Ypsilanti Community Schools

Ypsilanti, Michigan

YPSILANTI COMMUNITY SCHOOLS

For the Year Ended June 30, 2018

Financial Statements and Single Audit Act Compliance

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YPSILANTI COMMUNITY SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 25, 2018

Board of Education
Ypsilanti Community Schools
Ypsilanti, Michigan

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2018, 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.

Implementation of GASB Statement No. 75

As described in Note 17, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 25, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018.

Financial Highlights

· Total net position	$ (141,068,131)
· Change in total net position	4,573,024
· Fund balances, governmental funds	8,673,005
· Change in fund balances, governmental funds	520,987
· Unassigned fund balance, general fund	1,413,976
· Change in fund balance, general fund	538,672
· Investment in school improvements	351,307

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 g*overnment-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 fess 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, 2018.

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.

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 debt service Ypsilanti fund which are considered to be major funds. For the year ended June 30, 2018, there was a single nonmajor governmental fund, the debt service willow run fund.

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 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 $141,068,131 at the close of the most recent fiscal year.

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 $(14,191,297) at June 30, 2018. 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	
	2018	2017
Assets		
Current and other assets	$ 18,859,322	$ 17,209,709
Capital assets, net	66,493,475	71,023,856
Total assets	85,352,797	88,233,565
Deferred outflows of resources	20,292,181	13,522,458
Liabilities		
Current and other liabilities	104,862,483	77,897,380
Long-term debt outstanding	135,194,996	143,816,583
Total liabilities	240,057,479	221,713,963
Deferred inflows of resources	6,655,630	2,410,963
Net position		
Net investment in capital assets	(14,191,297)	(16,645,774)
Restricted	1,169,684	1,115,498
Unrestricted (deficit)	(128,046,518)	(106,838,627)
Total net position	$ (141,068,131)	$ (122,368,903)

Total net position as of June 30, 2018 consists of $1,169,684 restricted for food service and debt service. The District also reported a deficit of $128,046,518 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.

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 2018 compared to the changes in net position for fiscal year 2017.

	Net Position	
	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 928,659	$ 2,587,367
Operating grants and contributions	25,411,963	23,958,055
General revenues:		
Property taxes	20,539,372	20,125,074
Unrestricted state school aid	24,298,032	22,327,351
Other	238,934	144,784
Total revenues	71,416,960	69,142,631
Expenses		
Instruction	28,656,737	29,040,425
Supporting services	24,225,028	24,193,225
Athletics	544,499	525,550
Food service	3,279,038	3,365,817
Community services	415,538	375,418
Unallocated depreciation	4,881,688	5,263,324
Interest on long-term debt	4,841,408	5,099,145
Total expenses	66,843,936	67,862,904
Change in net position	4,573,024	1,279,727
Net position:		
Beginning of year	(122,368,903)	(123,648,630)
Restatement for implementation of GASB 75	(23,272,252)	-
End of year	$ (141,068,131)	$ (122,368,903)

Governmental Activities. Governmental activities increased the District's net position by $4,573,024. Key elements of this increase are as follows:

- Total expense decreased from the prior year by $1,018,968. This was primarily due to conservative budgeting practices by the District, and a decrease in interest expense on long-term debt due to the general obligation refunding bonds issued by the District during the current year.

- Total revenue increased from the prior year by $2,274,329 primarily due to the Washtenaw Intermediate School District ("WISD") special education millage, the closing of outstanding workers' compensation account with former vendor resulting in a refund of $766,131 and charges for services revenue generated by the District leasing unused buildings to third parties. Additonally, the District received a supplemental payment of $100,000 in Act 18 revenue based on 20% of our Special Education Headcount for 2016-2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* was adopted by the District during the current fiscal year. Due to this implementation, beginning net position was decreased by $23,272,252.

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 $8,673,005. Of this total amount, $142,794 constitutes nonspendable fund balance to indicate that is not available for new spending because the underlying assets are included in inventory and prepaids, while $2,116,235 is restricted for debt service and food service. Committed fund balance is $5,000,000, which is earmarked for revenue bond debt service payments. The remaining component is unnassigned fund balance of $1,413,976.

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 $1,413,976 while total fund balance was $6,556,770. Total fund balance is 11.6% of total general fund expenditures.

The fund balance of the District's general fund increased by $538,672 during the current fiscal year. The increase was primarily due to conservative budgeting practices by the District for instruction expenditures, a decrease in interest expenditures due to the District's bond refundings, and an increase in the District's interdistrict revenue from the WISD special education millage.

At the end of the current fiscal year, the restricted fund balance of the District's food service fund was $114,345, a decrease of $206,552 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 Ypsilanti debt service fund was $1,602,733, an increase of $35,295 over the prior year. This increase was primarily due to a decrease in interest expenditures due to the District's bond refundings during 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 2017-18 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.

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. The budgets for state and federal revenues were increased by approximately $4.7 million as enrollment numbers and grant allocations became known. Also, the budgets for nearly all instructional and supporting services expenditures were increased by $5.8 million to provide for the actual enrollment counts and expenditures for grants, which were not factored in to the original budget. For the year ended June 30, 2018, total actual expenditures were less than the total final budget amount by approximately $3.6 million, which represents a 6.1% variance. Also general fund actual revenues were less than final amended budget revenue by $1.4 million, which represents a 2.3% variance. These differences were due primarily to the unexpended federal grant funding and carryovers to fiscal 2019.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2018, amounted to $66,493,475 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and building improvements, and furniture and equipment, and buses and other vehicles.

There were no major capital asset addition events during the current fiscal year.

	Capital Assets (Net of Depreciation)	
	2018	2017
Land	$ 811,830	$ 811,830
Land improvements	4,313,984	4,599,477
Buildings and building improvements	60,278,636	64,543,164
Furniture and equipment	1,043,836	977,356
Buses and other vehicles	45,189	92,029
Total capital assets, net	$ 66,493,475	$ 71,023,856

For the current year, the District incurred depreciation expense in excess of capital assets purchased or constructed of approximately $4.5 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 $127,565,000. Those bonds consisted of the following:

	Bonded Debt Outstanding	
	2018	2017
General obligation bonds	$ 127,565,000	$ 136,115,000

Management's Discussion and Analysis

During the year ended June 30, 2018, the District borrowed $485,241 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 2018-19 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 2017-18 fiscal year was 90% of the October 2017 count and 10% of the February 2017 count. The 2018-19 budget was built on a reduction of 50 students for the blended count and a modest increase of $170 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 2018-19 fiscal year, we anticipate that the fall student count will exceed the estimated blended count used in the development of the 2018-19 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, 2018

	Governmental Activities
Assets	
Cash and investments	$ 6,755,525
Receivables	11,961,003
Inventories	11,489
Prepaid items	131,305
Capital assets not being depreciated	811,830
Capital assets being depreciated, net	65,681,645
Total assets	85,352,797
Deferred outflows of resources	
Deferred pension amounts	16,573,293
Deferred other postemployment benefit amounts	1,568,784
Deferred charge on refundings	2,150,104
Total deferred outflows of resources	20,292,181
Liabilities	
Accounts payable and accrued liabilities	7,377,346
State aid notes payable	3,123,864
Unearned revenue	631,658
Long-term liabilities:	
Due within one year	15,258,981
Due in more than one year	119,936,015
Net pension liability	69,813,122
Net other postemployment benefit liability	23,916,493
Total liabilities	240,057,479
Deferred inflows of resources	
Deferred pension amounts	5,836,538
Deferred other postemployment benefit amounts	819,092
Total deferred inflows of resources	6,655,630
Net position	
Net investment in capital assets	(14,191,297)
Restricted for food service	114,345
Restricted for debt service	1,055,339
Unrestricted (deficit)	(128,046,518)
Total net position	$ (141,068,131)

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

YPSILANTI COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2018

		Program Revenues		
Functions / Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Net (Expense) Revenue**
Governmental activities				
Instruction	$ 28,656,737	$ 567,058	$ 17,391,845	$ (10,697,834)
Supporting services	24,225,028	-	5,061,149	(19,163,879)
Athletics	544,499	142,896	-	(401,603)
Food service	3,279,038	218,705	2,958,969	(101,364)
Community services	415,538	-	-	(415,538)
Unallocated depreciation	4,881,688	-	-	(4,881,688)
Interest on long-term debt	4,841,408	-	-	(4,841,408)
Total governmental activities	$ 66,843,936	$ 928,659	$ 25,411,963	(40,503,314)
General revenues				
Property taxes				20,539,372
Unrestricted state aid				24,298,032
Unrestricted investment earnings				238,934
Total general revenues				45,076,338
Change in net position				4,573,024
Net position, beginning of year, as restated				(145,641,155)
Net position, end of year				$ (141,068,131)

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

YPSILANTI COMMUNITY SCHOOLS

Balance Sheet

Governmental Funds
June 30, 2018

	General Fund	Food Service Fund	Debt Service Ypsilanti Fund
Assets			
Cash and investments	$ 2,320,502	$ 2,299,371	$ 1,764,572
Accounts receivable	2,927,472	-	-
Due from other funds	8,483,132	119,487	892,320
Due from other governments	8,860,681	161,158	11,057
Inventory	11,489	-	-
Prepaid items	131,305	-	-
Total assets	$ 22,734,581	$ 2,580,016	$ 2,667,949
Liabilities			
Accounts payable	$ 1,685,481	$ 108,367	$ 975
Salaries payable	4,616,481	19,491	-
State aid anticipation note	3,123,864	-	-
Due to other funds	6,135,574	2,337,813	1,064,241
Unearned revenue	616,411	-	-
Total liabilities	16,177,811	2,465,671	1,065,216
Fund balances			
Nonspendable	142,794	-	-
Restricted for:			
Debt service	-	-	1,602,733
Food service	-	114,345	-
Committed for revenue bond debt service	5,000,000	-	-
Unassigned	1,413,976	-	-
Total fund balances	6,556,770	114,345	1,602,733
Total liabilities and fund balances	$ 22,734,581	$ 2,580,016	$ 2,667,949

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

Nonmajor	
Debt Service Willow Run Fund	Total Governmental Funds
$ 371,080	$ 6,755,525
-	2,927,472
692,505	10,187,444
635	9,033,531
-	11,489
-	131,305
$ 1,064,220	$ 29,046,766
$ -	$ 1,794,823
-	4,635,972
-	3,123,864
649,816	10,187,444
15,247	631,658
665,063	20,373,761
-	142,794
399,157	2,001,890
-	114,345
-	5,000,000
-	1,413,976
399,157	8,673,005
$ 1,064,220	$ 29,046,766

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YPSILANTI COMMUNITY SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2018

Fund balances - total governmental funds	$ 8,673,005
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	811,830
Capital assets being depreciated	171,993,905
Accumulated depreciation	(106,312,260)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and capital lease payable	(127,718,748)
School loan revolving fund debt	(554,508)
Unamortized bond premium	(6,962,862)
Unamortized bond discount	106,734
Unamortized deferred charge on refundings	2,150,104
Accrued interest on bonds payable	(946,551)
Compensated absences	(65,612)
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	(69,813,122)
Net other postemployment benefit liability	(23,916,493)
Deferred outflows related to the net pension liability	16,573,293
Deferred inflows related to the net pension liability	(5,836,538)
Deferred outflows related to the net other postemployment benefit liability	1,568,784
Deferred inflows related to the net other postemployment benefit liability	(819,092)
Net position of governmental activities	$ (141,068,131)

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, 2018

	General Fund	Food Service Fund	Debt Service Ypsilanti Fund
Revenues			
Local sources:			
Property taxes	$ 9,286,601	$ -	$ 7,076,437
Other local revenue	2,025,072	-	-
Food sales	-	218,705	-
Interest revenue	-	-	49,640
State sources	32,342,239	153,529	-
Federal sources	5,209,188	2,805,440	-
Interdistrict sources	8,012,036	-	-
Total revenues	56,875,136	3,177,674	7,126,077
Expenditures			
Current:			
Instructional services	28,746,510	-	-
Supporting services	24,559,578	-	-
Athletics	545,547	-	-
Food service	-	3,284,226	-
Community services	417,159	-	-
Debt service:			
Principal	1,380,201	-	4,582,100
Interest	971,417	-	2,453,654
Tax abated	-	-	55,028
Total expenditures	56,620,412	3,284,226	7,090,782
Revenues over (under) expenditures	254,724	(106,552)	35,295
Other financing sources (uses)			
Issuance of long-term debt	183,948	-	-
Transfers in	100,000	-	-
Transfers out	-	(100,000)	-
Total other financing sources (uses)	283,948	(100,000)	-
Net change in fund balances	538,672	(206,552)	35,295
Fund balances, beginning of year	6,018,098	320,897	1,567,438
Fund balances, end of year	$ 6,556,770	$ 114,345	$ 1,602,733

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

Nonmajor	
Debt Service Willow Run Fund	**Total Governmental Funds**
$ 4,176,334	$ 20,539,372
-	2,025,072
-	218,705
61,739	111,379
-	32,495,768
-	8,014,628
-	8,012,036
4,238,073	71,416,960
-	28,746,510
-	24,559,578
-	545,547
-	3,284,226
-	417,159
2,620,000	8,582,301
1,931,861	5,356,932
12,799	67,827
4,564,660	71,560,080
(326,587)	(143,120)
480,159	664,107
-	100,000
-	(100,000)
480,159	664,107
153,572	520,987
245,585	8,152,018
$ 399,157	$ 8,673,005

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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, 2018

Net change in fund balances - total governmental funds	$ 520,987
Amounts reported for *governmental activities* 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	351,307
Depreciation expense	(4,881,688)
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	(664,107)
Principal payments on bonds and capital leases	8,582,301
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	721,925
Amortization of bond discount	(8,210)
Amortization of deferred charge on refundings	(265,109)
Change in the net pension liability and related deferred amounts	48,618
Change in net other postemployment benefit liability and related deferred amounts	105,451
Change in accrued interest payable on bonds	66,918
Change in compensated absences	(5,369)
Change in net position of governmental activities	$ 4,573,024

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	$ 10,573,200	$ 11,008,445	$ 11,311,673	$ 303,228
State sources	28,146,380	32,554,018	32,342,239	(211,779)
Federal sources	6,620,013	6,895,098	5,209,188	(1,685,910)
Interdistrict sources	8,204,581	7,767,581	8,012,036	244,455
Total revenues	53,544,174	58,225,142	56,875,136	(1,350,006)
Expenditures				
Current:				
Instructional services:				
Basic program	20,184,384	22,162,767	22,318,957	156,190
Added needs	6,225,191	7,263,992	6,427,553	(836,439)
Total instructional services	26,409,575	29,426,759	28,746,510	(680,249)
Supporting services:				
Pupil	7,475,830	8,177,739	6,356,930	(1,820,809)
Instructional staff	2,315,955	2,600,785	2,107,255	(493,530)
General administration	748,686	990,015	794,274	(195,741)
School administration	2,670,588	2,925,494	2,933,792	8,298
Business services	678,710	678,710	502,409	(176,301)
Transportation and maintenance	9,431,967	10,747,565	10,410,304	(337,261)
Central services	1,426,332	1,440,424	1,454,614	14,190
Total supporting services	24,748,068	27,560,732	24,559,578	(3,001,154)
Athletics	641,200	641,200	545,547	(95,653)
Community services	372,428	428,723	417,159	(11,564)
Debt service:				
Principal	1,380,201	1,380,201	1,380,201	-
Interest	831,499	831,499	971,417	139,918
Total debt service	2,211,700	2,211,700	2,351,618	139,918
Total expenditures	54,382,971	60,269,114	56,620,412	(3,648,702)
Revenues over (under) expenditures	(838,797)	(2,043,972)	254,724	2,298,696

continued...

YPSILANTI COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources				
Issuance of long-term debt	$ -	$ -	$ 183,948	$ 183,948
Proceeds from sale of capital assets	25,000	25,000	-	(25,000)
Transfers in	200,000	175,000	100,000	(75,000)
Total other financing sources	225,000	200,000	283,948	83,948
Net change in fund balance	(613,797)	(1,843,972)	538,672	2,382,644
Fund balance, beginning of year	6,018,098	6,018,098	6,018,098	-
Fund balance, end of year	$ 5,404,301	$ 4,174,126	$ 6,556,770	$ 2,382,644

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	$ 150,500	$ 150,500	$ 218,705	$ 68,205
State sources	105,000	105,000	153,529	48,529
Federal sources	2,920,200	2,920,200	2,805,440	(114,760)
Total revenues	3,175,700	3,175,700	3,177,674	1,974
Expenditures				
Current -				
Food service	3,232,972	3,232,972	3,284,226	51,254
Revenues under expenditures	(57,272)	(57,272)	(106,552)	(49,280)
Other financing use				
Transfers out	(200,000)	(200,000)	(100,000)	100,000
Net change in fund balance	(257,272)	(257,272)	(206,552)	50,720
Fund balance, beginning of year	320,897	320,897	320,897	-
Fund balance, end of year	$ 63,625	$ 63,625	$ 114,345	$ 50,720

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

YPSILANTI COMMUNITY SCHOOLS

Statement of Fiduciary Assets and Liabilities

June 30, 2018

	Agency Fund
Assets	
Cash and investments	$ 174,238
Liabilities	
Due to student groups	$ 174,238

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

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NOTES TO FINANCIAL STATEMENTS

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.

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 g*eneral 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 *Ypsilanti 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 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.

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 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.

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 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.

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			
Instructional services -			
Basic program	$ 22,162,767	$ 22,318,957	$ 156,190
Supporting services:			
School administration	2,925,494	2,933,792	8,298
Central services	1,440,424	1,454,614	14,190
Debt service -			
Interest	831,499	971,417	139,918
Food service fund			
Current -			
Food service	3,232,972	3,284,226	51,254

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	$ 6,755,525
Statement of Fiduciary Assets and Liabilities	
Cash and investments	174,238
Total	$ 6,929,763

Deposits and investments	
Bank deposits -	
Checking and savings account	$ 174,238
Investments in external investment pool	6,755,525
Total	$ 6,929,763

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.

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	$ 6,755,525	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, none of the District's bank balance of $176,198 was exposed to custodial credit risk because it was entirely insured.

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.

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	Debt Service Ypsilanti Fund	Nonmajor Fund Debt Service Willow Run Fund	Total
Receivables					
Accounts receivable	$ 2,927,472	$ -	$ -	$ -	$ 2,927,472
Due from other governments	8,860,681	161,158	11,057	635	9,033,531
Total	$ 11,788,153	$ 161,158	$ 11,057	$ 635	$ 11,961,003

6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 811,830	$ -	$ -	$ 811,830
Capital assets being depreciated:				
Land improvements	5,917,414	10,645	-	5,928,059
Buildings and improvements	160,676,323	69,200	-	160,745,523
Furniture and equipment	1,635,215	271,462	-	1,906,677
Vehicles	3,413,646	-	-	3,413,646
	171,642,598	351,307	-	171,993,905
Less accumulated depreciation for:				
Land improvements	1,317,937	296,138	-	1,614,075
Buildings and improvements	96,133,159	4,333,728	-	100,466,887
Furniture and equipment	657,859	204,982	-	862,841
Vehicles	3,321,617	46,840	-	3,368,457
	101,430,572	4,881,688	-	106,312,260
Capital assets being depreciated, net	70,212,026	(4,530,381)	-	65,681,645
Governmental activities capital assets, net	$ 71,023,856	$ (4,530,381)	$ -	$ 66,493,475

Depreciation expense of $4,881,688 was reported as unallocated depreciation and not charged to specific functions.

During the current year, the District purchased 8 copiers under a capital lease. These copiers are recorded in capital assets at a cost of $183,948 and accumulated depreciation of $30,200.

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2018, interfund receivables and payables consisted of the following:

	Due From	Due To
General fund	$ 8,483,132	$ 6,135,574
Food service fund	119,487	2,337,813
Ypsilanti debt service fund	892,320	1,064,241
Willow run debt service fund	692,505	649,816
	$ 10,187,444	$ 10,187,444

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, 2018, interfund transfers consisted of the following:

	Transfers Out	Transfers In
General fund	$ -	$ 100,000
Food service fund	100,000	
	$ 100,000	$ 100,000

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, 2018, a transfer from the food service fund to the general fund was for indirect cost recovery.

8. LONG-TERM DEBT

Long-term debt and other obligations of the District at June 30, 2018, are summarized as follows:

	Beginning Balance	Additions	Deductions	Refunded	Ending Balance	Due Within One Year
Governmental activities						
General obligation bonds	$136,115,000	$ -	$ (8,550,000)	$ -	$127,565,000	$ 14,445,000
School loan revolving fund	71,497	485,241	(2,230)	-	554,508	-
Unamortized bond premium	7,684,787	-	(721,925)	-	6,962,862	721,927
Unamortized bond discount	(114,944)	-	8,210	-	(106,734)	(8,210)
Capital leases	-	183,948	(30,200)	-	153,748	34,652
Compensated absences	60,243	251,597	(246,228)	-	65,612	65,612
	$143,816,583	$ 920,786	$ (9,542,373)	$ -	$135,194,996	$ 15,258,981

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%.	$ 4,475,000
$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%.	14,000,000
$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%.	3,820,000
$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%.	31,945,000

continued...

$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%.	4,775,000
$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%.	32,965,000
Total general obligation bonds	$127,565,000

concluded.

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
2019	$ 14,445,000	$ 4,695,401	$ 19,140,401
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
2024-2028	35,910,000	8,009,988	43,919,988
2029-2033	16,425,000	1,834,000	18,259,000
Totals	$127,565,000	$ 28,771,513	$156,336,513

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	$ 70,925	$ 572	$ 71,497
Additions	480,159	5,082	485,241
Reductions	(2,101)	(129)	(2,230)
Ending balance	$ 548,983	$ 5,525	$ 554,508

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, 2018, the balance of the bonds considered to be defeased is $4,415,000.

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, 2018, the balance of the bonds considered to be defeased is $21,825,000.

Capital Leases

The District entered into a lease agreement during the 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, 2018, are as follows:

Year Ending June 30,	Principal Amount	Interest Amount	Total
2019	$ 34,652	$ 7,288	$ 41,940
2020	36,527	5,413	41,940
2021	38,503	3,437	41,940
2022	40,586	1,354	41,940
2023	3,480	15	3,495
Total minimum lease payments	153,748	17,507	171,255

9. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2018, net investment in capital assets was comprised of the following:

Investment in capital assets:	
Capital assets not being depreciated	$ 811,830
Capital assets being depreciated, net	65,681,645
Less related debt:	
Bonds payable	(127,565,000)
Capital lease	(153,748)
Deferred charge on refunding	2,150,104
Bond premium	(6,962,862)
Bond discount	106,734
Revenue bond (non-capital debt)	14,000,000
School loan revolving fund refunding bonds (non-capital debt)	37,740,000
Net investment in capital assets	$ (14,191,297)

Notes to Financial Statements

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.

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 2018 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 $453,100 in reduced District tax revenues for 2018.

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 $605,068 through State Aid Note, Series 2017A-1, at an interest rate of 1.27%. The District also borrowed $3,044,576 through State Aid Note, Series 2017A-2, at an interest rate of 1.49%. These notes were issued on August 21, 2017 and mature on July 20, 2018. Changes in short-term state aid notes for the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
State aid notes	$ 3,116,368	$ 3,649,644	$ (3,642,148)	$ 3,123,864

14. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) 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.

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

The table below summarizes pension contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 19.03%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 19.03%
Pension Plus	3.00% - 6.40%	16.61% - 18.40%
Pension Plus 2	6.20%	19.74%
Defined Contribution	0.00%	13.54% - 15.27%

Required contributions to the pension plan from the District were $7,382,158 for the year ended June 30, 2018.

The table below summarizes OPEB contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	5.91% - 7.67%
Personal Healthcare Fund (PHF)	0.00%	5.69% - 7.42%

Required contributions to the OPEB plan from the District were $1,717,090 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $69,813,122 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, the District's proportion was 0.26940%, which was a decrease of 0.00244% from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $7,253,370. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 606,724	$ 342,558	$ 264,166
Changes in assumptions	7,648,582	-	7,648,582
Net difference between projected and actual earnings on pension plan investments	-	3,337,527	(3,337,527)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,404,662	2,156,453	(751,791)
	9,659,968	5,836,538	3,823,430
District contributions subsequent to the measurement date	6,913,325	-	6,913,325
Total	$ 16,573,293	$ 5,836,538	$ 10,736,755

$6,913,325 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, 2019. 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
2019	$ 1,289,193
2020	2,234,365
2021	523,492
2022	(223,620)
Total	$ 3,823,430

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

At June 30, 2018, the District reported a liability of $23,916,493 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, the District's proportion was 0.27008%.

For the year ended June 30, 2018, the District recognized OPEB expense of $1,597,360. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 254,640	$ (254,640)
Net difference between projected and actual earnings on OPEB plan investments	-	553,912	(553,912)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	10,540	(10,540)
	-	819,092	(819,092)
District contributions subsequent to the measurement date	1,568,784	-	1,568,784
Total	$ 1,568,784	$ 819,092	$ 749,692

$1,568,784 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	$ (197,744)
2020	(197,744)
2021	(197,744)
2022	(197,744)
2023	(28,116)
Total	$ (819,092)

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, 2016 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	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.5%
Pension Plus plan (hybrid)	7.0%
OPEB plans	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for 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 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on 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 plan's target asset allocation as of September 30, 2017, 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%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	100.00%		5.45%
Inflation			2.05%
Investment rate of return			7.50%

Discount Rate

A discount rate of 7.5% was used to measure the total pension and OPEB liabilities (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension and OPEB plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension 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.

Sensitivity of 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 7.5% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$ 90,943,277	$ 69,813,122	$ 52,022,877

Sensitivity of 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 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	$ 28,013,126	$ 23,916,493	$ 20,439,735

Sensitivity of 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 (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	$ 20,254,055	$ 23,916,493	$ 28,074,937

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.

Payable to the Pension Plan

At June 30, 2018, the District reported a payable of $998,243 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018.

Payable to the OPEB Plan

At June 30, 2018, the District reported a payable of $209,599 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2018.

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 $600,000 through State Aid Note, Series 2018 A, at an interest rate of 1.75%. This note was issued on August 20, 2018 and matures on August 20, 2019. The District also borrowed $3,000,000 through State Aid Note, Series 2018 B, at an interest rate of 2.50%. This note was issued on August 20, 2018 and matures on August 20, 2019.

17. RESTATEMENT

The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* in the current year. As a result of this change, beginning net position of governmental activities was decreased by $23,272,252.

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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,			
	2018	2017	2016	2015
District's proportion of the net pension liability	$ 69,813,122	$ 67,821,267	$ 69,278,931	$ 58,879,966
District's proportionate share of the net pension liability	0.26940%	0.27184%	0.28364%	0.26731%
District's covered payroll	$ 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	306.63%	298.20%	275.01%	209.30%
Plan fiduciary net position as a percentage of the total pension liability	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.

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Pension Contributions

	Year Ended June 30,			
	2018	2017	2016	2015
Statutorily required contribution	$ 7,382,158	$ 6,305,977	$ 6,298,756	$ 5,333,181
Contributions in relation to the statutorily required contribution	(7,382,158)	(6,305,977)	(6,298,756)	(5,333,181)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 23,260,441	$ 22,724,710	$ 22,777,776	$ 23,937,241
Contributions as a percentage of covered payroll	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.

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, 2018
District's proportion of the net OPEB liability	$ 23,916,493
District's proportionate share of the net OPEB liability	0.27008%
District's covered payroll	$ 22,767,911
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	105.04%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30, 2018
Statutorily required contribution	$ 1,717,090
Contributions in relation to the statutorily required contribution	(1,717,090)
Contribution deficiency (excess)	$ -
District's covered payroll	$ 23,260,441
Contributions as a percentage of covered payroll	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.

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SINGLE AUDIT ACT COMPLIANCE

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

October 25, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 25, 2018, 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

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YPSILANTI COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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:				
2016-2017 School Breakfast	10.553	MDE	171970	$ 764,656
2017-2018 School Breakfast	10.553	MDE	181970	621,777
Entitlement commodities	10.555	MDE	n/a	183,464
National School Lunch Program:				
2016-2017 School Lunch - Section 4	10.555	MDE	171960	1,742,380
2017-2018 School Lunch - Section 4	10.555	MDE	181960	1,430,708
National School Snack Program:				
2016-2017 School Snack	10.555	MDE	171980	21,390
2017-2018 School Snack	10.555	MDE	181980	19,554
Summer Food Service Program:				
2017 Summer Food Service	10.559	MDE	170900	62,990
2018 Summer Food Service	10.559	MDE	180900	17,532
Total Child Nutrition Cluster				
Child and Adult Care Food Program:				
2016-17 CACFP Meals	10.558	MDE	171920	167,763
2016-17 Cash In Lieu	10.558	MDE	172010	9,623
2017-18 CACFP Meals	10.558	MDE	181920	161,263
2017-18 Cash In Lieu	10.558	MDE	182010	9,591
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I , Part A:				
Regular 2016-2017	84.010	MDE	171530-1617	2,473,085
Regular 2017-2018	84.010	MDE	181530-1718	2,813,516

Accrued (Unearned) Revenue July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue June 30, 2018
$ 56,296	$ 681,878	$ 82,778	$ 139,074	$ -
-	-	621,777	584,525	37,252
56,296	681,878	704,555	723,599	37,252
-	-	183,464	183,464	-
115,987	1,538,567	203,813	319,800	-
-	-	1,430,708	1,349,405	81,303
400	19,329	2,061	2,461	-
-	-	19,554	19,413	141
116,387	1,557,896	1,839,600	1,874,543	81,444
7,060	7,060	55,930	62,990	-
-	-	17,532	-	17,532
7,060	7,060	73,462	62,990	17,532
179,743	2,246,834	2,617,617	2,661,132	136,228
(3,618)	151,740	16,023	12,405	-
145	8,677	946	1,091	-
-	-	161,263	157,530	3,733
-	-	9,591	9,446	145
(3,473)	160,417	187,823	180,472	3,878
176,270	2,407,251	2,805,440	2,841,604	140,106
492,796	2,031,533	104,075	596,871	-
-	-	2,048,582	1,371,874	676,708
492,796	2,031,533	2,152,657	1,968,745	676,708

continued…

YPSILANTI COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-Through Grantor's Number	Approved Award/ Grant Amount
U.S. Department of Education (continued)				
Perkins Grant:				
2016-2017	84.048A	WISD	173520-171223	$ 79,013
2017-2018	84.048A	WISD	183520-181223	70,930
Special Education Cluster:				
I.D.E.A. Flow-Through				
2016-2017	84.027A	WISD	170450-1617	1,248,832
2017-2018	84.027A	WISD	180450-1718	1,196,123
Preschool Incentive:				
2017-2018	84.173	WISD	180460-1718	32,090
Total Special Education Cluster				
Title III:				
2016-2017 Immigrant	84.365A	WISD	170570-1617	53,701
2016-2017 Limited English	84.365A	WISD	170580-1617	65,255
2017-2018 Limited English	84.365A	WISD	180580-1718	22,957
Title II - Part A - Regular:				
2016-2017	84.367	MDE	170520-1617	1,010,233
2017-2018	84.367	MDE	180520-1718	708,172
Title IV - Part A - Regular:				
2017-2018	84.424	MDE	180750-1718	64,961
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Head Start:				
2016-2017	93.600	WISD	n/a	1,655,069
2017-2018	93.600	WISD	n/a	1,655,069
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue June 30, 2018
$ 41,415	$ 73,309	$ -	$ 41,415	$ -
-	-	65,199	41,129	24,070
41,415	73,309	65,199	82,544	24,070
384,343	887,552	361,280	745,623	-
-	-	615,166	218,050	397,116
384,343	887,552	976,446	963,673	397,116
-	-	32,090	32,090	-
384,343	887,552	1,008,536	995,763	397,116
4,319	4,319	-	4,319	-
20,925	20,925	-	20,925	-
-	-	7,628	-	7,628
25,244	25,244	7,628	25,244	7,628
107,156	696,924	26,915	134,071	-
-	-	476,732	343,784	132,948
107,156	696,924	503,647	477,855	132,948
-	-	28,964	12,091	16,873
1,050,954	3,714,562	3,766,631	3,562,242	1,255,343
1,111,498	1,655,069	-	1,111,498	-
-	-	1,442,557	531,168	911,389
1,111,498	1,655,069	1,442,557	1,642,666	911,389
$ 2,338,722	$ 7,776,882	$ 8,014,628	$ 8,046,512	$ 2,306,838

concluded.

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

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, 2018. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

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

October 25, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2018.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.*

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.

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

October 25, 2018

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, 2018. 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.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2018.

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

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.

Rehmann Robson LLC

YPSILANTI COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	X no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
10.553, 10.555, & 10.559	Child Nutrition Cluster	Unmodified
84.027A & 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, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2018

2017-001 - Internal Controls over Payroll

The auditors noted several issues with internal controls over payroll during the prior year audit. This finding has been disclosed as a management letter comment during the current year.

2017-002 - Procurement, Suspension and Debarment

The District did not retain documentation to indicate it performed a check to ensure that all vendors paid or expected to be paid $25,000 or more were not suspended or debarred from receiving federal funds. This finding was adequately resolved.

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