adult Care Food Program:				
2017-2018 CACFP Meals	10.558	MDE	181920	172,136
2017-2018 Cash In Lieu	10.558	MDE	182010	10,120
2018-2019 CACFP Meals	10.558	MDE	191920	150,583
2018-2019 Cash In Lieu	10.558	MDE	192010	9,522
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I , Part A:				
Regular 2017-2018	84.010	MDE	181530-1718	2,813,516
Regular 2018-2019	84.010	MDE	191530-1819	2,571,134
Perkins Grant:				
2017-2018	84.048A	WISD	183520-181223	70,930
2018-2019	84.048A	WISD	193520-191223	76,330

Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue June 30, 2019
\$ 37,252	\$ 621,777	\$ 101,558	\$ 138,810	\$ -
-	-	633,707	529,216	104,491
<u>37,252</u>	<u>621,777</u>	<u>735,265</u>	<u>668,026</u>	<u>104,491</u>
-	-	185,713	185,713	-
81,303	1,430,708	235,002	316,305	-
-	-	1,304,102	1,096,560	207,542
141	19,554	1,666	1,807	-
-	-	20,630	17,806	2,824
<u>81,444</u>	<u>1,450,262</u>	<u>1,747,113</u>	<u>1,618,191</u>	<u>210,366</u>
17,532	17,532	-	17,532	-
-	-	85,070	85,070	-
<u>17,532</u>	<u>17,532</u>	<u>85,070</u>	<u>102,602</u>	<u>-</u>
<u>136,228</u>	<u>2,089,571</u>	<u>2,567,448</u>	<u>2,388,819</u>	<u>314,857</u>
3,733	161,263	10,873	14,606	-
145	9,591	529	674	-
-	-	150,583	150,583	-
-	-	9,522	9,522	-
<u>3,878</u>	<u>170,854</u>	<u>171,507</u>	<u>175,385</u>	<u>-</u>
<u>140,106</u>	<u>2,260,425</u>	<u>2,738,955</u>	<u>2,564,204</u>	<u>314,857</u>
676,708	2,048,582	461,273	1,137,981	-
-	-	1,726,924	-	1,726,924
<u>676,708</u>	<u>2,048,582</u>	<u>2,188,197</u>	<u>1,137,981</u>	<u>1,726,924</u>
24,070	65,199	-	24,070	-
-	-	65,042	35,641	29,401
<u>24,070</u>	<u>65,199</u>	<u>65,042</u>	<u>59,711</u>	<u>29,401</u>

continued...

YPSILANTI COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount
U.S. Department of Education (continued)				
Special Education Cluster:				
I.D.E.A. Flow-Through				
2017-2018	84.027A	WISD	180450-1718	\$ 1,196,123
2018-2019	84.027A	WISD	190450-1819	1,112,506
Preschool Incentive:				
2018-2019	84.173	WISD	190460-1819	29,849
Total Special Education Cluster				
Title III:				
2017 - 2018 Limited English - Immigrant	84.365A	MDE	180580-1718	22,957
2018 - 2019 Limited English	84.365A	WISD	190570-1819	53,393
2018 - 2019 Limited English - Immigrant	84.365A	MDE	190570-1819	20,599
Title II - Part A - Regular:				
2017-2018	84.367	MDE	180520-1718	708,172
2018-2019	84.367	MDE	190520-1819	745,032
Title IV - Part A - Regular:				
2017-2018	84.424	MDE	180750-1718	64,961
2018-2019	84.424	MDE	190750-1819	174,310
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Head Start:				
2017-2018	93.600	WISD	n/a	1,655,069
2018-2019	93.600	WISD	n/a	205,775
2018-2019	93.600	WISD	n/a	1,679,884
Medicaid Cluster -				
Medical Assistance Program Title XI- 2018-2019 Medicaid Outreach Grant	93.778	WISD	n/a	68,210
Total U.S. Department of Health and Human Services				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue June 30, 2019
\$ 397,116	\$ 615,166	\$ 580,957	\$ 978,073	\$ -
-	-	334,415	-	334,415
<u>397,116</u>	<u>615,166</u>	<u>915,372</u>	<u>978,073</u>	<u>334,415</u>
-	-	29,849	-	29,849
<u>397,116</u>	<u>615,166</u>	<u>945,221</u>	<u>978,073</u>	<u>364,264</u>
7,628	7,628	-	7,628	-
-	-	11,041	-	11,041
-	-	20,599	15,330	5,269
<u>7,628</u>	<u>7,628</u>	<u>31,640</u>	<u>22,958</u>	<u>16,310</u>
132,948	476,732	896	133,844	-
-	-	396,071	-	396,071
<u>132,948</u>	<u>476,732</u>	<u>396,967</u>	<u>133,844</u>	<u>396,071</u>
16,873	28,964	-	16,873	-
-	-	101,067	-	101,067
<u>16,873</u>	<u>28,964</u>	<u>101,067</u>	<u>16,873</u>	<u>101,067</u>
<u>1,255,343</u>	<u>3,242,271</u>	<u>3,728,134</u>	<u>2,349,440</u>	<u>2,634,037</u>
911,389	1,655,069	-	911,389	-
-	-	205,775	205,775	-
-	-	1,679,884	696,924	982,960
<u>911,389</u>	<u>1,655,069</u>	<u>1,885,659</u>	<u>1,814,088</u>	<u>982,960</u>
-	-	68,210	-	68,210
<u>911,389</u>	<u>1,655,069</u>	<u>1,953,869</u>	<u>1,814,088</u>	<u>1,051,170</u>
<u>\$ 2,306,838</u>	<u>\$ 7,157,765</u>	<u>\$ 8,420,958</u>	<u>\$ 6,727,732</u>	<u>\$ 4,000,064</u>

concluded.

YPSILANTI COMMUNITY SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Ypsilanti Community Schools (the "District") 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 the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. 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 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.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both the actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and the end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts on the Grant Auditor Reports reconcile with this Schedule.

2. 10% DE MINIMIS COST RATE

For the purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
WISD	Washtenaw County Intermediate School District



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

November 1, 2019

Board of Education
Ypsilanti Community Schools
Ypsilanti, Michigan

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001, -002, -003, -004, and -005 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-006 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Ypsilanti Community Schools’ Responses to the Findings

The District’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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.



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

November 1, 2019

Board of Education
Ypsilanti Community Schools
Ypsilanti, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of *Ypsilanti Community Schools* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District'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 requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District'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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on the Child Nutrition Cluster Program

As described in item 2019-007 in the accompanying schedule of findings and questioned costs, the District did not comply with the Cash Management requirement applicable to its Child Nutrition Cluster program. Compliance with this requirement is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the Child Nutrition Cluster Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Child Nutrition Cluster program for the year ended June 30, 2019.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the other major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 the District 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 the District'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 the District'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 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-007 that we consider to be a material weakness.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

Purpose of this Report

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.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

This page intentionally left blank.

YPSILANTI COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted?

yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

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 and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
10.553, 10.555 and 10.559	Child Nutrition Cluster	Qualified
84.027A and 84.173	Special Education Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes X no

YPSILANTI COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-001 - Timely Year-end Closing and Workpaper Preparation

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The timely preparation and issuance of financial statements in accordance with generally accepted accounting principles requires a coordinated effort between management and the external auditors. This places the burden on the auditee to properly prepare for the audit, including timely closing of the accounting records, preparation of workpapers to support the significant account balances and obtaining the necessary documents needed to perform their procedures.

Condition. The District was not ready for the audit on the appointed start date in September. Year-end reconciliations and closing entries were not complete at the start of the audit and still not complete when the auditors returned seven weeks later. Reconciliations and journal entries needed to adjust the District's general ledger to the appropriate balances were still being done up through October 31st, just a day before the issuance deadline, and could not have been done without the assistance of individuals outside of District personnel.

Cause. The District didn't have clear deadlines and documented processes in place to ensure timely completion of the audit.

Effect. As a result of these conditions, management was unable to timely close the accounting records and prepare for the audit. Additionally, we identified and proposed multiple material audit adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances.

Recommendation. We recommend that the District develop and adhere to (with appropriate oversight) a written plan with detailed tasks and completion points for the timely completion of year end closing procedures to ensure timely issuance of the financial statements.

View of Responsible Officials. The chief financial officer (CFO) who was on staff for most of the fiscal year resigned in May. The interim CFO was appointed in June. The district also hired an outside firm to assist with preparing bank reconciliations and identifying accounting issues in the general ledger. Most of the staff's time was spent addressing these concerns and were significantly behind in preparing for the audit. The District understands the need to have a solid, detailed, written plan to prepare for the audit, including assigning responsibility to the appropriate staff person and a deadline to complete the request by the audit firm and ongoing monitoring of the progress on completing these tasks. The District will work with the audit firm to develop the format for this tracking document and the Superintendent and CFO will provide oversight of the progress.

Responsible Officials. Business Manager

Estimated Completion Date. June 30, 2020

YPSILANTI COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

2019-002 - Material Audit Adjustments

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The District is responsible for the reconciliation of all general ledger accounts to their underlying balances for the purpose of creating a reasonably adjusted trial balance from which the basic financial statements are derived.

Condition. During the audit, multiple versions of the trial balance and adjustments were provided in order to reach proper year-end balances. The majority of the adjustments that were made to the trial balance were identified by the auditors, while a few were identified by the District.

Cause. This condition was the result of a lack of management oversight. Internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect. As a result of this condition, the District's financial statements were initially misstated by amounts that were material to the financial statements.

Recommendation. We recommend that the District prepare, review, and reconcile all year-end schedules that are used in financial reporting prior to audit fieldwork.

View of Responsible Official. As noted in Finding 2019-001, the District will develop a system to track the progress on the completion of the schedules requested by the audit firm. Balance sheet accounts will be reviewed periodically throughout the year to distribute the reconciliation work throughout the year.

Responsible Official. Business Manager

Estimated Completion Date. June 30, 2020

YPSILANTI COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

2019-003 - Preparation of Financial Statements in Accordance with GAAP

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The preparation of financial statements in accordance with GAAP is the responsibility of the District's management and requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting).

Condition. The District has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. With the recent changes in staff, the District no longer has the requisite skills. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the District's internal controls.

Cause. This condition was caused by management's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the District to perform this task internally.

Effect. As a result of this condition, the District lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials. The District has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in its best interest to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Responsible Officials. Business Manager

Estimated Completion Date. June 30, 2020

YPSILANTI COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

2019-004 - Internal Controls over Cash Receipts

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. The District's records for cash receipts prior to March 2019 are unable to be located by management.

Cause. This condition was most likely the result of employee turnover during the year.

Effect. As a result of this condition, the District was unable to provide support for certain accounting transactions.

Recommendation. We recommend the District implement procedures to ensure supporting documentation is kept in a secure location, so that proper support is available for all transactions.

View of Responsible Officials. The District will institute a centralized filing system for all documentation supporting the accounting activity of each fiscal year. The file system will be secured, and a document checkout system will be employed so it is clear who has any documents pulled from the secure file system.

Responsible Officials. Business Manager

Estimated Completion Date. June 30, 2020

YPSILANTI COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

2019-005 - Pension Contributions

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The District is responsible for ensuring that the amounts reported to the State Office of Retirement Systems (ORS) agree to the District's payroll records.

Condition. The information reported to ORS is not reconciled to ensure that it agrees with the District's payroll records. During the year, significant adjustments were necessary as a result of a review performed by ORS. In addition, variances between the ORS submitted information and the payroll records have continued after the ORS review.

Cause. This condition appears to be the result of management not establishing appropriate controls to ensure that information is appropriately reconciled.

Effect. As a result, there is an increased risk that information reported to ORS, as well as payments made to ORS, are not appropriate.

Recommendation. We recommend that the District establish policies and procedures to ensure that amounts reported to ORS are reconciled to the District's payroll records for each pay period, and that the reconciliation be reviewed by an individual knowledgeable of the ORS system.

View of Responsible Officials. The District will work with the staff from the Washtenaw Intermediate School District (ISD) to develop procedures to reconcile the payroll records to the data being reported to the Office of Retirement Services (ORS). Initially, the ISD staff will review the reconciliation and will work with the District to train the staff regarding ORS and/or to direct District staff to available trainings regarding ORS reporting.

Responsible Officials. Business Manager

Estimated Completion Date. June 30, 2020

YPSILANTI COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

2019-006 - Support and Independent Review of Manual Journal Entries

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for establishing effective internal controls to safeguard the District's assets, and to prevent or detect misstatements to the financial statements. Manual journal entries, while an essential part of any accounting system, represent an opportunity to enter information into the District's records in a way that bypasses normal internal controls. Accordingly, the District should have a system in place to ensure that all manual journal entries and similar adjustments made to the District's accounting records are reviewed and approved by an appropriate member of management, independent of the preparer, and that proper documentation is retained to support the transaction.

Condition. The District's policies and procedures in place during the fiscal year under audit did not require an independent review or approval of manual journal entries made by members of senior management. In addition, the District was unable to provide support for 1 of the 10 journal entries selected for testing.

Cause. This condition is the result of management not recognizing the importance of establishing such controls.

Effect. While we are not aware of any actual misstatements caused by this condition, the District was nevertheless exposed to an increased risk that misstatements, whether caused by error or fraud, could occur and not be detected by management in a timely manner.

Recommendation. We recommend that the District establish a procedure requiring written, independent review and approval for all manual journal entries, including transactions that are recurring in nature. This review should be evidenced by signature/initials and date, attached to the supporting documentation, and retained for audit purposes.

View of Responsible Officials. The District's ERP system has the ability to establish approval paths for journal entries. The District will work with the ERP software vendor and/or the ISD staff to assist in setting up this procedure. The District will establish a filing system for journal entry support for manual journal entries. The CFO is sometimes the preparer of manual journal entries and there is no senior staff member with requisite accounting knowledge to be signing off on the CFO-created journal entries. The District will consider a procedure of having the accountant position approve the CFO-created journal entries.

Responsible Officials. Business Manager

Estimated Completion Date. June 30, 2020

YPSILANTI COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS

2019-007 - Cash Management

Finding Type. Material Noncompliance; Material Weakness in Internal Controls over Compliance.

Federal program(s)

U.S. Department of Agriculture:

- Child Nutrition Cluster (CFDA# 10.553, 10.555, and 10.559); Passed through MDE; All project numbers

Criteria. The District is responsible for ensuring that the amount of cash requested as reimbursement is for the actual number of meals served and claimed.

Condition. During our audit procedures over the District's cash management process, it was noted that two of the three claim requests selected for testing did not agree to the District's actual meal counts, one by a material amount.

Cause. This condition is the result of management not recognizing the importance of establishing such controls.

Effect. As a result of this condition, the District does not have proper controls in place over its procedures for submission of claim requests. In the material instance noted above, the District under requested approximately \$114,000 in revenue. It should also be noted, that the food service fund originally ended the fiscal year in a deficit requiring the need for a transfer from the general fund.

Questioned Costs. No costs have been questioned as a result of this finding inasmuch as no unallowable costs were identified.

Recommendation. We recommend that the District establish procedures to ensure that the number of meals being submitted for reimbursement agrees to the actual meal counts.

View of Responsible Officials. The District will establish a procedure to monitor and track each reimbursement submitted agrees with the meal count, to avoid potential loss of revenue in the future. The District will consider a procedure of having the accountant position approve reimbursement claims before submitting it.

Responsible Officials. Business Manager

Estimated Completion Date. June 30, 2020



YPSILANTI COMMUNITY SCHOOLS

■ Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2019

None reported.



This page intentionally left blank.